

MFS INTERMEDIATE HIGH INCOME FUND

Form N-CSRS

July 29, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-5567

MFS INTERMEDIATE HIGH INCOME FUND

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

500 Boylston Street

Boston, Massachusetts 02116

(Name and address of agents for service)

Registrant's telephone number, including area code: (617) 954-5000

Date of fiscal year end: November 30

Date of reporting period: May 31, 2011

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ITEM 1. REPORTS TO STOCKHOLDERS.

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MFS® Intermediate
High Income Fund

SEMIANNUAL REPORT

May 31, 2011

CIH-SEM

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MFS® INTERMEDIATE

HIGH INCOME FUND

New York Stock Exchange Symbol: **CIF**

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NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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LETTER FROM THE CEO

Dear Shareholders:

After an extended rebound in the financial markets, uncertainty returned in 2010 as investors began to question the durability of the recovery for global economies and markets. That uncertainty led to increased risk aversion, especially as investors saw the eurozone struggle with the debt

woes of many of its members and amid a weakening trend in the global macroeconomic data. Last September, the U.S. Federal Reserve Board's promises to further loosen monetary policy helped assuage market fears and drive asset prices off their recent lows. A combination of solid earnings and improving economic data gave an additional boost to investor sentiment. For the remainder of 2011, we are cautiously optimistic that economic growth will continue to improve and that the global economies

will recover from the shocks of the past few years. We expect the pace of recovery worldwide to be uneven and volatile and acknowledge the elevated uncertainty created by events in Japan, Europe, and the Middle East.

As always, we continue to be mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with their advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

Chairman and Chief Executive Officer

MFS Investment Management®

July 15, 2011

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

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PORTFOLIO COMPOSITION

Portfolio structure (i)

Top five industries (i)

Energy Independent	10.0%
Broadcasting	7.4%
Medical & Health Technology & Services	6.9%
Gaming & Lodging	6.7%
Utilities Electric Power	6.5%

Composition including fixed income credit quality (a)(i)

A	1.0%
BBB	6.9%
BB	40.4%
B	55.5%
CCC	20.3%
CC	2.0%
C	0.7%
Not Rated	(1.0)%
Non-Fixed Income	1.9%
Cash & Other	(27.7)%

Portfolio facts (i)

Average Duration (d)	5.6
Average Effective Maturity (m)	7.1 yrs.

- (a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). All ratings are subject to change. Not Rated includes fixed income securities, including fixed income futures, which have not been rated by any rating agency. Non-Fixed Income includes equity securities (including convertible bonds and equity derivatives) and commodities. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund itself has not been rated.
- (d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.
- (i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if applicable. These amounts may be negative

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Portfolio Composition continued

from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

(m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity. From time to time Cash & Other Net Assets may be negative due to borrowings for leverage transactions, timing of cash receipts, and/or equivalent exposure from any derivative holdings.

Percentages are based on net assets as of 5/31/11.

The portfolio is actively managed and current holdings may be different.

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PORTFOLIO MANAGERS PROFILES

William Adams Investment Officer of MFS; employed in the investment management area of MFS since 2009.

David Cole Portfolio Manager of the Fund since May 2011.
Investment Officer of MFS; employed in the investment management area of MFS since 2004.

Portfolio Manager of the fund since June 2007.

Note to Shareholders: Effective May 1, 2011, William Adams replaced John Addeo as a co-manager of the fund.

OTHER NOTES

The fund's shares may trade at a discount or premium to net asset value. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value. When fund shares trade at a premium, buyers pay more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the fund's liquidation. As a result, the total return that is calculated based on the net asset value and New York Stock Exchange price can be different.

The fund's monthly distributions may include a return of capital to shareholders to the extent that distributions are in excess of the fund's net investment income and net capital gains, determined in accordance with federal income tax regulations. Distributions that are treated for federal income tax purposes as a return of capital will reduce each shareholder's basis in his or her shares and, to the extent the return of capital exceeds such basis, will be treated as gain to the shareholder from a sale of shares. Returns of shareholder capital have the effect of reducing the fund's assets and increasing the fund's expense ratio.

In accordance with Section 23(c) of the Investment Company Act of 1940, the fund hereby gives notice that it may from time to time repurchase shares of the fund in the open market at the option of the Board of Trustees and on such terms as the Trustees shall determine.

Table of Contents**PORTFOLIO OF INVESTMENTS**

5/31/11 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Bonds - 124.4%		
Issuer	Shares/Par	Value (\$)
Aerospace - 2.5%		
BE Aerospace, Inc., 8.5%, 2018	\$ 315,000	\$ 348,860
Bombardier, Inc., 7.5%, 2018 (n)	405,000	453,600
Bombardier, Inc., 7.75%, 2020 (n)	95,000	107,350
CPI International Acquisition, Inc., 8%, 2018 (n)	160,000	161,000
Hawker Beechcraft Acquisition Co. LLC, 8.5%, 2015	316,000	266,230
Heckler & Koch GmbH, 9.5%, 2018 (z)	EUR 115,000	155,567
Huntington Ingalls Industries, Inc., 7.125%, 2021 (n)	\$ 160,000	167,000
		\$ 1,659,607
Apparel Manufacturers - 1.3%		
Hanesbrands, Inc., 8%, 2016	\$ 245,000	\$ 265,825
Hanesbrands, Inc., 6.375%, 2020	110,000	108,075
Hanesbrands, Inc., FRN, 3.831%, 2014	220,000	219,175
Phillips-Van Heusen Corp., 7.375%, 2020	240,000	259,200
		\$ 852,275
Asset-Backed & Securitized - 2.9%		
Banc of America Commercial Mortgage, Inc., FRN, 6.247%, 2051 (z)	\$ 450,000	\$ 249,361
Citigroup Commercial Mortgage Trust, FRN, 5.697%, 2049	275,000	175,655
G-Force LLC, CDO, A2, 4.83%, 2036 (z)	125,342	125,969
JPMorgan Chase Commercial Mortgage Securities Corp., B, FRN, 5.741%, 2049	250,617	184,824
JPMorgan Chase Commercial Mortgage Securities Corp., C, FRN, 5.741%, 2049	404,598	253,906
JPMorgan Chase Commercial Mortgage Securities Corp., C, FRN, 6.06%, 2051	155,000	122,511
JPMorgan Chase Commercial Mortgage Securities Corp., D, FRN, 5.741%, 2049	1,169,622	587,651
Wachovia Bank Commercial Mortgage Trust, FRN, 5.693%, 2047	250,000	133,038
Wachovia Bank Commercial Mortgage Trust, FRN, 5.753%, 2047	175,000	76,808
		\$ 1,909,723
Automotive - 4.9%		
Accuride Corp., 9.5%, 2018	\$ 375,000	\$ 411,561
Allison Transmission, Inc., 11%, 2015 (n)	310,000	333,250
Allison Transmission, Inc., 7.125%, 2019 (n)	205,000	203,460
Ford Motor Credit Co. LLC, 8%, 2014	125,000	140,396
Ford Motor Credit Co. LLC, 12%, 2015	1,310,000	1,674,238

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Automotive - continued		
General Motors Financial Co., Inc., 6.75%, 2018 (z)	\$ 80,000	\$ 80,608
Goodyear Tire & Rubber Co., 10.5%, 2016	107,000	121,178
Jaguar Land Rover PLC, 8.125%, 2021 (z)	195,000	198,900
UCI International, Inc., 8.625%, 2019 (n)	60,000	63,000
		\$ 3,226,591
Basic Industry - 0.4%		
Trimas Corp., 9.75%, 2017	\$ 215,000	\$ 238,919
Broadcasting - 6.6%		
Allbritton Communications Co., 8%, 2018	\$ 255,000	\$ 265,835
Citadel Broadcasting Corp., 7.75%, 2018 (n)	40,000	43,250
Entravision Communications Corp., 8.75%, 2017	65,000	69,063
Gray Television, Inc., 10.5%, 2015	50,000	53,125
Inmarsat Finance PLC, 7.375%, 2017 (n)	330,000	349,800
Intelsat Bermuda Ltd., 11.25%, 2017	165,000	178,200
Intelsat Jackson Holdings Ltd., 9.5%, 2016	695,000	729,750
Intelsat Jackson Holdings Ltd., 11.25%, 2016	195,000	206,700
Lamar Media Corp., 6.625%, 2015	260,000	265,850
Lamar Media Corp., C, 6.625%, 2015	165,000	168,300
LBI Media, Inc., 8.5%, 2017 (z)	150,000	126,375
Liberty Media Corp., 8.5%, 2029	160,000	156,800
Local TV Finance LLC, 9.25%, 2015 (p)(z)	268,809	268,809
Newport Television LLC, 13%, 2017 (n)(p)	151,820	155,647
Nexstar Broadcasting, Inc., 7%, 2014 (p)	293,998	294,366
Salem Communications Corp., 9.625%, 2016	36,000	38,610
Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)	125,000	139,688
Sinclair Broadcast Group, Inc., 8.375%, 2018	40,000	42,700
SIRIUS XM Radio, Inc., 13%, 2013 (n)	110,000	130,900
SIRIUS XM Radio, Inc., 8.75%, 2015 (n)	220,000	245,850
SIRIUS XM Radio, Inc., 7.625%, 2018 (n)	125,000	132,813
Univision Communications, Inc., 6.875%, 2019 (n)	205,000	205,000
Univision Communications, Inc., 7.875%, 2020 (n)	90,000	95,400
Young Broadcasting, Inc., 8.75%, 2014 (d)	120,000	0
		\$ 4,362,831
Brokerage & Asset Managers - 1.0%		
E*TRADE Financial Corp., 7.875%, 2015	\$ 260,000	\$ 268,125
E*TRADE Financial Corp., 12.5%, 2017	300,000	360,750
		\$ 628,875
Building - 2.6%		
Building Materials Holding Corp., 6.875%, 2018 (n)	\$ 165,000	\$ 168,300

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Building - continued		
Building Materials Holding Corp., 7%, 2020 (n)	\$ 115,000	\$ 120,175
Building Materials Holding Corp., 6.75%, 2021 (n)	100,000	100,750
CEMEX S.A., 9.25%, 2020	375,000	383,906
Masonite International Corp., 8.25%, 2021 (n)	100,000	100,750
Nortek, Inc., 10%, 2018 (n)	120,000	124,800
Nortek, Inc., 8.5%, 2021 (n)	245,000	233,669
Owens Corning, 9%, 2019	220,000	263,441
Ply Gem Industries, Inc., 13.125%, 2014	185,000	201,650
		\$ 1,697,441
Business Services - 1.8%		
First Data Corp., 12.625%, 2021 (n)	\$ 80,000	\$ 87,000
Interactive Data Corp., 10.25%, 2018 (n)	275,000	305,938
Iron Mountain, Inc., 6.625%, 2016	185,000	185,000
SunGard Data Systems, Inc., 10.25%, 2015	377,000	392,080
SunGard Data Systems, Inc., 7.375%, 2018	100,000	102,000
SunGard Data Systems, Inc., 7.625%, 2020	105,000	108,938
		\$ 1,180,956
Cable TV - 5.4%		
Bresnan Broadband Holdings LLC, 8%, 2018 (n)	\$ 60,000	\$ 63,525
Cablevision Systems Corp., 8.625%, 2017	375,000	422,810
CCH II LLC, 13.5%, 2016	285,000	339,150
CCO Holdings LLC, 7.875%, 2018	355,000	376,300
CCO Holdings LLC, 8.125%, 2020	200,000	216,250
Cequel Communications Holdings, 8.625%, 2017 (n)	80,000	85,000
Charter Communications Operating LLC, 10.875%, 2014 (n)	120,000	133,200
CSC Holdings LLC, 8.5%, 2014	255,000	285,600
CSC Holdings LLC, 8.5%, 2015	90,000	97,650
Insight Communications Co., Inc., 9.375%, 2018 (n)	200,000	224,000
Mediacom LLC, 9.125%, 2019	205,000	222,425
ONO Finance II PLC, 10.875%, 2019 (n)	150,000	166,500
Telenet Finance Luxembourg, 6.375%, 2020 (n)	EUR 100,000	137,974
UPCB Finance III Ltd., 6.625%, 2020 (n)	\$ 354,000	353,115
Videotron LTEE, 6.875%, 2014	110,000	111,513
Virgin Media Finance PLC, 9.125%, 2016	100,000	105,500
Virgin Media Finance PLC, 9.5%, 2016	200,000	228,500
		\$ 3,569,012
Chemicals - 5.7%		
Ashland, Inc., 9.125%, 2017	\$ 250,000	\$ 285,000
Celanese U.S. Holdings LLC, 6.625%, 2018	335,000	353,006
Hexion U.S. Finance Corp/Hexion Nova Scotia Finance, 8.875%, 2018	365,000	391,919

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Chemicals - continued		
Hexion U.S. Finance Corp/Hexion Nova Scotia Finance, 9%, 2020	\$ 60,000	\$ 64,500
Huntsman International LLC, 8.625%, 2021	285,000	318,844
Lyondell Chemical Co., 8%, 2017 (n)	100,000	112,500
Lyondell Chemical Co., 11%, 2018	880,539	991,707
Momentive Performance Materials, Inc., 12.5%, 2014	455,000	500,500
Momentive Performance Materials, Inc., 11.5%, 2016	344,000	370,660
Polypore International, Inc., 7.5%, 2017 (n)	170,000	180,625
Solutia, Inc., 7.875%, 2020	145,000	159,500
		\$ 3,728,761
Computer Software - 0.2%		
Syniverse Holdings, Inc., 9.125%, 2019 (n)	\$ 135,000	\$ 144,619
Computer Software - Systems - 0.7%		
DuPont Fabros Technology, Inc., REIT, 8.5%, 2017	\$ 350,000	\$ 385,438
Eagle Parent, Inc., 8.625%, 2019 (z)	95,000	96,069
		\$ 481,507
Conglomerates - 1.4%		
Amsted Industries, Inc., 8.125%, 2018 (n)	\$ 180,000	\$ 190,800
Griffon Corp., 7.125%, 2018 (n)	255,000	260,100
Pinafore LLC, 9%, 2018 (n)	415,000	455,463
		\$ 906,363
Consumer Products - 1.5%		
ACCO Brands Corp., 10.625%, 2015	\$ 30,000	\$ 33,675
ACCO Brands Corp., 7.625%, 2015	80,000	81,100
Easton-Bell Sports, Inc., 9.75%, 2016	145,000	162,763
Elizabeth Arden, Inc., 7.375%, 2021	120,000	126,000
Jarden Corp., 7.5%, 2020	195,000	207,675
Libbey Glass, Inc., 10%, 2015	131,000	142,790
Visant Corp., 10%, 2017	215,000	227,363
		\$ 981,366
Consumer Services - 1.9%		
KAR Holdings, Inc., 10%, 2015	\$ 121,000	\$ 127,353
Realogy Corp., 10.5%, 2014	85,000	87,125
Realogy Corp., 11.5%, 2017 (n)	115,000	121,325
Service Corp. International, 6.75%, 2015	25,000	26,844
Service Corp. International, 7%, 2017	785,000	854,669
		\$ 1,217,316

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Containers - 2.7%		
Exopack Holding Corp., 10%, 2018 (z)	\$ 155,000	\$ 155,000
Graham Packaging Co. LP/GPC Capital Corp., 9.875%, 2014	195,000	202,313
Graham Packaging Co. LP/GPC Capital Corp., 8.25%, 2018	40,000	43,600
Greif, Inc., 6.75%, 2017	350,000	371,875
Owens-Illinois, Inc., 7.375%, 2016	110,000	121,550
Packaging Dynamics Corp., 8.75%, 2016 (z)	65,000	68,006
Reynolds Group, 8.5%, 2016 (n)	305,000	326,350
Reynolds Group, 7.125%, 2019 (n)	130,000	135,200
Reynolds Group, 9%, 2019 (n)	200,000	212,250
Reynolds Group, 8.25%, 2021 (n)	105,000	106,838
		\$ 1,742,982
Defense Electronics - 0.5%		
ManTech International Corp., 7.25%, 2018	\$ 225,000	\$ 237,375
MOOG, Inc., 7.25%, 2018	90,000	95,625
		\$ 333,000
Electronics - 1.0%		
Freescall Semiconductor, Inc., 10.125%, 2018 (n)	\$ 150,000	\$ 170,813
Freescall Semiconductor, Inc., 9.25%, 2018 (n)	160,000	178,400
Jabil Circuit, Inc., 7.75%, 2016	160,000	181,200
Sensata Technologies B.V., 6.5%, 2019 (z)	155,000	156,744
		\$ 687,157
Energy - Independent - 9.8%		
ATP Oil & Gas Corp., 11.875%, 2015	\$ 95,000	\$ 98,800
Berry Petroleum Co., 10.25%, 2014	150,000	173,250
Bill Barrett Corp., 9.875%, 2016	160,000	181,600
Carrizo Oil & Gas, Inc., 8.625%, 2018 (n)	300,000	318,750
Chaparral Energy, Inc., 8.875%, 2017	220,000	229,900
Concho Resources, Inc., 8.625%, 2017	110,000	119,900
Concho Resources, Inc., 6.5%, 2022	225,000	226,125
Connacher Oil & Gas Ltd., 8.5%, 2019 (z)	210,000	207,375
Continental Resources, Inc., 8.25%, 2019	165,000	181,500
Denbury Resources, Inc., 8.25%, 2020	170,000	187,850
Energy XXI Gulf Coast, Inc., 9.25%, 2017 (n)	175,000	188,563
Harvest Operations Corp., 6.875%, 2017 (n)	285,000	300,675
Hilcorp Energy I LP, 9%, 2016 (n)	280,000	291,200
LINN Energy LLC, 6.5%, 2019 (z)	100,000	100,000
LINN Energy LLC, 8.625%, 2020	20,000	21,900
LINN Energy LLC, 7.75%, 2021 (n)	174,000	183,570
Newfield Exploration Co., 6.625%, 2014	155,000	158,100
Newfield Exploration Co., 6.625%, 2016	90,000	93,038

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Energy - Independent - continued		
Newfield Exploration Co., 6.875%, 2020	\$ 65,000	\$ 68,900
OGX Petroleo e Gas Participacoes S.A., 8.5%, 2018 (z)	202,000	206,747
OPTI Canada, Inc., 9.75%, 2013 (n)	135,000	135,844
OPTI Canada, Inc., 8.25%, 2014	600,000	298,500
Petrohawk Energy Corp., 7.25%, 2018	65,000	68,169
Pioneer Natural Resources Co., 6.875%, 2018	300,000	328,843
Pioneer Natural Resources Co., 7.5%, 2020	200,000	227,141
Plains Exploration & Production Co., 7%, 2017	390,000	400,725
QEP Resources, Inc., 6.875%, 2021	410,000	440,750
Quicksilver Resources, Inc., 9.125%, 2019	165,000	180,675
Range Resources Corp., 8%, 2019	115,000	125,638
SandRidge Energy, Inc., 8%, 2018 (n)	455,000	477,750
Whiting Petroleum Corp., 6.5%, 2018	215,000	223,600
		\$ 6,445,378
Engineering - Construction - 0.2%		
B-Corp. Merger Sub, Inc., 8.25%, 2019 (z)	\$ 105,000	\$ 106,181
Entertainment - 1.4%		
AMC Entertainment, Inc., 8.75%, 2019	\$ 250,000	\$ 268,436
AMC Entertainment, Inc., 9.75%, 2020 (n)	125,000	132,656
Cinemark USA, Inc., 8.625%, 2019	380,000	415,150
NAI Entertainment Holdings LLC, 8.25%, 2017 (n)	90,000	97,200
		\$ 913,442
Financial Institutions - 7.5%		
CIT Group, Inc., 5.25%, 2014 (n)	\$ 250,000	\$ 254,652
CIT Group, Inc., 7%, 2016	420,000	421,575
CIT Group, Inc., 7%, 2017	1,345,000	1,350,044
CIT Group, Inc., 6.625%, 2018 (n)	274,000	288,118
Credit Acceptance Corp., 9.125%, 2017	135,000	146,475
Credit Acceptance Corp., 9.125%, 2017 (z)	55,000	59,538
General Electric Capital Corp., 6.375% to 2017, FRN to 2067	265,000	275,600
International Lease Finance Corp., 8.75%, 2017	300,000	339,750
International Lease Finance Corp., 7.125%, 2018 (n)	246,000	269,370
International Lease Finance Corp., 8.25%, 2020	60,000	67,350
Nationstar Mortgage LLC, 10.875%, 2015 (n)	415,000	435,750
SLM Corp., 8.45%, 2018	80,000	90,200
SLM Corp., 8%, 2020	510,000	562,430
Springleaf Finance Corp., 6.9%, 2017	410,000	389,500
		\$ 4,950,352
Food & Beverages - 2.4%		
ARAMARK Corp., 8.5%, 2015	\$ 430,000	\$ 447,200

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Food & Beverages - continued		
B&G Foods, Inc., 7.625%, 2018	\$ 205,000	\$ 220,375
Constellation Brands, Inc., 7.25%, 2016	180,000	196,875
Pinnacle Foods Finance LLC, 9.25%, 2015	330,000	345,675
Pinnacle Foods Finance LLC, 10.625%, 2017	65,000	69,713
Pinnacle Foods Finance LLC, 8.25%, 2017	50,000	53,063
TreeHouse Foods, Inc., 7.75%, 2018	215,000	232,200
		\$ 1,565,101
Forest & Paper Products - 2.0%		
Boise, Inc., 8%, 2020	\$ 225,000	\$ 243,000
Cascades, Inc., 7.75%, 2017	205,000	217,300
Georgia-Pacific Corp., 7.125%, 2017 (n)	190,000	201,875
Georgia-Pacific Corp., 8%, 2024	85,000	102,425
Georgia-Pacific Corp., 7.25%, 2028	55,000	62,356
Graphic Packaging Holding Co., 7.875%, 2018	125,000	136,250
JSG Funding PLC, 7.75%, 2015	10,000	10,263
Smurfit Kappa Group PLC, 7.75%, 2019 (n)	EUR 120,000	180,031
Xerium Technologies, Inc., 8.875%, 2018 (z)	\$ 155,000	155,000
		\$ 1,308,500
Gaming & Lodging - 6.3%		
American Casinos, Inc., 7.5%, 2021 (n)	\$ 200,000	\$ 207,500
Boyd Gaming Corp., 7.125%, 2016	65,000	61,344
Firekeepers Development Authority, 13.875%, 2015 (n)	335,000	392,788
Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (d)(n)	695,000	348
GWR Operating Partnership LLP, 10.875%, 2017	135,000	147,150
Harrah s Operating Co., Inc., 11.25%, 2017	330,000	371,250
Harrah s Operating Co., Inc., 10%, 2018	164,000	147,600
Harrah s Operating Co., Inc., 10%, 2018	320,000	296,000
Host Hotels & Resorts, Inc., 6.75%, 2016	195,000	201,338
Host Hotels & Resorts, Inc., 9%, 2017	380,000	429,400
MGM Mirage, 10.375%, 2014	40,000	46,200
MGM Mirage, 11.125%, 2017	300,000	348,000
MGM Resorts International, 11.375%, 2018	110,000	126,500
MGM Resorts International, 9%, 2020	170,000	189,125
Penn National Gaming, Inc., 8.75%, 2019	277,000	302,276
Seven Seas Cruises S. de R.L., 9.125%, 2019 (z)	90,000	92,475
Starwood Hotels & Resorts Worldwide, Inc., 6.75%, 2018	100,000	109,750
Station Casinos, Inc., 6.875%, 2016 (d)	715,000	72
Station Casinos, Inc., 6.625%, 2018 (d)	875,000	88
Wyndham Worldwide Corp., 6%, 2016	170,000	181,593
Wyndham Worldwide Corp., 7.375%, 2020	170,000	191,244
Wynn Las Vegas LLC, 7.75%, 2020	280,000	306,950
		\$ 4,148,991

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Industrial - 1.8%		
Altra Holdings, Inc., 8.125%, 2016	\$ 115,000	\$ 124,486
Dematic S.A., 8.75%, 2016 (z)	200,000	203,000
Diversey, Inc., 8.25%, 2019	160,000	172,800
Hillman Group, Inc., 10.875%, 2018	140,000	154,000
Hillman Group, Inc., 10.875%, 2018 (z)	35,000	38,500
Hyva Global B.V., 8.625%, 2016 (n)	200,000	205,000
Mueller Water Products, Inc., 7.375%, 2017	49,000	49,123
Mueller Water Products, Inc., 8.75%, 2020	156,000	174,720
WCA Waste Corp., 7.5%, 2019 (z)	85,000	86,275
		\$ 1,207,904
Insurance - 2.0%		
ING Capital Funding Trust III, FRN, 3.907%, 2049	\$ 80,000	\$ 77,196
ING Groep N.V., 5.775% to 2015, FRN to 2049	485,000	451,050
MetLife, Inc., 9.25% to 2038, FRN to 2068 (n)	600,000	762,000
		\$ 1,290,246
Insurance - Property & Casualty - 1.8%		
Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2088 (n)	\$ 330,000	\$ 447,150
USI Holdings Corp., 9.75%, 2015 (z)	320,000	328,000
XL Group PLC, 6.5% to 2017, FRN to 2049	430,000	405,813
		\$ 1,180,963
International Market Sovereign - 0.4%		
Republic of Ireland, 4.5%, 2020	EUR 85,000	\$ 80,267
Republic of Ireland, 5.4%, 2025	210,000	197,978
		\$ 278,245
Machinery & Tools - 1.5%		
Case Corp., 7.25%, 2016	\$ 90,000	\$ 98,211
Case New Holland, Inc., 7.875%, 2017 (n)	525,000	584,063
Rental Service Corp., 9.5%, 2014	178,000	186,455
RSC Equipment Rental, Inc., 8.25%, 2021	95,000	98,088
		\$ 966,817
Major Banks - 2.7%		
Bank of America Corp., 8% to 2018, FRN to 2049	\$ 730,000	\$ 784,492
JPMorgan Chase & Co., 7.9% to 2018, FRN to 2049	445,000	490,110
Royal Bank of Scotland Group PLC, 7.648% to 2031, FRN to 2049	450,000	426,375
Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (d)(n)	100,000	92,500
		\$ 1,793,477

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Medical & Health Technology & Services - 6.8%		
Biomet, Inc., 10.375%, 2017 (p)	\$ 85,000	\$ 94,350
Biomet, Inc., 11.625%, 2017	475,000	533,186
CDRT Merger Sub, Inc., 8.125%, 2019 (z)	80,000	80,700
Davita, Inc., 6.375%, 2018	440,000	450,450
Davita, Inc., 6.625%, 2020	105,000	107,625
Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n)	165,000	188,719
HCA, Inc., 9.25%, 2016	515,000	549,763
HCA, Inc., 8.5%, 2019	480,000	537,000
HealthSouth Corp., 8.125%, 2020	435,000	478,500
United Surgical Partners International, Inc., 8.875%, 2017	95,000	100,581
United Surgical Partners International, Inc., 9.25%, 2017 (p)	125,000	132,656
Universal Health Services, Inc., 7%, 2018	80,000	83,700
Universal Hospital Services, Inc., 8.5%, 2015 (p)	400,000	414,000
Vanguard Health Systems, Inc., 0%, 2016 (z)	45,000	29,081
Vanguard Health Systems, Inc., 8%, 2018	230,000	239,775
VWR Funding, Inc., 10.25%, 2015 (p)	402,062	420,657
		\$ 4,440,743
Metals & Mining - 2.3%		
Arch Coal, Inc., 7.25%, 2020	\$ 110,000	\$ 116,050
Arch Western Finance LLC, 6.75%, 2013	85,000	85,319
Cloud Peak Energy, Inc., 8.25%, 2017	165,000	179,850
Cloud Peak Energy, Inc., 8.5%, 2019	225,000	250,875
Consol Energy, Inc., 8%, 2017	170,000	186,150
Consol Energy, Inc., 8.25%, 2020	110,000	122,100
Novelis, Inc., 8.375%, 2017	110,000	119,900
Novelis, Inc., 8.75%, 2020	60,000	66,300
Peabody Energy Corp., 7.375%, 2016	350,000	395,500
		\$ 1,522,044
Natural Gas - Distribution - 0.7%		
AmeriGas Partners LP, 7.125%, 2016	\$ 295,000	\$ 304,586
Ferrellgas Partners LP, 8.625%, 2020	117,000	128,700
		\$ 433,286
Natural Gas - Pipeline - 2.4%		
Atlas Pipeline Partners LP, 8.75%, 2018	\$ 200,000	\$ 216,000
Colorado Interstate Gas Co., 6.8%, 2015	91,000	106,594
Crosstex Energy, Inc., 8.875%, 2018	235,000	254,975
El Paso Corp., 7%, 2017	185,000	214,487
El Paso Corp., 7.75%, 2032	205,000	249,707
Energy Transfer Equity LP, 7.5%, 2020	290,000	316,100
Enterprise Products Partners LP, 8.375% to 2016, FRN to 2066	109,000	118,810

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Natural Gas - Pipeline - continued		
Enterprise Products Partners LP, 7.034% to 2018, FRN to 2068	\$ 67,000	\$ 70,685
		\$ 1,547,358
Network & Telecom - 2.8%		
Cincinnati Bell, Inc., 8.75%, 2018	\$ 270,000	\$ 260,550
Citizens Communications Co., 9%, 2031	70,000	73,063
Frontier Communications Corp., 8.25%, 2017	65,000	71,338
Frontier Communications Corp., 8.125%, 2018	195,000	214,256
Qwest Communications International, Inc., 8%, 2015	105,000	114,975
Qwest Communications International, Inc., 7.125%, 2018 (n)	315,000	341,381
Qwest Communications International, Inc. B, 7.5%, 2014	250,000	253,438
Qwest Corp., 7.5%, 2014	145,000	164,575
Windstream Corp., 8.125%, 2018	45,000	49,106
Windstream Corp., 7.75%, 2020	200,000	215,000
Windstream Corp., 7.75%, 2021	100,000	108,250
		\$ 1,865,932
Oil Services - 1.2%		
Edgen Murray Corp., 12.25%, 2015	\$ 105,000	\$ 107,625
Expro Finance Luxembourg, 8.5%, 2016 (n)	190,000	185,250
McJunkin Red Man Holding Corp., 9.5%, 2016 (n)	160,000	164,800
Pioneer Drilling Co., 9.875%, 2018	230,000	249,263
Unit Corp., 6.625%, 2021	50,000	50,750
		\$ 757,688
Oils - 0.3%		
Petroplus Holdings AG, 9.375%, 2019 (n)	\$ 205,000	\$ 210,125
Other Banks & Diversified Financials - 1.5%		
Capital One Financial Corp., 10.25%, 2039	\$ 220,000	\$ 234,025
Groupe BPCE S.A., 12.5% to 2019, FRN to 2049 (n)	125,000	147,471
LBG Capital No.1 PLC, 7.875%, 2020 (n)	210,000	206,850
Santander UK PLC, 8.963% to 2030, FRN to 2049	352,000	396,774
		\$ 985,120
Printing & Publishing - 0.7%		
American Media, Inc., 13.5%, 2018 (z)	\$ 28,207	\$ 30,605
McClatchy Co., 11.5%, 2017	100,000	109,500
Morris Publishing Group LLC, 10%, 2014	87,311	85,128
Nielsen Finance LLC, 11.5%, 2016	97,000	114,703
Nielsen Finance LLC, 7.75%, 2018 (n)	105,000	112,613
		\$ 452,549

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Railroad & Shipping - 0.6%		
Kansas City Southern de Mexico, 6.125%, 2021 (z)	\$ 90,000	\$ 90,450
Kansas City Southern Railway, 8%, 2015	310,000	337,125
		\$ 427,575
Real Estate - 1.2%		
CB Richard Ellis Group, Inc., 11.625%, 2017	\$ 180,000	\$ 212,400
CNL Lifestyle Properties, Inc., REIT, 7.25%, 2019 (n)	80,000	76,400
Entertainment Properties Trust, REIT, 7.75%, 2020 (n)	200,000	220,000
Kennedy Wilson, Inc., 8.75%, 2019 (n)	155,000	156,938
MPT Operating Partnership, 6.875%, 2021 (n)	130,000	130,650
		\$ 796,388
Restaurants - 0.1%		
Dunkin Finance Corp., 9.625%, 2018 (n)	\$ 54,000	\$ 54,472
Retailers - 3.1%		
Burlington Coat Factory Warehouse Corp., 10%, 2019 (n)	\$ 100,000	\$ 100,250
Express LLC/Express Finance Corp., 8.75%, 2018	110,000	119,350
J. Crew Group, Inc., 8.125%, 2019 (n)	70,000	67,200
Limited Brands, Inc., 6.9%, 2017	125,000	136,250
Limited Brands, Inc., 6.95%, 2033	175,000	162,969
Neiman Marcus Group, Inc., 10.375%, 2015	300,000	315,750
QVC, Inc., 7.375%, 2020 (n)	125,000	134,063
Sally Beauty Holdings, Inc., 10.5%, 2016	275,000	298,375
Toys R Us Property Co. II LLC, 8.5%, 2017	330,000	353,513
Toys R Us, Inc., 10.75%, 2017	280,000	316,400
Yankee Holdings Corp., 10.25%, 2016 (n)(p)	55,000	56,650
		\$ 2,060,770
Specialty Stores - 0.4%		
Michaels Stores, Inc., 11.375%, 2016	\$ 125,000	\$ 135,156
Michaels Stores, Inc., 7.75%, 2018 (n)	155,000	158,488
		\$ 293,644
Telecommunications - Wireless - 6.0%		
Clearwire Corp., 12%, 2015 (n)	\$ 435,000	\$ 475,781
Cricket Communications, Inc., 7.75%, 2016	135,000	143,438
Crown Castle International Corp., 9%, 2015	215,000	238,650
Crown Castle International Corp., 7.125%, 2019	345,000	367,425
Digicel Group Ltd., 8.25%, 2017 (n)	235,000	246,750
Digicel Group Ltd., 10.5%, 2018 (n)	100,000	113,000
EH Holding Corp., 7.625%, 2021 (z)	55,000	56,238
MetroPCS Wireless, Inc., 7.875%, 2018	205,000	220,631

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Telecommunications - Wireless - continued		
Nextel Communications, Inc., 7.375%, 2015	\$ 170,000	\$ 171,063
NII Holdings, Inc., 10%, 2016	160,000	183,600
NII Holdings, Inc., 8.875%, 2019	100,000	110,750
NII Holdings, Inc., 7.625%, 2021	100,000	106,125
SBA Communications Corp., 8%, 2016	80,000	86,900
SBA Communications Corp., 8.25%, 2019	125,000	137,656
Sprint Capital Corp., 6.875%, 2028	90,000	87,300
Sprint Nextel Corp., 8.375%, 2017	450,000	507,375
Sprint Nextel Corp., 8.75%, 2032	110,000	121,413
Wind Acquisition Finance S.A., 11.75%, 2017 (n)	300,000	348,750
Wind Acquisition Finance S.A., 7.25%, 2018 (n)	210,000	223,125
		\$ 3,945,970
Telephone Services - 0.2%		
Cogent Communications Group, Inc., 8.375%, 2018 (n)	\$ 100,000	\$ 104,500
Transportation - 0.1%		
Navios South American Logistics, Inc., 9.25%, 2019 (n)	\$ 81,000	\$ 82,620
Transportation - Services - 2.8%		
ACL I Corp., 10.625%, 2016 (p)(z)	\$ 150,000	\$ 144,881
Aguila American Resources Ltd., 7.875%, 2018 (n)	150,000	153,375
American Petroleum Tankers LLC, 10.25%, 2015	131,000	139,186
Atlas Airlines, Inc. Pass-Through Certificates, A-1, 7.2%, 2019	107,009	110,219
Atlas Airlines, Inc. Pass-Through Certificates, B, 7.68%, 2014	122,966	120,507
Commercial Barge Line Co., 12.5%, 2017	315,000	365,400
Hertz Corp., 8.875%, 2014	55,000	56,375
Hertz Corp., 7.5%, 2018 (n)	130,000	136,500
Hertz Corp., 7.375%, 2021 (n)	90,000	93,150
Navios Maritime Acquisition Corp., 8.625%, 2017 (z)	95,000	97,138
Navios Maritime Acquisition Corp., 8.625%, 2017	105,000	107,363
Navios Maritime Holdings, Inc., 8.875%, 2017	90,000	96,525
Swift Services Holdings, Inc., 10%, 2018 (n)	200,000	222,000
		\$ 1,842,619
Utilities - Electric Power - 6.4%		
AES Corp., 8%, 2017	\$ 390,000	\$ 421,686
Calpine Corp., 8%, 2016 (n)	415,000	452,350
Calpine Corp., 7.875%, 2020 (n)	215,000	227,900
Covanta Holding Corp., 7.25%, 2020	205,000	220,285
Dynegy Holdings, Inc., 7.5%, 2015	65,000	54,763
Dynegy Holdings, Inc., 7.125%, 2018	540,000	378,000
Dynegy Holdings, Inc., 7.75%, 2019	255,000	186,150

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Utilities - Electric Power - continued		
Edison Mission Energy, 7%, 2017	\$ 395,000	\$ 326,863
EDP Finance B.V., 6%, 2018 (n)	175,000	170,310
Energy Future Holdings Corp., 10%, 2020	270,000	292,318
Energy Future Holdings Corp., 10%, 2020	455,000	494,884
GenOn Energy, Inc., 9.875%, 2020	475,000	499,938
NRG Energy, Inc., 7.375%, 2017	165,000	174,075
NRG Energy, Inc., 8.25%, 2020	160,000	164,000
Texas Competitive Electric Holdings Co. LLC, 11.5%, 2020 (n)	120,000	121,500
		\$ 4,185,022
Total Bonds (Identified Cost, \$79,931,471)		\$ 81,713,323
Floating Rate Loans (g)(r) - 0.7%		
Aerospace - 0.1%		
Hawker Beechcraft Acquisition Co. LLC, Term Loan, 10.5%, 2014	\$ 103,344	\$ 104,946
Broadcasting - 0.3%		
Gray Television, Inc., Term Loan B, 3.71%, 2014	\$ 64,826	\$ 64,316
Local TV Finance LLC, Term Loan B, 2.31%, 2013	14,880	14,573
New Young Broadcasting Holding Co., Inc., Term Loan, 8%, 2015	92,724	93,246
		\$ 172,135
Building - 0.0%		
Goodman Global Holdings, Inc., 2nd Lien Term Loan, 9%, 2017	\$ 9,907	\$ 10,202
Financial Institutions - 0.1%		
Springleaf Finance Corp., Term Loan, 5.5%, 2017	\$ 80,705	\$ 80,579
Gaming & Lodging - 0.2%		
Green Valley Ranch Gaming LLC, Second Lien Term Loan, 3.5%, 2014 (d)	\$ 525,000	\$ 4,115
MGM Mirage, Term Loan, 7%, 2014	119,806	119,107
		\$ 123,222
Total Floating Rate Loans (Identified Cost, \$812,955)		\$ 491,084
Convertible Preferred Stocks - 0.6%		
Automotive - 0.3%		
General Motors Co., 4.75%	4,360	\$ 218,436
Insurance - 0.3%		
MetLife, Inc., 5%	2,330	\$ 192,714
Total Convertible Preferred Stocks (Identified Cost, \$410,831)		\$ 411,150

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Portfolio of Investments (unaudited) continued

Preferred Stocks - 0.6%

Issuer

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 the partnership agreement permits, our general partner may consider only the interests and factors that it desires, and in such cases it has no obligation to

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give any consideration to any interest of, or factors affecting us, our affiliates or our unitholders. Decisions made by our general partner in its individual capacity will be made by its sole owner, Capital Maritime. Specifically, pursuant to our partnership agreement, our general partner will be considered to be acting in its individual capacity if it exercises its call right, preemptive rights or registration rights, consents or withholds consent to any merger or consolidation of the partnership, appoints any directors or votes for the election of any director, votes or refrains from voting on amendments to our partnership agreement that require a vote of the outstanding units, voluntarily withdraws from the partnership, transfers (to the extent permitted under our partnership agreement) or refrains from transferring its units, general partner interest or incentive distribution rights, or votes upon the dissolution of the partnership;

provides that our general partner and our directors are entitled to make other decisions in good faith if they reasonably believe that the decisions are 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 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 will consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and

provides that neither our general partner and its officers nor our directors will be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or directors or its officers or directors or those other persons engaged in actual fraud or willful misconduct.

In order to become a limited partner of our partnership, a unitholder is required to agree to be bound by the provisions in the partnership agreement, including the provisions discussed above.

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

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

The unitholders will be unable to remove our general partner without its consent so long as our general partner and its affiliates own sufficient units to be able to prevent such removal. The vote of the holders of at least 66 2/3% of all outstanding units voting together as a single class and a majority of our board of directors is required to remove the general partner. As of December 31, 2013, the Marinakis family, including Evangelos M. Marinakis, chairman, may be deemed to beneficially own a 27.3% interest in us through its beneficial ownership, amongst others, of Capital Maritime and Capital Carriers Investments.

Common unitholders elect five of the eight members of our board of directors. Our general partner in its sole discretion has the right to appoint the remaining three directors.

Election of the five directors elected by common unitholders is staggered, meaning that the members of only one of three classes of our elected directors are selected each year. In addition, the directors appointed by our general partner will serve for terms determined by our general partner.

Our partnership agreement contains provisions limiting the ability of unitholders to call meetings of unitholders, to nominate directors and to request information about our operations as well as other provisions limiting the unitholders' ability to influence the manner or direction of management. Unitholders' voting rights are further restricted by the partnership agreement provision providing that if any person or group, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of our board of directors, owns beneficially more of any class of units then outstanding, any such units owned by that person or group in excess of 4.9%

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may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating requirements except for purposes of nominating a person for election to our board, determining the presence of a quorum or for other similar purposes, unless by law. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other common unitholders holding 4.9% of the voting power of all classes of units entitled to vote.

We have substantial latitude in issuing equity securities without unitholder approval.

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

The control of our general partner may be transferred to a third party without unitholder consent.

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

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

The market price of our common units could decline due to sales of a large number of units, or the issuance of debt securities or warrants, in the market, or the sales of units by our large unitholders or under our three registration statements on Form F-3 filed with the SEC during 2011, 2012 and 2013, or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that is appropriate to raise funds through future offerings of common units. Please see Item 4A: History and Development of the Partnership for a more detailed description of our three registration statements on Form F-3 filed with the SEC.

In addition, pursuant to the terms of our partnership agreement, holders of our Class B Units may convert all or a portion of their Class B Units into common units at any time, and from time to time, at a ratio of one-for-one, such conversion ratio to be adjusted in the event that, among other certain anti-dilution provisions, the distribution rate on our common units is increased. As of December 31, 2013, certain Class B unitholders have converted 5,733,333 Class B Units into 5,733,333 common units. For a more thorough description of the rights and privileges of our Class B unitholders under our partnership agreement, including voting rights, please refer to our partnership agreement, as amended, filed as Exhibit I to our Current Report on Form 6-K dated February 22, 2010, as Exhibit II to our Current Report on Form 6-K dated September 30, 2011, as Exhibit II to the our Current Report on Form 6-K/A dated May 23, 2012 and as Exhibit III to our Current Report on Form 6-K dated March 21, 2013.

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

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

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

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

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

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

As a limited partner in a partnership organized under the laws of The Marshall Islands, you could be held liable for our obligations to the same extent as a general partner if you participate in the control of our business (and the person who transacts business with us reasonably believes, based on the limited partner's actions, that the limited partner is a general partner). Our general partner generally has unlimited liability for the obligations of the partnership, such as its debt and environmental liabilities, except for those contractual obligations of the partnership that are expressly made without recourse to our general partner. In addition, limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some jurisdictions in which we do business. Please read "The Partnership Agreement - Limited Liability" in our Registration Statement on Form F-1 filed with the SEC on 08/20/2007, for a more detailed discussion of the implications of the limitations on liability to a unitholder.

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

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

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

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

Unitholders may have liability to repay distributions.

Under some circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under the Marshall Islands Limited Partnership Act (the "MILPA"), we may not make a distribution if the distribution would cause our liabilities (other than liabilities to partners on account of their partnership 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 our assets 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 were 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 they became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement.

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

We completed our IPO on the Nasdaq Global Market on April 3, 2007. As a publicly traded limited partnership, we are required to comply with the SEC's reporting requirements and with corporate governance and related requirements of the U.S. Sarbanes-Oxley Act of 2002, the SEC and the Nasdaq Global Market, and our common units are listed. Section 404 of the U.S. Sarbanes-Oxley Act of 2002 ("SOX 404") requires that we evaluate and determine the effectiveness of our internal control over financial reporting on an annual basis and include in our reports filed with the SEC our management's assessment of the effectiveness of our internal control over financial reporting and a related attestation of our independent registered public accounting firm. As our manager, Capital Maritime Management, L.P., is unable to 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 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, unitholders, tax returns, investor relations, registrar and transfer agent's fees, incremental director and officer liability insurance costs and director compensation.

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

Our affairs are governed by our partnership agreement and the MILPA. The provisions of the MILPA resemble provisions of the limited partnership law of a number of states in the United States, most notably Delaware. The MILPA also provides that it is to be applied and construed to make it uniform with the Delaware Revised Uniform Partnership Act and, so long as it does not conflict with the MILPA or decisions of the Marshall Islands courts, interpreted according to the non-statutory law (or case law) of the State of Delaware. However, there have been few, if any, judicial cases in the Republic of The Marshall Islands interpreting the MILPA. For example, the rights and fiduciary responsibilities of directors under the laws of the Republic of The Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Although the MILPA 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 the United States jurisdiction.

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

We are organized under the laws of the Republic of The Marshall Islands, as is our general partner and most of our subsidiaries. Most of our directors, officers and directors 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 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.

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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) impose, in original actions, liabilities against us or our subsidiaries based upon these laws.

TAX RISKS

In addition to the following risk factors, you should read Item 10E: Taxation below for a more complete discussion of the expected material U.S. 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 our 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 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 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 them from 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 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 become a PFIC for any future taxable year if there were to be changes in our assets, income or operations. See Item 10E: Taxation Material United States Federal Income Tax Considerations PFIC Status and Significant Tax Consequences.

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

Under the Internal Revenue Code of 1986, as amended (the Code), 50% of the gross shipping income of a vessel owning or chartering corporation is attributable to transportation that either begins or ends, but that does not both begin and end, in the U.S. is characterized as U.S. source shipping income. U.S. source shipping 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 into account in our U.S. federal income tax return reporting purposes. See Item 10E: Taxation Material United States Federal Income Tax Considerations The Section 883 Exemption. However, there are factual circumstances, including some that may be beyond our control, which could cause us to lose the benefit of this tax exemption. In addition, our conclusion that we currently qualify for this exemption is based upon legal authorities that do not expressly contemplate an organizational structure such as ours. Although we have elected to be treated as a corporation for U.S. federal income tax purposes, for corporate law purposes we are organized as a limited partnership under Marshall Islands law. Our general partner will be responsible for managing our business and affairs and has been granted certain decision-making 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 for the exemption, 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 to 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 earnings and would result in decreased earnings available for distribution to our unitholders.

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

We intend that our affairs and the business of each of our subsidiaries will be conducted and operated in a manner that minimizes income taxes imposed on 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 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 our income allocated 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 are treated as carrying on business in any country, including Greece, will largely be a question of fact determined through an analysis of contractual arrangements, including the management and the administrative services agreements we have entered into with Capital Ship Management, and the way we conduct our operations, all of which may change over time. The laws of Greece or any other foreign country may also change, which could cause the country's taxing authorities to determine that we are carrying on business in such country and are subject to its taxation laws. Any foreign taxes imposed on us or any subsidiaries will reduce our cash available for distribution.

Item 4. Information on the Partnership.**A. History and Development of the Partnership**

We are a master limited partnership formed as Capital Product Partners L.P. under the laws of The Marshall Islands on January 16, 2007. We completed our initial offering in April 2007 at which time our fleet consisted of eight vessels as compared to the 30 currently in our fleet. We maintain our principal executive headquarters at Iassonos Street, Piraeus, 18537 Greece and our telephone number is +30 210 4584 950. Our registered address in the Marshall Islands is Trust Company of the Marshall Islands, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The name of our registered agent at such address is The Trust Company of the Marshall Islands, Inc.

On February 23, 2010, we announced the issuance of 5,800,000 common units at a public offering price of \$8.85 per common unit under our Registration Statement on Form F-3 dated August 29, 2008, as amended (the "2008 Form F-3"). An additional 481,578 common units were subsequently sold on the offering following the partial exercise of the over-allotment option granted to the underwriters for the offering. Capital GP L.L.C., our general partner, participated in the offering and the exercise of the over-allotment option and purchased an additional 128,195 units at the public offering price, thereby maintaining its 2% interest in us. Aggregate proceeds, net of commissions but before expenses relating to the offering, were approximately \$54.0 million. The net proceeds from the offering were used to acquire one MR tanker at an acquisition price of \$43.0 million and for general partnership purposes.

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

On August 9, 2010, we announced the issuance of 5,500,000 common units at a public offering price of \$8.63 per common unit under our 2008 Form F-3. An additional 552,254 common units were subsequently sold on the same terms following the partial exercise of the over-allotment option granted to the underwriters. Capital GP L.L.C., our general partner, participated in both the offering and the exercise of the over-allotment option and purchased an additional 123,515 units at the public offering price, thereby maintaining its 2% interest in us.

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Aggregate proceeds, net of commissions but before expenses relating to the offering, were approximately \$50.8 million. The net proceeds from the offering were used to acquire one MR tanker at an acquisition price of \$43.5 million and for general partnership purposes.

On May 5, 2011, we entered into a definitive agreement to merge with Crude Carriers in a unit-for-share transaction whereby Crude Carriers would become a wholly owned subsidiary of ours. The exchange ratio was 1.56 of our units for each Crude Carriers share. In September 2011, we completed the merger with Crude Carriers, which was approved by 60.3% of Crude Carriers' unaffiliated shareholders voting as a separate class, representing approximately 97.9% of the vote cast, at a special shareholders' meeting. In connection with the merger, we issued an additional 24,967,240 common units to holders of Crude Carriers' shares, which include 3,284,210 common units resulting from the conversion of Crude Carriers' Class B Shares owned by Crude Carriers Investments and 623,064 common units resulting from the conversion of common shares issued under the Crude Carriers Equity Incentive Plan (the "Crude Plan"). We also approved the election of Christacopoulos, an independent member of the Crude Carriers board, to our board of directors. Concurrently with the completion of the merger, and in connection with our general partner to maintain its 2% interest in us, 499,346 common units owned by Capital Maritime were converted into general partner units. For additional information regarding the merger with Crude Carriers please see our Registration Statement on Form F-4 filed with the SEC and declared effective on August 1, 2011 (our Form F-4) and Note 3 (Acquisitions) to our Financial Statements included herein.

In June 2011, we completed the acquisition of the vessel owning company of the M/V Cape Agamemnon and the attached charter from Capital Maritime. The vessel is under a charter to Cosco, which was amended in November 2011, for a ten-year period which commenced in July 2010. The acquisition was funded through \$1.5 million from available cash and the incurrence of \$25.0 million of debt under our 2011 credit facility and the remainder through the issuance of 6,958,000 common units to Capital Maritime. The acquisition was approved by our board of directors following approval by the conflicts committee.

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

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

In September 2011, pursuant to the terms of our merger agreement with Crude Carriers, we amended and restated the omnibus agreement we had entered into at the time of our IPO with Capital Maritime. Under the terms of the amended and restated omnibus agreement Capital Maritime and its controlled affiliates (other than us, our general partner and our subsidiaries) have agreed not to acquire, own or operate product or crude oil tankers with carrying capacity over 30,000 dwt on time or bareboat charters with a remaining duration, excluding any extension options, of at least 12 months at the earliest of the following dates: (a) the date on which the tanker to which such time or bareboat charter is attached is first acquired by Capital Maritime and its controlled affiliates and (b) the date on which a tanker vessel is first acquired by Capital Maritime or its controlled affiliates is put under such time or bareboat charter without the consent of our general partner or first offering such vessel to us. Similarly, we may not acquire, own or operate product or crude oil tankers with carrying capacity under 30,000 dwt, other than vessels we have acquired prior to the date of such restatement without first offering such tanker vessel first to Capital Maritime. In addition, both we and Capital Maritime have granted the other party a right of first offer on the transfer or rechartering of any vessels with carrying capacity over 30,000 dwt.

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

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In May 2012 we announced an agreement to issue \$140.0 million of Class B Units to a group of investors including amongst others Kayne Anderson Advisors, L.P., Swank Capital LLC, Salient Partners, Spring Creek Capital LLC, Mason Street Advisors LLC and our sponsor Capital Maritime (the "Purchasers"). As of June 6, 2012, we had completed the issuance and sale of 15,555,554 Class B Units to the Purchasers pursuant to the Class B Convertible Preferred Unit Subscription Agreements dated May 11, 2012 and June 6, 2012, respectively (the "Subscription Agreements"), entered into with the Purchasers. The Class B Units were priced at \$9.00 per unit and are convertible at any time into common units of the Partnership on a one-for-one basis. The Class B Units pay a fixed quarterly distribution of \$0.21375 per unit representing an annualized distribution yield of 9.5%. The net proceeds of the transaction, together with part of our cash on hand, were used to prepay debt of \$149.6 million across our three credit facilities. The transaction was unanimously approved by our board of directors.

In connection with the issuance and sale of the Class B Units, we adopted the Second Amendment, dated as of May 22, 2012 (the "Second Amendment to the Partnership Agreement"), to our partnership agreement, which established and set forth the rights, preferences, privileges, duties and obligations of the Class B Units. The issued Class B Units have certain rights that are senior to the rights of the holders of common units, such as the right to distributions and rights upon liquidation of the Partnership. Furthermore, we entered into the certain Registration Rights Agreements, dated as of May 22, 2012 and June 6, 2012, respectively (the "Registration Rights Agreements"), with certain Purchasers, relating to the registered resale of common units issuable upon the conversion of the Class B Units purchased pursuant to the Subscription Agreements. The Class B Units have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent a registration statement or exemption from registration.

In addition, we also entered into amendments to our three credit facilities which provide for a deferral of scheduled amortization payments under each of our credit facilities until March 31, 2016, the conversion of the 2007 credit facility to a term loan and cancellation of the undrawn tranche of \$52.5 million of the 2007 credit facility. In addition, the interest margin of our 2007 and 2008 facilities was increased to 2.0% and 3.0%, respectively. All other terms in these credit facilities remained unchanged.

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

*2013 Developments**Issuance and Sale of Class B Units*

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

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The net proceeds of the transaction, together with approximately \$54.0 million from our existing credit facilities and part of our cash balances, were used in the acquisition of two 5,023 TEU container vessels, the M/V Hyundai Premium and M/V Hyundai Paramount, for a total consideration of \$130.0 million. The M/V Hyundai Premium and M/V Hyundai Paramount are 2013 built at Hyundai Heavy Industries Co. Ltd.. The vessels were originally ordered by HMM Maritime and have secured a 12 year time charter employment (+/- 60 days) to HMM at a gross rate of \$29,350 per day.

OSG Bankruptcy and Assignment of Claims

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

After discussions with OSG, we agreed to enter into new charters with OSG on substantially the same terms as the prior charters, but at a bareboat rate of \$29,350 per day. The new charters were approved by the Bankruptcy Court on March 21, 2013, and were effective as of March 1, 2013. On the same date, the Bankruptcy Court also rejected the prior charters as of March 1, 2013. Rejection of each prior charter constitutes a material breach of such charter.

On May 24, 2013, we filed six claims (the Claims) for a total of \$54.1 million against each of the three charterers and their respective three guarantors resulting from the rejection of each of the prior charters, including, among other things, for the difference between the bareboat rate of the new charters and the bareboat rate under each of the rejected prior charters.

We transferred to Deutsche Bank Securities Inc. (Deutsche Bank) all of our rights, title, interest, claims and causes of action in and to, or arising out of, in connection with, the Claims pursuant to three separate Assignment of Claim Agreements, dated as of June 24, 2013, and effective as of June 26, 2013 (collectively, as may be amended or supplemented from time to time, the Assignment Agreements). In connection with the Assignment Agreements, on July 2, 2013, Deutsche Bank filed with the Bankruptcy Court six separate Evidences of Transfer of Claim in connection with each of the six Claims. The total proceeds received by Deutsche Bank Partnership from the sale of claims to Deutsche Bank were dependent on the actual claim amount allowed by the Bankruptcy Court. We may have been required to refund a portion of the purchase price (up to a maximum of \$9 million) or may have received an additional payment from Deutsche Bank. On December 1, 2013, we entered into a Settlement Notice and Refund Modification with Deutsche Bank pursuant to which, among other things, we agreed that if the Claims are allowed in an aggregate amount less than \$43.25 million, the maximum aggregate amount that we are obligated to refund to Deutsche Bank is \$0.6 million.

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

Issuance and Sale of Common Units

On August 5, 2013, we announced the issuance of 11,900,000 common units at a public offering price of \$9.25 per common unit under our 2011 Form S-1. An additional 1,785,000 common units were subsequently sold on the same terms following the full exercise of the over-allotment option granted to the underwriter. Capital GP L.L.C., our general partner, participated in both the offering and the exercise of the over-allotment option and purchased 279,286 units at the offering price. Subsequent to the completion of the equity issuance, our general partner converted 349,700 common units into general partner units to maintain a 2% interest in us. Net

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proceeds, before expenses, relating to the offering were approximately \$120.7 million. The net proceeds from the offering, together with \$75.0 million from our 2013 credit facility and part of our cash balances, were used to acquire three 5,023 TEU container vessels, the M/V CCNI Angol (ex Hyundai Prestige), Hyundai Privilege and the M/V Hyundai Platinum, from our sponsor Capital Maritime for an aggregate purchase price of \$195.0 million. Each of these vessels was built in 2013 at Hyundai Heavy Industries, Co. Ltd. and each such vessel is employed under a 12 year time charter employment (+/- 60 days) to HMM at a rate of \$29,350 per day. The charters commenced shortly after the delivery of the vessels to Capital Maritime during the first half of 2013.

Other Developments

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

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

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

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

On November 28, 2013, we acquired an eco-type MR product tanker to be renamed M/T Aristotelis (51,604 dwt IMO II/III Chemical Product Tanker built 2008, Hyundai Mipo Dockyard Ltd, S. Korea). The acquisition of M/T Aristotelis was funded with proceeds from the sale of M/T Agamemnon II and approximately \$10 million from our cash balances.

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

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

B. Business Overview

We are an international owner of modern tanker, container and drybulk vessels. Our fleet of 30 modern high specification vessels (2.1 million dwt) with an average age of approximately 5.8 years as of December 31, 2013, consists of four Suezmax crude oil tankers, 18 modern MR tankers all of which are classed as IMO Type A vessels, seven post-panamax container carrier vessels and one Capesize bulk carrier. Our vessels are capable of carrying a wide range of cargoes, including oil, refined oil products, such as gasoline, diesel, fuel oil and jet fuel, edible oils and certain chemicals such as ethanol, as well as dry cargo and container goods. As of December 31, 2013, all our vessels were chartered under medium- to long-term time and bareboat charters (with an average remaining term of approximately 8.8 years) to large charterers such as BP Shipping Limited, HMM, Capital Maritime, Cosco, Maersk Line, Bluemarine Cargo, S.A. (Bluemarine Cargo), Subtec S.A. de C.V. (Subtec) and subsidiaries of OSG. All our time and bareboat charters provide for the receipt of a fixed base rate for the life of the charter, and in the case of 12 of our 17 time charters, also provide for profit sharing arrangements in excess of the

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base rate. Please see Item 4B: Business Overview Our Charters Profit Sharing Arrangements below for a detailed description of how profit sharing is of December 31, 2013, the Marinakis family, including Evangelos M. Marinakis, our chairman, may be deemed to beneficially own a 27.3% interest in us its beneficial ownership, amongst others, of Capital Maritime, and of Crude Carriers Investments.

Business Strategies

Our primary business objective is to pay a sustainable quarterly distribution on our common units and Class B Units and to increase our distribution common units over time by executing the following business strategies:

Maintain medium- to long-term fixed charters. We believe that the medium- to long-term, fixed-rate nature of our charters, our profit arrangements, and our cost-efficient ship management operations under our agreements with Capital Ship Management provide visibility of revenue cash flows in the medium- to long-term. As of December 31, 2013, all our vessels were chartered under medium- to long-term time and bareboat with an average remaining term of approximately 8.8 years. As our vessels come up for rechartering we will seek to redeploy them under periods that reflect our expectations of the market conditions prevailing at the time. We believe that the young age and diversified profile of our fleet, specifications of our vessels and our manager's ability to meet the rigorous vetting requirements of some of the world's most selective major oil companies and major charterers position us well to recharter our vessels.

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

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

Maintain and build on our ability to meet rigorous industry and regulatory safety standards. We believe that in order for us to be successful in our business in the future, we will need to maintain our excellent vessel safety record and maintain and build on our high level of customer service and support. Capital Ship Management has an excellent vessel safety record, is capable of complying with rigorous health, safety and environmental protection standards, and is committed to providing our customers with a high level of customer service and support.

Competitive Strengths

We believe that we are well-positioned to execute our business strategies and our future prospects for success are enhanced because of the following competitive strengths:

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

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with Capital Maritime and its affiliates, provide numerous benefits which are essential to our long-term growth and success. Capital Maritime's well-established reputation and safety and environmental track record within the shipping industry, a substantial newbuilding orderbook and relationships with many of the world's leading oil companies, commodity traders, container operators and shipping companies. We also benefit from Capital Maritime's expertise in technical fleet management and its ability to meet the rigorous vetting requirements of some of the world's major international oil companies and other charterers in the drybulk and container sectors.

Diversified fleet with long-term charters. We benefit from the diverse trading requirements of our charterers, as well as the diversity of our fleet, which allows us to expand our chartering relationships and enter into agreements with additional counterparties, including in the drybulk and container sectors. We further enjoy a long remaining duration on our charters, as a number of our vessels are chartered under long-term contracts, providing us with visibility into the future. Our average remaining charter duration stood at 8.8 years, as of December 31, 2013.

Modern, high specification product tanker fleet. The 18 medium range tankers that form part of our fleet of 30 modern high specification vessels are classified as IMO II/III vessels, which, in addition to the Ice Class 1A classification notation of many of our vessels, the wide range in size and general cargo flexibility of our fleet and compliance with existing regulatory standards, are attractive to our charterers, providing them with a high degree of flexibility in the types of cargoes and variety in the trade routes they may choose as they employ our fleet. In addition, we believe that these characteristics of our fleet position us well to take advantage of the positive demand fundamentals in the product tanker business as our vessels become available for rechartering.

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

Our Customers

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

BP Shipping Limited, the shipping affiliate of BP, one of the world's largest producers of crude oil and natural gas. BP has exploration and production interests in over 20 countries. BP Shipping Limited provides all logistics for the marketing of BP's oil and gas cargoes.

Overseas Shipholding Group Inc., one of the largest independent shipping companies in the world operating crude and product tankers with over 100 owned and operated vessels.

Blumarine Cargo S.A. de C.V., is a Mexican company specializing in the supply and operation of vessels for the offshore oil and gas industry.

Capital Maritime & Trading Corp., an established shipping company with activities in the sea transportation of wet (crude oil, oil products, chemicals) and container and dry cargoes worldwide with a long history of operating and investing in the shipping markets.

SUBTEC S.A. de C.V., is a Mexican company specializing in the supply and operation of vessels for the offshore oil and gas industry.

Cosco Bulk Carrier Co. Ltd., is an affiliate of the COSCO Group which is one of the largest drybulk charterers globally. The COSCO Group, listed on the Hong Kong Stock Exchange is believed to be China's largest group specializing in global shipping, modern logistics and shipbuilding and repairing. COSCO Group currently owns and controls over 800 modern merchant vessels with a total tonnage of 56 million dwt and an annual carrying capacity of 400 million tons.

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

Hyundai Merchant Marine Co. Ltd., is an integrated logistics company, operating around 160 state-of-the-art vessels. HMM boasts worldwide service networks, diverse logistics facilities, leading IT shipping related systems, a professional highly trained staff and a continual effort to premiere transportation services.

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

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

Our Management Agreements

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

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

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

Crude Carriers management agreement: In September 2011, we completed our merger with Crude Carriers. The five crude tanker vessels we acquired as part of the merger continue to be managed under a management agreement entered into in March 2010, as amended, with Capital Ship Management, whose initial term expires on December 31, 2020. Under the terms of this agreement we compensate our manager for all of its expenses and liabilities incurred on our behalf while providing the agreed services to us, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating and administrative costs. We also pay our manager the following fees: (a) a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index; (b) a sale & purchase fee equal to 1% of the gross purchase or sale price of the vessel.

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upon the consummation of any purchase or sale of a vessel acquired by Crude Carriers and (c) a commercial services fee equal to 1.25% of charter revenues generated by each vessel for commercial services rendered. The manager has the right to terminate the Crude Carriers management agreement and, under certain circumstances, could receive substantial sums in connection with such termination; however, even if our board of directors or our unitholders are dissatisfied with the manager, there are limited circumstances under which we can terminate this management agreement. The termination fee was initially set at \$9.0 million in March 2010 and increases on each one-year anniversary during which the management agreement remains in effect (on a compounding basis) in accordance with the total percentage increase, if any, in the Consumer Price Index over the immediate preceding 12 months. As of March 2013, this termination fee had been adjusted to \$9.7 million.

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

The table below sets out, as of December 31, 2013 the management agreement under which each vessel in our fleet is managed.

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

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

Our Fleet

At the time of our IPO on April 3, 2007, our fleet consisted of eight vessels. Since that date, the size of our fleet has greatly increased in terms of both number of vessels and carrying capacity and currently consists of 30 vessels of various sizes with an average age of approximately 5.8 years and average remaining duration under our charters of approximately 8.8 years (as of December 31, 2013).

We intend to continue to take advantage of our unique relationship with Capital Maritime and, subject to prevailing shipping, charter and financial conditions and the approval of our board of directors, make strategic acquisitions in the medium to long term in a prudent manner that is accretive to shareholder value and to long-term distribution growth. In addition, we may pursue opportunities for acquisitions of, or combinations with, other shipping businesses. Pursuant to the amended and restated omnibus agreement we have entered into with Capital Maritime pursuant to our merger with Crude Carriers, Capital Maritime has granted us a right of first offer for any product tanker in its fleet with carrying capacity over 30,000 dwt under time or bareboat charter with a remaining duration of at least twelve months. Capital Maritime is, however, under no obligation to fix any of these vessels under charters of longer than twelve months. Please read [Item 7B: Related-Party Transactions](#) for a detailed description of our amended and restated omnibus agreement with Capital Maritime.

The table below provides summary information as of December 31, 2013 about the vessels in our fleet, as well as their delivery date or expected delivery date and their employment, including earliest possible redelivery dates of the vessels and relevant charter rates. The table also includes the daily management fee and approximate expected termination date of the respective management agreement with Capital Ship Management with respect to each vessel. Sister vessels of similar specifications and size typically built at the same shipyard, are denoted by the same letter in the table. We believe that sister vessels provide a number of efficiency advantages in the management of our fleet.

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

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Vessel name	Sister Vessels¹	Year built	DWT	OPEX (per day)²	Management Agreement Expiration	Charter Duration/Type³	Expiry of Charter⁴	Daily Charter Rate (Net)	Profit Share⁵	Charterer⁶	Des
<u>PRODUCT TANKERS</u>											
Atlantas ⁷	A	2006	36,760	\$500	Mar 2016	8-yr BC	Mar 2014	\$13,433		BP	Ice IM Ch P
Aktoras ⁷	A	2006	36,759	\$500	Mar 2016	8-yr BC	Jun 2014	\$13,433		BP	
Aiolos ⁷	A	2007	36,725	\$500	Jan 2017	8-yr BC	Feb 2015	\$13,433		BP	
Agisilaos	A	2006	36,760	Floating	Dec 2016	1-yr TC	Aug 2014	\$14,072	ü	CMTC	
Arionas	A	2006	36,725	Floating	Aug 2016	1-yr TC	Oct 2014	\$14,072	ü	CMTC	
Axios	B	2007	47,872	Floating	Jun 2017	1-yr TC	May 2014	\$14,566	ü	CMTC	
Avax ¹⁴	B	2007	47,834	Floating	Apr 2017	1-yr TC	Sep 2014	\$14,516	ü	BP	
Akeraios	B	2007	47,781	Floating	Aug 2017	1.5-yr TC	Dec 2014	\$14,763	ü	CMTC	
Anemos I	B	2007	47,782	Floating	Dec 2017	1.2-yr TC	Feb 2015	\$14,664	ü	CMTC	
Apostolos	B	2007	47,782	Floating	Sep 2017	1.2-yr TC	Dec 2014	\$14,664	ü	CMTC	
Alexandros II ⁸	C	2008	51,258	\$250	Dec 2017-Mar 2018	10-yr BC	Nov 2017	\$6,250		OSG	IM Che
Aristotelis II ⁸	C	2008	51,226	\$250	Mar-Jun 2018	10-yr BC	April 2018	\$6,250		OSG	IM Che
Aris II ⁸	C	2008	51,218	\$250	May-Aug 2018	10-yr BC	Jun 2018	\$6,250		OSG	
Ayrton II ⁹	C	2009	51,260	\$6,500	Mar 2014	2-yr TC	Mar 2014	\$15,000	ü	BP	
Atrotos ^{9,10}	B	2007	47,786	\$500	Mar 2014	5-yr BC	Apr 2014	\$16,825		BLM	Ice IM Che
Alkiviadis	A	2006	36,721	\$7,000	Jun 2015	1-yr TC	Jun 2014	\$14,072	ü	CMTC	
Assos ^{9,10}	B	2006	47,872	\$500	Mar 2014	5-yr BC	Apr 2014	\$16,825		BLM	

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CRUDE TANKERS

Amoureux	D	2008	149,993	Crude	Dec 2020	1-yr TC	Dec 2014	\$23,700 ¹¹	ü	CMTC	Su
Aias	D	2008	150,393	Crude	Dec 2020	1-yr TC	Nov 2014	\$23,700 ¹¹	ü	CMTC	
Amore Mio II	E	2001	159,982	\$8,500	Feb 2014	1-yr TC	Nov 2014	\$16,788		CMTC	
Miltiadis M II ¹²	F	2006	162,397	Crude	Dec 2020	2-yr TC	Sep 2014	\$22,895		SUBT	Ice Su

DRYBULK VESSEL

Cape Agamemnon	G	2010	179,221	Floating	Jun 2016	10-yr TC	Jun 2020	\$40,090		COSCO	
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CONTAINER CARRIER VESSELS

Archimidis ¹³	H	2006	103,773	Floating	Dec 2017	3-yr TC	Oct 2015	\$33,150		MAERSK	Post
Agamemnon ¹³	H	2007	103,773	Floating	Dec 2017	3.2-yr TC	July 2015	\$33,150		MAERSK	
Hyundai Prestige (CCNI Angol)	I	2013	63,010	Floating	Aug-Sep 2018	12-yr TC	Dec 2024	\$28,616		HMM	
Hyundai Premium	I	2013	63,010	Floating	Mar-April 2018	12-yr TC	Jan 2025	\$28,616		HMM	
Hyundai Paramount	I	2013	63,010	Floating	Mar-April 2018	12-yr TC	Feb 2025	\$28,616		HMM	
Hyundai Privilege	I	2013	63,010	Floating	Aug-Sep 2018	12-yr TC	Mar 2025	\$28,616		HMM	
Hyundai Platinum	I	2013	63,010	Floating	Aug-Sep 2018	12-yr TC	Apr 2025	\$28,616		HMM	
Aristotelis	B	2013	51,604	Floating	Nov 2018	1.5-yr TC	Jun 2015	\$16,787	ü	CMTC	IM Che

TOTAL FLEET DWT: 2,136,307

- 1 Sister vessels are denoted in the tables by the same letter as follows: (A), (B): these vessels were built by Hyundai MIPO Dockyard Co., Ltd., South Korea, (C): these vessels were built by STX Shipbuilding Co., Ltd., South Korea, (D): these vessels were built by Universal Shipbuilding Co., Ltd., Japan, (E),(F), (H): these vessels were built by Daewoo Shipbuilding and Marine Engineering Co., Ltd., South Korea. (G) this vessel was built by Sungdong Shipbuilding & Marine Engineering Co., Ltd., South Korea. (I): these vessels were built by Hyundai Heavy Industries Co. Ltd., South Korea.
- 2 Floating: These vessels are managed under the floating fee management agreement entered into with our manager. Crude: These vessels are managed under the Crude management agreement entered into between Crude and our manager. The remaining vessels are managed under the floating fee management agreement entered into with our manager. For additional details regarding our management agreements please see Item 4B, Overview Our Management Agreements above.
- 3 TC: Time Charter, BC: Bareboat Charter
- 4 Earliest possible redelivery date. For product tankers the redelivery date is +/-30 days at the charterer's option. For crude tankers under charter with Maersk Line, the expiry of the charter assumes the exercise by Maersk Line of its option to extend the charter (+/- 30 days) at revised rates (see Footnote 13 below for additional information).
- 5 Product Tankers: 50/50 profit share element for all vessels applies only to voyages that breach Institute Warranty Limits (IWL). The amount of profit share under these profit-sharing arrangements are subject to the same commissions payable on the gross charter rates, if any. Crude Tankers 50/50 profit share on actual earnings settled every 6 months for the first 12 months of the TC.

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6 BP: BP Shipping Limited, or, in the case of the M/T Amore Mio II, BP Singapore Pte Ltd. OSG: certain subsidiaries of OSG. CMTC: Maritime & Trading Corp. (our Sponsor). BLM: Blue Marine Cargo S.A. de C.V. ex Arrendadora Ocean Mexicana, S.A. de C.V. SUBT: Sub de C.V. COSCO: Cosco Bulk Carrier Co. Ltd., an affiliate of the COSCO Group. MAERSK: A.P. Moller-Maersk A.S. HMM: Hyundai Marine Co. Ltd.

7 For the duration of the BC these vessels have been renamed British Ensign, British Envoy and British Emissary, respectively.

The M/T British Ensign will continue its bareboat charter with BP Shipping after the completion of its current charter for an additional 24 months at a bareboat rate of \$6,750 per day. BP Shipping has the option to extend the duration of the charter for up to a further 12 months either as bareboat charter at a bareboat rate of \$7,250 per day for the optional periods if declared or on time charter basis during the optional periods at a time charter rate of \$14,250 per day, if declared.

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The M/T British Envoy will continue its bareboat charter with BP Shipping after the completion of the current charter for an additional 18 months at a bareboat rate of \$7,000 per day. BP Shipping has the option to extend the charter duration for up to a further 12 months either as a bareboat charter at a bareboat rate of \$7,000 per day for the optional periods, if declared or as a time charter at a time charter rate of \$14,250 per day, if declared.

The M/T British Emissary will continue its bareboat charter with BP Shipping after the completion of its current charter for an additional 24 months at a bareboat rate of \$7,000 per day. BP Shipping has the option to extend the duration of the charter for up to a further 12 months either as bareboat charter at a bareboat rate of \$7,250 per day for the optional periods if declared or on a time charter basis during all optional periods at a time charter rate of \$14,250 per day if declared.

- 8 For the duration of the BC these vessels have been renamed: Overseas Serifos, Overseas Sifnos and Overseas Kimolos. OSG has an option to purchase each vessel at the end of the eighth, ninth or tenth year of its charter for \$38.0 million, \$35.5 million and \$33.0 million, respectively. The purchase option is exercisable six months before the date of completion of the relevant year of the charter. The expiration date above may therefore vary depending on whether the charterer exercises its purchase option.
- 9 The Agamemnon II and the M/T Ayrton II were acquired in exchange for the M/T Assos (which was part of our fleet at the time of the IPO) and the M/T Atrotos (which was acquired from Capital Maritime in May 2007) on April 7 and April 13, 2009, respectively. We subsequently reacquired the M/T Atrotos and the M/T Assos from Capital Maritime in February and August 2010, respectively. Capital Maritime had granted us an option to acquire all four vessels under the terms of the omnibus agreement.
- 10 For the duration of the BC these vessels have been renamed M/T El Pipila and M/T Insurgentes. BLM has subsequently chartered these vessels to the state-owned Mexican petroleum company Petroleos Mexicanos (Pemex).
- 11 The vessel owning companies of the M/T Amoureux and the M/T Aias have entered into a one year time charter with Capital Maritime at a net charter rate of \$23,700 per day for each vessel, with profit share on actual earnings settled every six months. The charters were commenced in January 2013 and December 2013, respectively.
- 12 SUBT has subsequently delivered this vessel to PEMEX.
- 13 Maersk Line has the option to extend the charter for an additional four years at a net day rate of \$30,712 and \$29,737 per day, respectively for the fourth and fifth year and \$31,200 per day for the final two years. If all options were to be exercised, the employment of the vessels would end in December 2019 for the M/V Archimidis and July 2019 for the M/V Agamemnon.
- 14 The vessel's actual net earnings under the BP Shipping charter is \$14,566 per day until May 2014 and \$14,615 per day between May 2014 and 2014, as the new daily charter rate includes compensation that Capital Maritime will pay to the Partnership for the vessel's early redelivery in accordance with the terms of the charter party agreement with Capital Maritime. BP Shipping has the option to extend the charter for one year at a net daily rate of \$15,405.

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

In **Critical Accounting Policies – Vessel Lives and Impairment** in Item 5 below, we discuss our policy for impairing the carrying values of our vessels. In the past few years, the market values of vessels have experienced particular volatility, with substantial declines in many vessel classes. As a result, the carrying value, or basic market value, of certain of our vessels may have declined below those vessels' carrying value, even though we would not impair those vessels' carrying value under our accounting impairment policy, due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

The table set forth below indicates (i) the carrying value of each of our vessels as of December 31, 2013; (ii) which of our vessels we believe has a basic market value below its carrying value and (iii) the aggregate difference between carrying value and market value represented by such vessels. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to reduce our net income if we sold all of such vessels in the current environment, on industry standard terms, in cash transactions, and to a willing buyer where we are not under any compulsion to sell, and where the buyer is not under any compulsion to buy. For purposes of this calculation, we have assumed that the vessels would be sold at a price that reflects our estimate of their basic market values.

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

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Vessels	Date acquired by us	Carrying value as at December 31,	Carrying value as at December
		2013 (in millions of United States dollars)	2012 (in millions of United States dollars)
M/T Atlantias	04/04/2007	\$23.1	\$24.3*
M/T Assos	04/04/2007 & 08/16/2010	\$29.2*	\$30.8*
M/T Aktoras	04/04/2007	\$23.4	\$24.7*
M/T Agisilaos	04/04/2007	\$24.0	\$25.3*
M/T Arionas	04/04/2007	\$24.2	\$25.5*
M/T Avax	04/04/2007	\$27.1	\$28.5*
M/T Aiolos	04/04/2007	\$24.2	\$25.5*
M/T Axios	04/04/2007	\$27.4	\$28.9*
M/T Atrotos	05/08/2007 & 03/01/2010	\$28.0	\$29.4*
M/T Akeraios	07/13/2007	\$28.0	\$29.4*
M/T Apostolos	09/20/2007	\$31.2*	\$32.7*
M/T Anemos I	09/28/2007	\$31.1*	\$32.7*
M/T Alexandros II	01/29/2008	\$36.3*	\$38.1*
M/T Amore Mio II	03/27/2008	\$60.0*	\$64.5*
M/T Aristotelis II	06/17/2008	\$36.8*	\$38.6*
M/T Aris II	08/20/2008	\$37.0*	\$38.8*
M/T Agamemnon II	04/07/2009	-	\$40.5*
M/T Ayrton II	04/13/2009	\$38.3*	\$40.1*
M/T Alkiviadis	06/30/2010	\$25.8*	\$27.2*
M/V Cape Agamemnon	06/09/2011	\$46.5	\$48.5*
M/T Miltiadis M II	09/30/2011	\$47.7*	\$50.2*
M/T Amoureux	09/30/2011	\$49.0*	\$51.3*
M/T Aias	09/30/2011	\$49.0*	\$51.3*
M/V Archimidis ⁽²⁾	12/22/2012	\$61.7	\$64.9
M/V Agamemnon ⁽²⁾	12/22/2012	\$64.7	\$67.9
M/V Hyundai Prestige renamed to M/V CCNI Angol	09/11/2013	\$53.4*	-
M/V Hyundai Premium	03/20/2013	\$52.4	-
M/V Hyundai Paramount	03/27/2013	\$52.5	-
M/V Hyundai Privilege	09/11/2013	\$53.4*	-
M/V Hyundai Platinum	09/11/2013	\$53.4*	-
M/T Aristotelis	11/28/2013	\$38.0	-
Total		\$1,176.8	\$959.6

*Indicates vessels, for which we believe, as of December 31, 2013 and 2012, the basic charter-free market value is lower than the vessel's carrying value as of December 31, 2013 and 2012. We believe that the aggregate carrying value of these vessels, assessed separately, exceeds their aggregate basic charter-free market value by approximately \$77.5 and \$173.5 million as of December 31, 2013 and 2012, respectively. This decrease of \$96.0 million in 2013 as compared to 2012 is due to the increase of asset values in bulk carriers and tankers as a consequence of an improvement in the expectations of future shipping market prospects discussed in Critical Accounting Policies Vessel lives and impairment below, we believe that the carrying values of our vessels as of December 31, 2013 were recoverable as the undiscounted projected net operating cash flows of these vessels exceeded their carrying value by a significant amount.

Our Charters

As of December 31, 2013, all the vessels in our fleet were under medium to long-term time or bareboat charters with an average remaining term under our charters of approximately 8.8 years. Under certain circumstances,

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we may operate our vessels in the spot market until they are fixed under appropriate medium to long-term charters. As our vessels come up for recharter depending on the prevailing market rates, we may not be able to recharter them at levels similar to their current charters which may affect our future cash flow from operations. Please read **Item 4B: Business Overview Our Fleet** above, including the chart and accompanying notes, for more information on our bareboat charters, including counterparties, expected expiration dates of the charters and daily charter rates.

Time Charters

A time charter is a contract for the use of a vessel for a fixed period of time at a specified daily rate. Under a time charter, the vessel's owner provides crew and other services related to the vessel's operation, the cost of which is included in the daily rate and the charterer is responsible for substantially all vessel voyage expenses 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 party, payable at the beginning of the month in U.S. Dollars. We currently have 22 vessels under time charter agreements of which 12 contain profit-sharing provisions that allow us to realize at a predetermined percentage additional revenues when spot rates or actual charter rates are higher than the base rates incorporated in the charters or, in some instances, through greater utilization of our vessels by our charterers.

Profit Sharing Arrangements

The profit sharing arrangements for our product tanker vessels under time charter with BP Shipping Limited and Capital Maritime are based on the calculation of the time charter equivalent (TCE) according to the "last to next" principle and are only applicable to voyages during which Institute Warranty Limit (IWL) has been breached. In such event, we receive the basic net hire rate plus 50% of the excess over the gross hire rate. This means that actual voyage revenues earned and received, actual expenses incurred and actual time taken to perform the voyage are used for the purpose of the calculation. The charterer is obliged to provide us with a copy of each fixture note and all reasonable documentation with respect to items of cost and earnings referring to each voyage during which IWL has been breached. If the average daily TCE is less than or equal to the basic gross hire rate, then we receive the basic net hire rate only. If the average daily TCE for a voyage where IWL have been breached exceeds the basic gross hire rate, then we receive the basic net hire rate plus 50% of the excess over the gross hire rate. The profit share with both Capital Maritime and BP Shipping Limited, if any, is calculated and settled the next calendar month following the completion of the voyage.

The profit sharing arrangements for our two crude tanker vessels under time charter with Capital Maritime are based on the calculation of the vessel's earnings and are settled every 6 months. In the event actual TCE over that period is higher than the agreed daily charter rate of the vessel, we receive the basic hire rate plus 50% of the excess over the gross daily charter rate. This means that actual voyage revenues earned and received, actual expenses incurred and actual time taken to perform the voyages during that period are used for the purpose of the calculation. The charterer is obliged to provide us with a copy of each fixture note and all reasonable documentation with respect to items of cost and earnings.

The amounts received under these profit-sharing arrangements are subject to the same commissions payable on the gross charter rates. Please read **Business Overview Our Fleet** above, including the chart and accompanying notes, for additional information.

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

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

As of December 31, 2013 we had eight vessels under bareboat charter, three with BP Shipping Limited, three with subsidiaries of OSG and two with Blue Cargo. The charters entered into with subsidiaries of OSG are fully and unconditionally guaranteed by OSG and include options for the charterer to purchase the vessel for \$38.0 million, \$35.5 million or \$33.0 million at the end of the eighth, ninth or tenth year of the charter, respectively. In each case, the option to purchase the vessel must be exercised six months prior to the end of the charter year.

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. In 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 discharge port. 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 rate. The charterer is responsible for paying for bunkers and other voyage expenses, while the shipowner is responsible for paying vessel operating expenses.

Seasonality

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

Management of Ship Operations, Administration and Safety

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

We have entered into three separate technical and commercial management agreements with Capital Ship Management for the management of our fleet: a fee management agreement, the floating fee management agreement and, with respect to the vessels acquired as part of the merger with Crude Carriers, the Crude Carriers management agreement. Each vessel in our fleet is managed under the terms of one of these three agreements. The aggregate management fees paid to Capital Ship Management for the year ended December 31, 2013, were \$17.0 million as compared to \$23.6 million for the year ended December 31, 2012.

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

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Management Agreements above, and Item 7B: Related-Party Transactions Transactions entered into during the year ended December 31, 2012 and entered into during the year ended December 31, 2011 below.

Capital Ship Management operates under a safety management system in compliance with the IMO's ISM Code and certified by Lloyd's Register. Capital Ship Management's management systems also comply with the Quality Standard ISO 9001, the Environmental Management Standard ISO 14001, the Occupational Health & Safety Management System (OHSAS) 18001 and the Energy Management Standard 50001, all of which are certified by Lloyd's Register. Capital Ship Management recently implemented an Integrated Management System Certification approved by the Lloyd's Register Group and Business Continuity Management principles in cooperation with Lloyd's Register Group. Capital Ship Management, recognizing sustainable transport as one of the biggest challenges of the 21st century, has adopted and implemented main strategies for a regime of Responsible, Safe and Clean Shipping through a Corporate Social Responsible approach.

As a result, our vessels' operations are conducted in a manner intended to protect the safety and health of Capital Ship Management's employees, as appropriate to the general public and the environment. Capital Ship Management's technical management team actively manages the risks inherent in our business and is committed to eliminating incidents that threaten safety, such as groundings, fires, collisions and petroleum spills, as well as reducing emissions and waste generation.

Major Oil Company Vetting Process

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

Traditionally there have been relatively few large players in the oil trading business and the industry is continuously consolidating. The so-called "oil majors", such as BP, Chevron Corporation, Phillips66 Inc., ExxonMobil Corporation, Royal Dutch Shell plc, Statoil ASA, and Total S.A., together with smaller companies, represent a significant percentage of the production, trading and, especially, shipping logistics (terminals) of crude and refined oil worldwide. Concerns for the environment, health and safety have led the oil majors to develop and implement a strict due diligence process when selecting commercial partners. This vetting process has evolved into a sophisticated and comprehensive risk assessment of both the vessel operator and the vessel.

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

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

We believe Capital Maritime and Capital Ship Management are among a small number of ship management companies to have undergone and successfully completed audits by seven major international oil companies in the last few years (i.e., BP, Chevron Corporation, Phillips66 Inc., ExxonMobil Corporation, Royal Dutch Shell plc, Statoil ASA and Total S.A.).

Table of Contents**Crewing and Staff**

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

Classification, Inspection and Maintenance

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

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

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

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

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

Class Renewal Surveys (also known as *special surveys*), which are carried out at the intervals indicated by the classification for the hull (usually at five-year intervals). During the special survey, the vessel is thoroughly examined, including Non-Destructive Inspections (NDIs) to determine the thickness of 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 one-year grace period for completion of the special survey. Substantial amounts of funds may have to be spent for steel renewals to pass a special survey. If a vessel experiences excessive wear and tear. In lieu of the special survey every five years, depending on whether a grace period is granted, a ship-owner or charterer has the option 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 over the entire period of class. This process is referred to as ESP (Enhanced Survey Program) and CSM (Continuous Machinery Survey).

Occasional Surveys, which 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.

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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 surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also drydocked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a recommendation which must be rectified by the ship-owner within prescribed time limits. Most insurance underwriters require as a condition for insurance coverage that a vessel be certified as in class by a classification society which is a member of the International Association of Classification Societies. All of our vessels are certified as being in class by Lloyd's, ABS, BV and DNV. All new and secondhand vessels that we may purchase must be certified as in class 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 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 weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. The occurrence of any of these events may result in a loss of revenues or increased costs or, in the case of marine disasters, catastrophic liabilities. Although we believe our current insurance program is comprehensive, 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 at times in the past have resulted in increased costs for, and may result in the lack of availability of, insurance against the risks of environmental damage or pollution. Moreover, under the terms of our time charters, the charterer provides for the insurance of the vessel, and as a result, these vessels may not be adequately insured and/or in some cases may be self-insured. Any uninsured or under-insured loss could harm our business and financial condition or could materially impair or end our ability to trade or operate.

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

Hull and machinery insurance covers loss of or damage to a vessel due to marine perils such as collisions, grounding and weather and the cost of repairs, 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 deductibles which are always subject to change.

Increased value insurance augments hull and machinery insurance cover by providing a low-cost means of increasing the insured value of the vessel in the event of a total loss casualty.

Protection and indemnity insurance is the principal coverage for third party liabilities and indemnifies against such liabilities incurred while operating our vessels, including injury to the crew, third parties, cargo or third party property loss (including oil pollution) for which the shipowner is responsible. We currently carry the current maximum available amount of coverage for oil pollution risks, \$1.0 billion per vessel per incident.

War Risks insurance covers such items as piracy and terrorism.

Freight, Demurrage & Defense cover is a form of legal costs insurance which responds as appropriate to the costs of prosecuting or defending against 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 the fleet are loss of cargo, strikes, piracy and terrorism. We do not insure these risks because the costs are regarded as disproportionate to the benefit.

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The following table sets forth certain information regarding our insurance coverage as of December 31, 2013.

Type	Aggregate Sum Insured For All Vessels in our Existing Fleet*
Hull and Machinery	\$1.4 billion (increased value insurance (including excess liabilities) provides additional coverage).
Increased Value (including Excess Liabilities)	Up to \$370 million additional coverage in total.
Protection and Indemnity (P&I)	Pollution liability claims: limited to \$1.0 billion per vessel per incident.
War Risk	\$1.77 billion

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

The International Shipping Industry

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

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

Demand for tankers and tonnage of oil shipped is primarily a function of global oil consumption, which is driven by economic activity as well as the long-term impact of oil prices on the location and related volume of oil production. Global oil demand returned to limited growth in 2010 and has since been expanding at a modest pace, as a steady rise in Asia has outweighed decreasing demand in Europe and in the United States. Organization for Economic Cooperation and Development demand stabilized in 2012 and 2013 at approximately 46 million barrels per day (mb/day) after contracting for several years. The crude tanker fleet experienced on average a more limited improvement, as the supply of crude tankers remained at historically high levels. According to the IEA, global oil demand for 2013 has been revised as of January 2014 to 91.2 mb/day compared to 90.0 mb/day during 2012. The IEA expects 2014 oil demand to grow from 91.2 mb/day to 92.5 mb/day.

Tonnage of oil shipped is also influenced by transportation alternatives (such as pipelines) and the output of refineries. In 2012, it is estimated that ten refineries, predominantly in Europe and North America, with combined throughput of approximately 1.9 mb/day ceased operations as a result of weak margins. Total global refining capacity

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additions for the same period were approximately 513 kb/day in these two regions. The net effect was a reduction of approximately 1.3 mb/day in North and Europe. Following the significant reduction in refinery capacity in both regions during 2012, a few refinery closures occurred in 2013. However, as margins have dropped, the IEA forecasts more plant closures in 2014. Overall, it is estimated that global refinery capacity increased by approximately 1.7 mb/day in 2013, with such increase primarily driven by the estimated 1.0 mb/day addition to refinery capacity in Asia. In 2014, a notable number of additional refineries are expected to start operations in Asia and in the Middle East. These new so-called super-refineries are expected to partly offset the lost refining capacity in the Atlantic basin through long haul exports, which could potentially have a positive impact on tonne-mile demand for product tankers as cargoes will be transported across longer distances.

Competition

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

Competition for charters in all the trades our vessels trade in, tankers, drybulk and container, can be intense and the ability to obtain favorable charters depends in addition to price, on a variety of other factors, including the location, size, age, condition and acceptability of the vessel and its operator to the charterer. We frequently tied to having an available vessel which has met the strict operational and financial standards established by the oil major companies to pre-qualify vet tanker operators prior to entering into charters with them. Although we believe that at the present time no single company has a dominant position in the markets in which we compete, that could change and we may face substantial competition for medium- to long-term charters from a number of experienced companies who may have greater resources or experience than we do when we try to recharter our vessels, especially as a large number of our vessels went off charter during 2014. However, Capital Maritime is amongst a small number of ship management companies in the tanker sector that has undergone and successfully completed office assessments by seven major international oil companies in the last few years, including audits with BP, Chevron Corporation, Phillips66 Inc., ExxonMobil Corporation, Royal Dutch Shell plc, Statoil ASA and Total S.A. We believe our ability to comply with the rigorous standards of the oil companies, relative to less qualified or experienced operators, allows us to effectively compete for new charters.

Regulation**General**

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

We are also required by various other 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 of the vessel and our status as owner or charterer. Failure to maintain necessary permits, licenses or certificates could require us to incur substantial expenses and temporarily suspend operations of one or more of our vessels.

We believe that the heightened environmental and quality concerns of insurance underwriters, regulators and charterers will in the future impose greater insurance 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

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entities include the local port authorities (such as U.S. Coast Guard, harbor master or equivalent), classification societies, flag state administration P& charterers, and particularly terminal operators and major oil companies which conduct frequent vessel inspections.

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

United States Requirements

The United States regulates the tanker industry with an extensive regulatory and liability regime for environmental protection and the cleanup of oil primarily through OPA 90, CERCLA and certain coastal state laws.

OPA 90 affects all vessel owners and operators transporting crude oil or petroleum products to, from, or within U.S. waters. The law phases out the use of vessels having single-hulls and can effectively impose unlimited liability on vessel owners and operators in the event of an oil spill. Under OPA 90, vessel owners and bareboat charterers are liable, without regard to fault, for all containment and clean-up costs and other damages, including natural resource damages and for certain economic losses, arising from oil spills and pollution from their vessels. Effective July 31, 2009, the U.S. Coast Guard adopted interim regulations that adjust the limits of OPA liability for environmental damages for double-hull vessels to the greater of \$2,000 per gross ton or \$17,088,000 million per incident that is over 3,000 gross tons (subject to possible adjustment for inflation), unless the incident is caused by gross negligence, willful misconduct, or a violation of certain regulations, in which case liability is unlimited. In addition, OPA 90 does not preempt state law and permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries. Coastal states have enacted pollution prevention, liability and cleanup laws, many providing for unlimited liability. As a result of the Deepwater Horizon oil spill in the Gulf of Mexico, bills have been introduced periodically in the U.S. Congress to increase the limits of OPA liability for all vessels, including tanker vessels.

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

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

We insure each of our tankers with pollution liability insurance in the maximum commercially available amount of \$1.0 billion per incident. A catastrophic incident could exceed the insurance coverage available, in which event there could be a material adverse effect on our business. OPA 90 requires that tankers over 3,000 gross ton calling at U.S. ports have double hulls. All of the vessels in our fleet have double hulls.

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

OPA 90 also amended the Clean Water Act to require owners and operators of vessels to adopt contingency plans for reporting and responding to oil spill incidents 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. Vessel response plans have been approved by the U.S. Coast Guard. The

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Clean Water Act prohibits the discharge of oil or hazardous substances in U.S. navigable waters and imposes strict liability in the form of penalties for unauthorized discharges. The Clean Water Act also imposes substantial liability for the costs of removal, remediation and damages and complements the requirements available under OPA 90 and CERCLA, discussed herein. U.S. Environmental Protection Agency (EPA) regulations govern the discharge into U.S. waters of oil, 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 Vessel General Permit, or VGP, by submitting a Notice of Intent. The VGP incorporates current U.S. Coast Guard 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. U.S. Coast Guard regulations phase in stricter VGP ballast management requirements in the future. Administrative obligations, such as monitoring, recordkeeping and reporting requirements also apply. We have submitted NOIs for our vessels operating in U.S. waters and are likely to incur costs to meet the requirements of the VGP. In addition, various states, such as Michigan and California, have also enacted, or proposed, legislation restricting ballast water discharges and the introduction of non-indigenous invasive species. These and any similar requirements in the future could include ballast water treatment obligations that increase the cost of operating in the United States, such as the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures. These could impose substantial costs or restrict our vessels from entering certain U.S. waters.

The Clean Air Act requires the EPA to promulgate standards applicable to emissions of volatile organic compounds, hazardous air pollutants and other air contaminants. The Clean Air Act also requires states to draft State Implementation Plans (SIPs) designed to attain national health-based air quality standards. SIPs can 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, on March 26, 2010, IMO designated the area 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 Emission Control Areas under amendments to the Annex VI of MARPOL (discussed below). In addition, regulatory initiatives to require cold-ironing (shore-based power while docked) are under consideration in a number of jurisdictions to reduce air emissions from docked ships. If these or other new or more stringent requirements regarding air emissions from marine diesel engines or port operations by vessels are adopted by the EPA, the states or local jurisdictions where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

International Requirements

The IMO has also negotiated international conventions that impose liability for oil pollution in international waters and a signatory's territorial waters. In September 1997, the IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships to address air pollution from ships. Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances, chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent limits on sulfur emissions. The MEPC adopted amendments to Annex VI to the MARPOL, which entered into force on July 1, 2010, regarding particulate matter, nitrogen oxide and sulfur oxide emissions. The revised Annex VI reduces air pollution from vessels by, among other things (i) implementing a progressive reduction of sulfur oxide emissions from ships, with the global sulfur cap reduced initially to 3.50% (from the current cap of 4.50%), effective from January 1, 2012, then progressively to 0.50%, effective January 1, 2020 (subject to a feasibility review to be completed no later than 2018) and (ii) establishing new, more stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. Additionally, more stringent emission standards apply in coastal areas designated as Emission Control Areas. We may 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 vessels meet relevant Annex VI requirements and that our undelivered product tankers will be fitted with these emission control systems prior to their delivery.

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

Noncompliance with the ISM Code and other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreased available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. For example, the U.S. Coast Guard authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in U.S. and EU 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 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 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 vessel. In jurisdictions where the International Convention on Civil Liability for Oil Pollution Damage has not been adopted, various legislative schemes or common law regimes govern, and liability is imposed either on the basis of fault or in a manner similar to that convention. We believe that our P&I insurance will cover the liability required under the plan adopted by the IMO.

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

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

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

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

Climate Change and Greenhouse Gas Regulation

Increasing concerns about climate change have resulted in a number of international, national and regional measures to limit greenhouse gas emissions. Additional stricter measures can be expected in the future. In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or Kyoto Protocol, entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected to contribute to global warming. Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol. However, a new treaty may be adopted in the future that includes restrictions on shipping emissions. The European Union also has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from vessels. In the United States, the EPA is considering a petition from the California Attorney General to regulate greenhouse gas emissions from ocean-going vessels. In addition, the EPA has begun regulating greenhouse gas emissions under the Clean Air Act and climate change initiatives are being considered in the U.S. Congress. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate that restrict emissions of greenhouse gases could have a financial impact on our operations that we cannot predict with certainty at this time. In addition, scientific studies have indicated that increasing concentrations of greenhouse gases in the atmosphere may 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.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002 (MTSA) came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States.

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter came into effect in July 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly adopted International Ship and Port Facilities Security (ISPS) Code. Among the various requirements are:

- on-board installation of automatic identification systems to enhance vessel-to-vessel and vessel-to-shore communications;
- on-board installation of ship security alert systems;
- the development of vessel security plans; and
- compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempted non-U.S. vessels from MTSA vessel security measures provided such vessels had on board, by July 1, 2004, a valid International Ship Security Certificate that attests to the vessel's compliance with the security requirements and the ISPS Code. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code and ensured that our vessels are compliant with all applicable security requirements.

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C. Organizational Structure percentages and units owned to be amended

*Includes common units held by our chairman Evangelos M. Marinakis and common units issued upon conversion of the Crude Carriers shares upon completion of the merger with Crude Carriers, including common units resulting from the conversion of the Crude Carriers Class B shares owned by Crude Carriers Investments and common units resulting from the conversion of Crude Carriers common shares issued under the Crude Plan as well as common units issued under our Plan.

Please also see Note 1 (Basis of Presentation and General Information) to our Financial Statements included herein and Exhibit 8.1 to this Annual Report of our significant subsidiaries as of December 31, 2013.

D. Property, Plants and Equipment

Other than our vessels, we do not have any material property. Our obligations under our credit facilities are secured by all our vessels. For further details regarding our credit facilities, please read Item 5B: Liquidity and Capital Resources Borrowings Our Credit Facilities .

Item 4A. Unresolved Staff Comments.

None.

Item 5. Operating and Financial Review and Prospects.

You should read the following discussion of our financial condition and results of operations in conjunction with our audited consolidated Financial Statements for the years ended December 31, 2013, 2012 and 2011 and related notes included elsewhere in this Annual Report. Among other things, the Financial Statements include more detailed information regarding the basis of presentation for the following information. The Financial Statements have been prepared in accordance with U.S. GAAP and are presented in thousands of U.S. Dollars.

Table of Contents**A. Management's Discussion and Analysis of Financial Condition and Results of Operations****Overview**

We are an international shipping company formed in January 2007 by Capital Maritime, an international shipping company with a long history of operating and investing in the shipping market. Our fleet currently consists of 30 modern high specification vessels with an average age of approximately 5.8 years as of December 31, 2013.

During 2013 we completed the issuance and sale of 9.1 million Class B Units, including 615,151 to Capital Maritime, which are convertible into common units on a one-for-one basis. The Class B Units pay a fixed quarterly distribution of \$0.21375 per unit representing an annualized distribution yield of 9.5%. The Class B Units have certain rights that are senior to the rights of the holders of common units, such as the right to distributions and rights upon liquidation of the Partnership reflected in the Second Amendment to the Partnership Agreement and the Third Amendment to the Partnership Agreement. Furthermore, pursuant to the terms of the Third Amendment to the Partnership Agreement, an upward adjustment to the distribution rate for the Class B Units occurs in the event the distribution rate on our common units is increased. In connection with the issuance and sale of the Class B Units, and together with approximately \$54.0 million from our existing credit facilities and part of our cash balances, we paid for the acquisition of two 5,023 TEU Container Vessels for a total consideration of approximately \$195.0 million. Please see Exhibit I to our Current Report on Form 6-K furnished to the SEC on March 18, 2013 and Exhibits I, II, III and IV to our Current Report on Form 6-K furnished to the SEC on March 21, 2013, and Note 13 (Partners' Capital) to our Financial Statements included herein for more information.

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

Additionally, following the filing for protection under Chapter 11 of the U.S. Bankruptcy Code by one of our charterers, OSG, we agreed to enter into three new charters with OSG on substantially the same terms as the prior three charters, but at a bareboat rate of \$6,250 per day. The new charters were approved by the Bankruptcy Court on March 21, 2013, and were effective as of March 1, 2013. On the same date, the Bankruptcy Court also rejected the prior charters as of March 1, 2013. We filed claims for a total of \$54.1 million against each of the charterers and their respective guarantors for damages resulting from the rejection of each of the prior charters, including, among other things, for the difference between the bareboat rate of the new charters and the bareboat rate under each of the rejected prior charters. We transferred to Deutsche Bank all of our rights, title, interest, claims and causes of action in and to, or arising under or in connection with, the Claims and, as a result, we received \$31.4 million (subject to increase or decrease depending on the actual allowed amount of the Claims). On December 11, 2013 the Partnership and Deutsche Bank entered into a Settlement Notice and Refund Modification pursuant to which, among other things, we agreed that the Claims are allowed in an aggregate amount less than \$43.25 million, the maximum aggregate amount that we are obligated to refund to Deutsche Bank is \$43.25 million. The Claims have been settled with OSG and are allowed as general unsecured claims in the aggregate amount of \$43 million. As a result of this settlement, we are obligated to refund \$0.6 million to Deutsche Bank.

We also completed the issuance and sale of 13,685,000 common units representing limited partnership interests at a public offering price of \$9.25 per unit. The offering included 1,785,000 common units sold as a result of the full exercise of the over-allotment option granted to the underwriters of the public offering. Capital Maritime, L.L.C., our general partner, participated in both the offering and the exercise of the over-allotment option and purchased 279,286 units at the public offering price, subsequently converting 349,700 common units into general partner units to maintain its 2% interest in us.

Further, we entered into a new senior secured credit facility of up to \$200.0 million, which was amended on December 27, 2013 to increase its size to up to \$200.0 million, led by ING Bank N.V. We used the net proceeds from the issuance of the 13,685,000 common units together with approximately \$75.0 million from our 2013 credit facility and part of our cash balances to acquire the three 5,023 TEU container vessels from our sponsor Capital Maritime for an aggregate purchase price of \$195.0 million.

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We sold the M/T Agamemnon II (51,238 dwt IMO II/III Chemical Product Tanker built 2008, STX Shipbuilding & Offshore, S. Korea) to unaffiliated third party and acquired an eco-type MR product tanker to be renamed M/T Aristotelis (51,604 dwt IMO II/III Chemical Product Tanker built 2013, Hyundai Mipo Dockyard Ltd, S. Korea). The acquisition of M/T Aristotelis was funded with proceeds from the sale of M/T Agamemnon II and approximately \$6.2 million from other sources. Balances.

During 2012 we completed the issuance and sale of 15,555,554 Class B Units, including 3,433,333 Class B Units to Capital Maritime, which are convertible into common units on a one-for-one basis. With the exception of the first quarterly distribution which was set at \$0.26736 per unit, the Class B Units will receive a fixed quarterly distribution of \$0.21375 per unit representing an annualized distribution yield of 9.5%. The issued Class B Units have certain rights that are different from the rights of the holders of common units, such as the right to distributions and rights upon liquidation of the Partnership reflected in the Second Amended Partnership Agreement. In connection with the issuance and sale of the Class B Units we also entered into amendments to our three credit facilities, plus amendments amongst others for the deferral of scheduled amortization payments under each of our three credit facilities until March 2016, and prepaid debt of \$149.6 million. Please see our Current Reports on Form 6-K furnished to the SEC on May 23, 2012 and June 6, 2012 and Note 7 (Long Term Debt) and Note 13 (Partnership) to our Financial Statements included herein for more information. In addition, during 2012 we sold the two small tankers in our fleet to unrelated third party and Capital Maritime acquired all of Capital Maritime's interest in its wholly owned subsidiaries that owned the two 7,943 TEU container carrier vessels M/V Archimidis and M/V Agamemnon, both built at Daewoo Shipbuilding in South Korea and under medium term time charters with Maersk Line in exchange for all of our interest in our wholly owned subsidiaries that owned the two VLCCs M/T Alexander the Great and M/T Achilleas (the 2012 Vessel Sale). We received a total net cash of \$0.3 million in connection with this transaction and Capital Maritime has waived any compensation for the early termination of the charters of M/T Alexander the Great and M/T Achilleas. In view of this transaction, we repaid \$5.2 million in debt.

Please see Item 4B: Business Overview Our Management Agreements above for a detailed description of the management agreements we have entered into with Capital Ship Management.

Please see Item 4B: Business Overview Our Fleet and Our Charters above for a detailed description of the vessels in our fleet, and their employment contracts, earliest possible redelivery dates of the vessels and relevant charter rates and operating expenses.

As of December 31, 2013, the Marinakis family, including Evangelos M. Marinakis, our chairman, may be deemed to beneficially own a 27.3% interest in our Partnership through its beneficial ownership, amongst others, of Capital Maritime and of Crude Carriers Investments.

Notwithstanding the ongoing challenges to the global economy and historically low charter rates, our primary business objective is to pay a sustainable distribution per unit and to increase our distributions over time, subject to shipping, charter and financial market developments and our financing requirements. Our business strategy focuses on maintaining and growing our cash flows while maintaining and building on our ability to meet rigorous industry and regulatory standards.

We believe that the medium- to long-term, fixed-rate nature of our charters, our profit sharing arrangements, and our cost-efficient ship management operations under our agreements with Capital Ship Management and the fact that we currently have no capital commitments to purchase or build further vessels will provide us with visibility of revenues, earnings and distributions in the medium- to long-term. As our vessels come up for rechartering we will seek to redeploy them at rates that reflect our expectations of the market conditions prevailing at the time. We intend to continue to evaluate potential opportunities to acquire both new and second-hand vessels from Capital Maritime and from third parties (including, potentially, through the acquisition of, or combination with, other businesses) and leverage the expertise and reputation of Capital Maritime in a prudent manner that is accretive to our unitholders and to long-term distribution growth, subject to approval of our board of directors and overall market conditions. In connection with evaluating and pursuing these opportunities, and as part of our strategy to optimize our capital structure, we may also seek to evaluate and pursue financing opportunities from external financing sources, including bank borrowings and the issuance of debt and equity securities.

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Please see Item 5A: Management's Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting our Future Results of Operations below.

Please also see Item 4B: Business Overview above, for a description of the historical development of our company and a description of the significant events and financial events to date, including a more detailed description of the issuance and sale of the Class B Units, Item 5A: Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Accounting for Acquisition and Disposal of Vessels and Merger with Crude Carriers and Liquidity and Capital Resources Net Cash Provided by/(Used in) Investing Activities and Item 7B: Related-Party Transactions for a description of certain transactions.

Our Charters

We generate revenues by charging our customers for the use of our vessels to transport their products. Historically, we have provided services to our customers under time or bareboat charter agreements. As of December 31, 2013, all of the 30 vessels in our fleet were trading in the period market.

Our vessels are currently under contracts with BP Shipping Limited, Capital Maritime, Bluemarine Cargo, Subtec, Cosco, HMM, Maersk Line and OSG for the year ended December 31, 2013, Capital Maritime, BP Shipping Limited, Maersk Line and HMM accounted for 32%, 17%, 14% and 13% of our revenues, respectively. For the year ended December 31, 2012, Capital Maritime and BP Shipping Limited accounted for 45% and 23% of our revenues, respectively. For the year ended December 31, 2011, Capital Maritime, BP Shipping Limited and OSG accounted for 24%, 32% and 11% of our revenues, respectively. The loss of a significant customer or a substantial decline in the amount of services requested by a significant customer could harm our business, financial condition and results of operations. In the future, as our fleet expands, we also expect to enter into charters with new charterers in order to maintain a portfolio that is diversified by customer, geographic and maturity perspective.

Please read Item 4B: Business Overview Our Fleet, Our Charters and Profit Sharing Arrangements for additional details regarding these relationships as well as a detailed description of the length and daily charter rate of our charters and information regarding the calculation of our profit sharing arrangements.

Accounting for Acquisition and Disposal of Vessels and Merger with Crude Carriers

During 2013, we acquired all of the interest in five of Capital Maritime's wholly owned subsidiaries that each owned a container carrier vessel, the M/V Prestige renamed to M/V CCNI Angol, the M/V Hyundai Premium, the M/V Hyundai Paramount, the M/V Hyundai Privilege and the M/V Hyundai Pioneer, each of which was under a long term time charter, at an aggregate price of \$325.0 million. According to the Accounting Standard Codification (ASC) 805-10-55-1 Business Combinations, and the three elements that are defined in ASC 805-10-55-4 through 805-10-55-9 we have determined that the acquisition of each of the mentioned vessels constitutes an acquisition of a business. In our case, the fair value of net assets acquired of \$367.3 million exceeded the purchase consideration of \$325.0 million and therefore a gain from bargain purchase of \$42.3 million was recognized in our consolidated statements of comprehensive income.

M/T Aristotelis, which was acquired during 2013 by an unaffiliated third party, has been treated as an acquisition of an asset. The results of operations, cash flows and financial position of the M/T Agamemnon II that was disposed during of 2013 are included in our Financial Statements up to the date of her disposal.

On December 22, 2012, we acquired all of the interest in two of Capital Maritime's wholly owned subsidiaries that each owned a container carrier vessel, the M/V Archimidis and the M/V Agamemnon, each of which was under a medium term time charter, in exchange for all of our interest in two of our wholly owned subsidiaries that each owned a VLCC, the M/T Alexander the Great and the M/T Achilleas. According to the Accounting Standard Codification (ASC) 805-10-55-1 Business Combinations, and the three elements that are defined in ASC 805-10-55-4 through 805-10-55-9 we have determined that the acquisition of the M/V Archimidis and the M/V Agamemnon constitutes an acquisition of a business. In our case, the fair value of net assets acquired of \$367.3 million exceeded the purchase consideration of \$325.0 million and therefore a gain from bargain purchase of \$42.3 million was recognized in our consolidated statements of comprehensive income.

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\$70.3 million in the case of the acquisition of the M/V Agamemnon and the fair value of net assets acquired of \$67.3 million in the case of the acquisition of the M/V Archimidis are both equal to the purchase consideration, therefore no goodwill or gain from bargain purchase was recognized for both transactions.

On September 30, 2011, the merger between us and Crude Carriers was successfully completed. We have accounted for the acquisition of Crude Carriers using the acquisition method of accounting. According to the ASC 805-30 Business Combination all assets acquired and liabilities assumed must be recorded at fair value. In our case the fair value of net assets acquired of \$223.0 million exceeded the purchase consideration of \$157.1 million and therefore a gain from bargain purchase of \$65.9 million was recognized in our consolidated statements of comprehensive income. The acquisition of Crude Carriers was funded by the issuance of 24,967,240 common units to the holders of Crude Carriers' shares.

Our partnership agreement provides that our board of directors has the power to oversee, direct the operation, and determine our strategies and policies. It also sets out the extent of the power that the general partner has regarding our management, operations and affairs. Following our annual general meeting of limited partners on July 22, 2010, and the elections of two Class III directors, the majority of our board has been elected by non-Capital Maritime common unit holders. As a result, we are not considered to be under common control with Capital Maritime. As a consequence, starting with July 22, 2010, we no longer account for vessel acquisitions from Capital Maritime as transfer of equity interest between entities under common control.

Prior to July 22, 2010, when we and Capital Maritime were under common control, all the vessel owning companies we acquired from Capital Maritime were recorded by us at net book value reflected by Capital Maritime and accounted for as a combination of entities under common control or a transfer of equity interest between entities under common control. For a combination between entities under common control, the purchase cost provisions (as they relate to purchase price adjustments in business combinations involving unrelated entities) explicitly do not apply; instead the method of accounting prescribed by accounting standards for such combinations is similar to pooling-of-interests method of accounting. Under this method, the carrying amount of assets and liabilities recognized in the balance sheets of the combining entity are carried forward to the balance sheet of the combined entity, and no other assets or liabilities are recognized as a result of the combination. Purchase premium or discount representing the difference between the cash consideration paid and the book value of the net assets acquired was recognized as an increase or decrease to the Partners' capital.

Vessel owning companies that had an operating history as part of Capital Maritime's fleet, prior to their acquisition by us have been treated as acquisitions of a business as such vessels were acquired from an entity under common control with existing time charters, strategic management and operational management processes. As a result, transfers of equity interests between entities under common control were accounted for as if the transfer occurred at the beginning of the period, and prior years were retroactively adjusted to furnish comparative information similar to the pooling-of-interest method. Vessels with no operating history and were delivered to us from the shipyards through Capital Maritime have been treated as an acquisition of assets from an entity under common control.

For additional information on how we have accounted for the transfers of vessels please see Note 3 (Acquisitions) to our Financial Statements included here.

Factors Affecting Our Future Results of Operations

We are primarily exposed to the tanker market as (a) the majority of vessels in our fleet are either crude or product tankers and (b) most of the charters that have expired over the previous 12 months or are expected to expire in the coming 12 months are for our product or crude tanker vessels. We believe the principal factors that will affect our future results of operations are the economic, regulatory, financial, credit, political and governmental conditions that affect the shipping industry generally and that affect conditions in countries and markets in which our vessels engage in business. The world economy has been experiencing significant economic and political challenges since 2008 as well as a severe deterioration in the banking and credit markets which have had, and continue to have, a significant impact on world trade and which may affect our ability to obtain financing as well as further impact the values of our vessels and the charters we are able to obtain for our vessels. The pace of recovery of the world economy and demand for the seaborne transportation of goods, including oil and oil products and for dry

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containerized goods, and the deliveries of newbuilding vessels will affect the shipping industry in general and our future results. Other key factors that are fundamental to our business, future financial condition and results of operations include:

- the demand for seaborne transportation services;
- levels of oil product demand and inventories;
- demand for raw materials, dry cargo and containerized goods;
- charter hire levels and our ability to recharter our vessels as their current charters expire;
- our ability to service our debt and, when the non-amortizing period expires in March 2016, to refinance our existing indebtedness with similar terms to our existing loans or, in the event such indebtedness is not refinanced, our obligation to make principal payments under our credit facilities;
- supply of vessels, and specifically the number of newbuildings entering the world tanker, container and dry cargo fleets each year;
- the ability to increase the size of our fleet and make additional acquisitions that are accretive to our unitholders;
- the ability of Capital Maritime's commercial and chartering operations to successfully employ our vessels at economically attractive rates, particularly as our fleet expands and our charters expire;
- the continuing demand for goods from China, India, Brazil and Russia and other emerging markets;
- our ability to comply with and benefit from new maritime regulations and the more restrictive regulations for the transport of certain products and cargoes;
- our ability to comply with the covenants in our credit facilities, including covenants relating to the maintenance of vessel value ratios;
- the increased costs associated with the renewal of our technical management agreement and transition to a floating fee based on actual expenses of certain of our vessels;
- the effective and efficient technical management of our vessels;
- the costs associated with upcoming drydocking of our vessels which are not covered by our management agreements;
- Capital Maritime's ability to obtain and maintain major international oil company approvals and to satisfy their technical, health, safety and environmental compliance standards; and
- the strength of and growth in the number of our customer relationships, especially with major international oil companies and major commodity traders.

In addition to the factors discussed above, we believe certain specific factors have impacted, and will continue to impact, our results of operations. These factors include:

- the charter hire earned by our vessels under time charters and bareboat charters;
- our ability to recharter our vessels on medium to long term charters at competitive rates;
- our ability to comply with the covenants in our credit facilities, including covenants relating to the maintenance of vessel value ratios, as the decline in vessel values and charter rates may limit our ability to pursue our business strategy;
- the prevailing spot market rates and the number of our vessels which we may operate on the spot market;
- our access to debt and equity, and the cost of such capital, required to acquire additional vessels and/or to implement our business strategy;
- our ability to acquire and sell vessels at prices we deem satisfactory;
- our level of debt and the related interest expense and amortization of principal; and
- the level of any distribution on our common units.

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

Table of Contents**Factors to Consider When Evaluating Our Results**

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

Financial Statements. Our Financial Statements include the results of operations of different numbers of vessels in each year. Please read Item 5A: Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Accounting for Acquisition and Disposal of Vessels and Merger with Crude Carriers above for a description of the financial treatment of vessel acquisitions and dispositions.

Vessel Acquisitions and Disposals. Vessels that have been acquired or delivered to us prior to July 22, 2010, are included in our results of operations, cash flows and financial position from the date of incorporation of the relevant vessel owning company or, in the case of the seven vessels we contracted to acquire at the time of our IPO which were delivered during 2007 and 2008, as of their delivery from the shipyard to Capital Maritime and us. Results of operations, cash flows and financial position of vessels that have been disposed of are included in our Financial Statements up to the date of their disposal. As a result of this accounting treatment, our Financial Statements may include results of operations of more vessels than actually comprised our fleet during the relevant periods. Please read Item 5A: Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Accounting for Acquisition and Disposal of Vessels and Merger with Crude Carriers above for a description of the financial treatment of vessel acquisitions. The table below shows the periods for which the results of operations and cash flows for each vessel owning company are included in our Financial Statements.

VESSELS INCLUDED IN OUR FINANCIAL STATEMENTS AND ACQUISITION DATA

Vessel	Incorporation date of VOC*	Date acquired by Capital Maritime	Date acquired by us	Vessel included in Consolidated Financial Statements for the years ended December 31,		
				2013	2012	2011
				M/T Atlantias ⁽¹⁾	09/16/2003	04/26/2006
M/T Assos ⁽¹⁾⁽²⁾	03/18/2004	05/17/2006	04/04/2007 & 08/16/2010	X	X	X
M/T Aktoras ⁽¹⁾	08/27/2003	07/12/2006	04/04/2007	X	X	X
M/T Agisilaos ⁽¹⁾	10/10/2003	08/16/2006	04/04/2007	X	X	X
M/T Arionas ⁽¹⁾	11/10/2003	11/02/2006	04/04/2007	X	X	X
M/T Avax ⁽¹⁾	02/10/2004	01/12/2007	04/04/2007	X	X	X
M/T Aiolos ⁽¹⁾	09/12/2003	03/02/2007	04/04/2007	X	X	X
M/T Axios ⁽¹⁾	02/10/2004	02/28/2007	04/04/2007	X	X	X
M/T Atrotos ⁽³⁾⁽⁴⁾	02/11/2004	05/08/2007	05/08/2007 & 03/01/2010	X	X	X
M/T Akeraios ⁽³⁾	02/03/2004	07/13/2007	07/13/2007	X	X	X
M/T Apostolos ⁽³⁾	05/26/2004	09/20/2007	09/20/2007	X	X	X
M/T Anemos I ⁽³⁾	07/08/2004	09/28/2007	09/28/2007	X	X	X
M/T Attikos ⁽⁵⁾⁽⁹⁾	12/29/2003	01/20/2005	09/24/2007	-	Up to Feb 14	X

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M/T Alexandros II ⁽³⁾	02/07/2006	01/29/2008	01/29/2008	X	X	X
M/T Amore Mio II ⁽⁵⁾	05/29/2007	07/31/2007	03/27/2008	X	X	X
M/T Aristofanis ^{(5) (9)}	02/03/2004	06/02/2005	04/30/2008	-	Up to Apr 4	X
M/T Aristotelis II ⁽³⁾	02/07/2006	06/17/2008	06/17/2008	X	X	X
M/T Aris II ⁽³⁾	01/24/2006	08/20/2008	08/20/2008	X	X	X
M/T Agamemnon II ^{(2) (5) (11)}	07/14/2006	11/24/2008	04/07/2009	Up to Nov 4	X	X
M/T Ayrton II ^{(4) (5)}	07/14/2006	04/10/2009	04/13/2009	X	X	X
M/T Alkiviadis ⁽⁵⁾	06/22/2004	03/29/2006	06/30/2010	X	X	X
M/V Cape Agamemnon ⁽⁶⁾	06/17/2008	01/25/2011	06/09/2011	X	X	X

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Vessel	Incorporation date of VOC*	Date acquired		Vessel included in Consolidated Financial Statements for the years ended December 31,		
		by Capital Maritime	by us	2013	2012	2011
M/T Alexander the Great ^{(7) (8)}	01/26/2010	-	09/30/2011	-	Up to Dec 21	X
M/T Achilleas ^{(7) (8)}	01/26/2010	-	09/30/2011	-	Up to Dec 21	X
M/T Miltiadis M II ⁽⁷⁾	04/06/2006	04/26/2006	09/30/2011	X	X	X
M/T Amoureux ⁽⁷⁾	04/14/2010	-	09/30/2011	X	X	X
M/T Aias ⁽⁷⁾	04/14/2010	-	09/30/2011	X	X	X
M/V Agamemnon ⁽⁸⁾	04/19/2012	6/28/2012	12/22/2012	X	Since Dec 22	-
M/V Archimidis ⁽⁸⁾	04/19/2012	6/22/2012	12/22/2012	X	Since Dec 22	-
M/V Hyundai Prestige (CCNI Angol) ⁽¹⁰⁾	04/08/2011	02/19/2013	09/11/2013	Since Sep 11	-	-
M/V Hyundai Premium (CCNI Shanghai) ⁽¹⁰⁾	04/08/2011	03/11/2013	03/20/2013	Since Mar 20	-	-
M/V Hyundai Paramount ⁽¹⁰⁾	04/08/2011	03/27/2013	03/27/2013	Since Mar 27	-	-
M/V Hyundai Privilege ⁽¹⁰⁾	04/08/2011	05/31/2013	09/11/2013	Since Sep 11	-	-
M/V Hyundai Platinum ⁽¹⁰⁾	07/19/2011	06/14/2013	09/11/2013	Since Sep 11	-	-
M/T Aristotelis ⁽¹²⁾	10/16/2013	-	11/28/2013	Since Nov 28	-	-

* VOC: Vessel Owning Company

- (1) Initial Vessels. The Financial Statements have been retroactively adjusted to reflect their results of operations as of the incorporation date of the vessel owning companies.
- (2) On April 7, 2009 the M/T Assos (which was part of our fleet at the time of the IPO) was exchanged for the M/T Agamemnon II. We subsequently re-acquired the M/T Assos from Capital Maritime on August 16, 2010.
- (3) Committed Vessels. These vessels are newbuildings which were delivered directly to us from Capital Maritime on their delivery dates from the start of the period and had no prior operating history. As such, there is no information to retroactively restate that should be considered and the results of operations are presented in the Financial Statements since their delivery dates.
- (4) On April 13, 2009 the M/T Atrotos (which was acquired from Capital Maritime in May 2007) was exchanged for the M/T Ayrton II. We subsequently re-acquired the M/T Atrotos from Capital Maritime on March 1, 2010.
- (5) Non-Contracted Vessels. The Financial Statements have been retroactively adjusted to reflect their results of operations as of the incorporation date of the respective vessel owning companies (with the exception of M/T Assos for the period from April 17, 2009 to August 15, 2010).
- (6) Our Financial Statements include the results of operations of the vessel owning of the M/V Cape Agamemnon and cash flows since the date of its acquisition by us on June 9, 2011.
- (7) Our Financial Statements include:
 - o Results of operations and cash flows of Crude Carriers and its subsidiaries since the completion of the merger on September 30, 2009, a unit-for-share transaction following which Crude Carriers became a wholly owned subsidiary of ours; and
 - o The statement of financial position of Crude Carriers and its subsidiaries as of the date of the completion of the merger after giving effect to Accounting Standard Codification (ASC) 805-30 Business Combination where all assets acquired and liabilities assumed (of Crude Carriers and its subsidiaries) were recorded at fair value.
- (8) On December 22, 2012, we acquired the vessel owning companies of the M/V Archimidis and the M/V Agamemnon from Capital Maritime in exchange for the vessel owning companies of the M/T Alexander the Great and the M/T Achilleas, respectively.
- (9) During the first half of 2012 we sold the M/T Attikos and the M/T Aristofanis, the two small tankers in our fleet, to unrelated third parties.

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- (10) During 2013 we acquired from Capital Maritime the vessel owning companies of five post-panamax container carrier vessels: the M/V CCNI A, the M/V Hyundai Premium, the M/V Hyundai Paramount, the M/V Hyundai Privilege and the M/V Hyundai Platinum.
- (11) In November 2013 we sold the M/T Agamemnon II to unaffiliated third parties.
- (12) In November 2013 we acquired the M/T Aristotelis from an unrelated third party.

Different Structure of Operating Expenses. We have entered into three separate technical and commercial management agreements with Capital Maritime for the management of our fleet and each vessel in our fleet is managed under the terms of one of these three agreements. Each agreement represents a different structure of operating expenses. We expect that as the fixed fee management agreement expires for certain of our vessels, such vessels, and any additional acquisitions we make in the future, shall be managed under these floating fee management agreements. For a detailed description of our management agreements and the fees we pay our manager please read Item 4: Business Overview Our Management Agreements above.

The Size of our Fleet Continues to Change. As of the date of this Annual Report our fleet consisted of 30 vessels. At the time of our IPO in 2007, our fleet consisted of eight vessels and in January 2011 it had increased to 21 vessels. During 2011 we acquired a cape size vessel from Capital Maritime and incorporated the five crude tanker vessels that were part of the Crude Carriers fleet prior to its merger with us in September 2011 into our fleet. In 2012 we exchanged two VLCCs we had acquired as part of the merger with Crude Carriers for two post-panamax container carrier vessels owned by Capital Maritime and sold the two small tankers in our fleet. During 2013 we acquired five post-panamax container carrier vessels owned by Capital Maritime. During 2013 we also acquired one 2013 built medium range product tanker and sold one 2008 built medium range product tanker to unaffiliated third parties. We intend to continue to evaluate potential acquisitions of vessels or other shipping businesses in a prudent manner that is accretive to our distributable cash flow per unit.

Results of Operations***Year Ended December 31, 2013 Compared to Year Ended December 31, 2012***

Results of operations for the years ended December 31, 2013 and December 31, 2012 differ primarily due to the increased size of our fleet following the acquisition of a number of container vessels, gains from bargain purchases in the acquisition of a number of container vessels from Capital Maritime, gains from the sale of the claim in OSG, losses related to the sale of one vessel to third parties, the increased indebtedness to partially finance the acquisition of a number of vessels, the close out of certain interest rate swap agreements and the larger number of vessels managed under our floating fee management agreement.

Total Revenues

Time, voyage and bareboat charter revenues amounted to approximately \$171.5 million for the year ended December 31, 2013, as compared to \$154.0 million for the year ended December 31, 2012. The increase of \$17.5 million is primarily attributable to the increased number of vessels in our fleet. For the year ended December 31, 2013, \$55.0 million of total revenues represented charter hire received from Capital Maritime as compared to \$69.9 million of total revenues for the year ended December 31, 2012. The decrease of \$14.9 million in charter hire received from Capital Maritime is mainly attributable to the 2012 Vessel Sale. The two VLCCs that were sold to Capital Maritime were under time charter with Capital Maritime from January 1, 2012 until the date of their sale on December 31, 2012. Time, voyage and bareboat charter revenues are mainly comprised of the charter hire received from unaffiliated third-party customers and Capital Maritime and are affected by the number of days our vessels operate, the average number of vessels in our fleet and the charter rates. Please read Item 4B: Business Overview Our Fleet and Our Charters for information about the charters on our vessels, including daily charter rates.

Table of Contents**Voyage Expenses**

Voyage expenses amounted to \$6.1 million for the year ended December 31, 2013, as compared to \$5.7 million for the year ended December 31, 2012, primarily due to the higher number of vessels in our fleet.

Voyage expenses are direct expenses to voyage revenues and primarily consist of commissions, port expenses, canal dues and bunkers. Voyage costs, excluding commissions, are paid for by the charterer under time and bareboat charters. Voyage costs under voyage charters are paid for by the owner.

Vessel Operating Expenses

For the year ended December 31, 2013, our vessel operating expenses amounted to approximately \$55.3 million, of which \$17.0 million was incurred under management agreements with our manager and include \$0.6 million in additional fees and costs relating to certain costs associated with the vetting of our vessels, repairs related to unforeseen extraordinary events (as defined in our fixed fee management agreement) and insurance deductibles.

For the year ended December 31, 2012, our vessel operating expenses amounted to approximately \$45.8 million, of which \$23.6 million was incurred under management agreements with our manager and include \$1.9 million in additional fees and costs relating to certain costs associated with the vetting of our vessels, repairs related to unforeseen extraordinary events (as defined in our fixed fee management agreement) and insurance deductibles.

Increases to vessel operating expenses are primarily attributable to increased costs due to the higher number of vessels in our fleet and the increased number of vessels managed under our floating fee management agreement.

General and Administrative Expenses

General and administrative expenses amounted to \$9.5 million for the year ended December 31, 2013, as compared to \$9.2 million for the year ended December 31, 2012. General and administrative expenses, which includes a non-cash item, related to our Omnibus Incentive Compensation Plan amounted to \$5.7 million for the year ended December 31, 2013, as compared to \$3.8 million for the year ended December 31, 2012, resulting from our Omnibus Incentive Compensation Plan becoming fully vested in August 2013. As of December 31, 2013, there were no incentive awards outstanding under the Plan. General and administrative expenses include board of directors' fees and expenses, audit fees, and other fees related to the expenses of the publicly traded partnership.

Gain on sale of vessels to third parties

During the year ended December 31, 2013, we sold the M/T Agamemnon II to unaffiliated third parties recognizing a loss on sale of vessel of \$7.1 million. The loss reflects the difference between the carrying value of the vessels and the net selling proceeds at the time of the sale.

Depreciation and amortization

Depreciation and amortization of fixed assets amounted to \$52.2 million for the year ended December 31, 2013, as compared to \$48.2 million for the year ended December 31, 2012, primarily due to the higher number of vessels in our fleet as a result of the acquisition of the five post-panamax container vessels. Depreciation is expected to increase if the number of vessels in our fleet increases.

Vessels' impairment charge

Vessels' impairment charge amounted to \$0.0 million for the year ended December 31, 2013, as compared to \$43.2 million for the year ended December 31, 2012, primarily due to the difference between the carrying and the fair market value of the M/T Alexander the Great and the M/T Achilleas on the date they were exchanged for the M/V Archimidis and the M/V Agamemnon, respectively.

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Please see Note 5 (Vessels) to our Financial Statements included herein for more information on the vessels' impairment charge.

Gain on sale of claim

Gain on sale of claim amounted to \$31.4 million, attributable to the sale of our claim with OSG. Please read Item 4A: History and Development of Partnership's 2013 Developments - OSG Bankruptcy and Assignment of Claims and Note 16 (Gain on sale of claim) to our Financial Statements included herein for additional information.

Gain from Bargain Purchase

Gain from bargain purchase is attributable to the acquisition of the M/V Hyundai Premium, the M/V Hyundai Paramount, the M/V Hyundai Prestige (renamed the M/V CCNI Angol), the M/V Hyundai Privilege and the M/V Hyundai Platinum, as the net identifiable assets acquired exceeded the purchase consideration by \$42.3 million.

Total Other Expense, Net

Total other expense, net for the year ended December 31, 2013, was approximately \$15.5 million as compared to \$24.4 million for the year ended December 31, 2012.

The 2013 amount includes interest expense, amortization of financing charges, commitment fees and bank charges of \$16.0 million, which was lower than the respective 2012 amount mainly due to the expiration and close out of our remaining interest rate swap agreements. In addition the year ended December 31, 2012, reflects a gain of the 12 ineffective interest rate swap agreements of \$1.5 million. Interest and other income amounted to \$0.5 million compared to \$0.8 million for the year ended December 31, 2012.

Net Income / (Loss)

Net income for the year ended December 31, 2013, amounted to \$99.5 million as compared to net loss of \$21.2 million for the year ended December 31, 2012. For a list of factors which we believe are important to consider when evaluating our results, please refer to the discussion under Item 5A: Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors to Consider When Evaluating Our Results and Results of Operations above.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Results of operations for the years ended December 31, 2012 and December 31, 2011 differ primarily due to the full year results of operations of Crude Carriers added into our Financial Statements, the repayment of debt of \$175.2 million mainly through the proceeds from the issuance of our Class B units and the sale of small tankers, the expiration and the close out of certain interest rate swap agreements and the larger number of vessels managed under our float management agreement as well as the impairment charge in relation to the disposal of two of our vessels.

Total Revenues

Time, voyage and bareboat charter revenues amounted to approximately \$154.0 million for the year ended December 31, 2012, as compared to \$130.3 million for the year ended December 31, 2011. The increase of \$23.7 million is primarily attributable to the increased number of vessels in our fleet following the consolidation of Crude Carriers' vessels in 2012 as compared to the year ended December 31, 2011 when the Crude Carriers' vessels were operated only for the last three months of the year. For the year ended December 31, 2012, \$69.9 million of total revenues represented charter hire received from Capital Maritime compared to \$31.8 million of total revenues for the year ended December 31, 2011. The increase of \$38.1 million in charter hire received from Capital Maritime is attributable to the increased number of vessels in our fleet chartered with Capital Maritime for

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the period. Time, voyage and bareboat charter revenues are mainly comprised of the charter hire received from unaffiliated third-party customers and Maritime and are affected by the number of days our vessels operate, the average number of vessels in our fleet and the charter rates. Please read Item 4B Overview Our Fleet and Our Charters for information about the charters on our vessels, including daily charter rates.

Voyage Expenses

Voyage expenses amounted to \$5.7 million for the year ended December 31, 2012, as compared to \$11.7 million for the year ended December 31, 2011. Total voyage expenses for 2012 were primarily attributable to the decreased number of voyage charters compared to 2011.

Voyage expenses are direct expenses to voyage revenues and primarily consist of commissions, port expenses, canal dues and bunkers. Voyage costs, excluding commissions, are paid for by the charterer under time and bareboat charters. Voyage costs under voyage charters are paid for by the owner.

Vessel Operating Expenses

For the year ended December 31, 2012, our vessel operating expenses amounted to approximately \$45.8 million, of which \$23.6 million was incurred under management agreements with our manager and include \$1.9 million in additional fees and costs relating to certain costs associated with the vetting of our vessels, repairs related to unforeseen extraordinary events (as defined in our fixed fee management agreement) and insurance deductibles.

For the year ended December 31, 2011, our vessel operating expenses amounted to approximately \$35.5 million, of which \$30.5 million was incurred under management agreements with our manager and include \$1.2 million in additional fees and costs relating to certain costs associated with the vetting of our vessels, repairs related to unforeseen extraordinary events (as defined in our fixed fee management agreement) and insurance deductibles.

Increases to vessel operating expenses are primarily attributable to increased costs due to the higher number of vessels in our fleet and the increased number of vessels managed under our floating fee management agreement.

General and Administrative Expenses

General and administrative expenses amounted to \$9.2 million for the year ended December 31, 2012, as compared to \$10.6 million for the year ended December 31, 2011. For the year ended December 31, 2012, without considering the expenses of \$4.6 million incurred in connection with the preparation and execution of our acquisition of Crude Carriers during 2011 and the acquisition of the vessel owning company of the M/V Cape Agamemnon during 2011, we recognized higher general and administrative expenses of \$3.2 million mainly due to the full year results of operations of Crude Carriers expenses, including equity compensation plan. General and administrative expenses include board of directors fees and expenses, audit fees, and other fees related to the expenses of the publicly traded partnership.

Gain on sale of vessels to third parties

During the year ended December 31, 2012 we sold the M/T Attikos and the M/T Aristofanis, the two small tankers in our fleet, to unrelated third parties, recognizing a gain on sale of vessels of \$1.3 million. This gain reflects the difference between the carrying value of the vessels and the net selling price at the time of the sale.

Depreciation

Depreciation of fixed assets amounted to \$48.2 million for the year ended December 31, 2012, as compared to \$37.2 million for the year ended December 31, 2011, primarily due to the full year consolidation of Crude Carriers vessels in our fleet. Depreciation is expected to increase if the number of vessels in our fleet increases.

Table of Contents**Vessels impairment charge**

Vessels impairment charge amounted to \$43.2 million for the year ended December 31, 2012 and represents the difference between the carrying and the fair value of the M/T Alexander the Great and the M/T Achilleas on the date they were exchanged for the M/V Archimidis and the M/V Agamemnon, respectively. There was no vessel impairment charge during the year ended December 31, 2011.

Please see Note 5 (Vessels) to our Financial Statements included herein for more information on the vessels impairment charge.

Total Other Expense, Net

Total other expense, net for the year ended December 31, 2012, was approximately \$24.4 million as compared to \$30.6 million for the year ended December 31, 2011.

The 2012 amount includes interest expense, amortization of financing charges, commitment fees and bank charges of \$26.7 million, which was lower than the respective 2011 amount due to the prepayment of \$175.2 million of debt and the expiration and close out of eleven interest rate swap agreements. In addition the year ended December 31, 2012, reflects a gain of the twelve ineffective interest rate swap agreements of \$1.5 million as compared to \$2.3 million for the year ended December 31, 2011. Interest and other income amounted to \$0.8 million as compared to \$0.9 million for the year ended December 31, 2011.

Net (Loss) / Income

Net loss for the year ended December 31, 2012, amounted to \$21.2 million as compared to net income of \$87.1 million for the year ended December 31, 2011. For a list of factors which we believe are important to consider when evaluating our results, please refer to the discussion under Item 5A: Management's Discussion and Analysis of Financial Condition and Results of Operations Factors to Consider When Evaluating Our Results and Results of Operations above.

B. Liquidity and Capital Resources

As at December 31, 2013, total cash and cash equivalents were \$64.0 million, restricted cash was \$15.0 million, and total liquidity including cash and undrawn long-term borrowings was \$229.0 million. As at December 31, 2012, total cash and cash equivalents were \$43.6 million, restricted cash was \$10.5 million, and total liquidity including cash and undrawn long-term borrowings was \$109.5 million.

We anticipate that our primary sources of funds for our liquidity needs will be cash flows from operations. As our vessels come up for rechartering, depending on the prevailing market rates, we may not be able to recharter them at levels similar to their current charters which may affect our future cash flows from operations. Generally, our long-term sources of funds will be from cash from operations, long-term bank borrowings and other debt or equity financings. Because we do not have all of our available cash, we expect that we will rely upon external financing sources, including bank borrowings and the issuance of debt and equity securities. We may also pursue fund acquisitions and expansion and investment capital expenditures, including opportunities we may pursue under the amended and restated omnibus agreement with Capital Maritime or acquisitions from third parties. We currently have no capital commitments to purchase or build additional vessels. However, as discussed above, we expect to continue to evaluate opportunities to acquire vessels and businesses and expect that the size and composition of our fleet will change over time. In connection with evaluating and pursuing these opportunities and as we seek to optimize our capital structure, we may also evaluate and pursue financing opportunities.

As at December 31, 2013, we had \$150.0 million in undrawn amounts under our credit facilities as compared to \$55.4 million in undrawn amounts under our credit facilities as of December 31, 2012.

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Total Partners' Capital as of December 31, 2013, amounted to \$781.4 million, which reflects an increase of \$207.6 million from the year ended December 31, 2012. This change consisted of:

- an increase of \$119.8 million from the net proceeds from the issuance of the 13,685,000 common units and 9,100,000 Class B Units respectively;
- an increase of \$3.5 million from our equity compensation plan;
- an increase of \$0.4 million attributable to unrealized gain on derivative instruments;
- a decrease of \$88.2 million attributable to our distributions to our unit holders; and
- an increase of \$99.5 million reflecting our net income for the year ended December 31, 2013.

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

Cash Flows

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

	2013	2012	2011
Net Cash Provided by Operating Activities	\$ 129.6	\$ 84.8	\$ 56.5
Net Cash (Used in) / Provided by Investing Activities	\$ (335.3)	\$ 15.9	\$ (16.7)
Net Cash Provided by / (Used in) by Financing Activities	\$ 226.2	\$ (110.6)	\$ (19.0)

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased to \$129.6 million for the year ended December 31, 2013 from \$84.8 million for the year ended December 31, 2012, mainly due to the proceeds of \$32.0 million we received from the sale of OSG claim, the increased size of our fleet and the reduced interest costs due to the expiration of our remaining interest rate swap contracts. Net cash provided by operating activities increased to \$84.8 million for the year ended December 31, 2012 from \$56.5 million for the year ended December 31, 2011 due to the full year consolidation of Crude Carriers' vessels and the reduced interest costs due to the repayment of debt and the expiration of certain interest rate swap contracts. For an explanation of why our historical net cash provided by operating activities is not indicative of net cash provided by operating activities to be expected in future periods, please read Item 5A: Management's Discussion and Analysis of our Condition and Results of Operations' Factors to Consider when Evaluating our Results' and 'Results of Operations' above.

Net Cash (Used in) / Provided by Investing Activities

Cash is used primarily for vessel acquisitions and changes in net cash used in investing activities are primarily due to the number of vessels acquired in the period. We expect to rely primarily upon external financing sources, including bank borrowings and the issuance of debt and equity securities as well as other sources in order to fund any future vessels acquisitions or expansion and investment capital expenditures.

For the year ended December 31, 2013, net cash used in investing activities was \$335.3 million and was comprised of:

- \$363.0 million for the acquisition of the M/V Hyundai Premium, the M/V Hyundai Paramount, the M/V Hyundai Prestige (renamed to CCGV), the M/V Hyundai Privilege, the M/V Hyundai Platinum and the M/T Aristotelis;
- \$4.5 million, representing the increase to our restricted cash following the conversion of the 2008 credit facility to a term loan and the acquisition of five vessels. Restricted cash is the minimum amount of free cash we were required to maintain under our credit facilities for the period; and
- \$32.2 million, representing the net proceeds from the sale of the M/T Agamemnon II.

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For the year ended December 31, 2012, net cash provided by investing activities was \$15.9 million and was comprised of:

- \$21.3 million, of which \$19.7 million represent the net proceeds from the sale of the M/T Attikos and the M/T Aristofanis to unrelated third parties and \$1.6 million represent proceeds received in connection with the exchange of the M/T Alexander the Great for the M/V Archimidis;
- \$3.8 million, representing the increase to our restricted cash following the conversion of the 2007 credit facility to a term loan. Restricted cash represents the minimum amount of free cash we were required to maintain under our credit facilities for the period;
- \$1.4 million, representing the cash consideration in connection with the exchange of the M/T Achilleas for the M/V Agamemnon; and
- \$0.2 million, representing the amounts paid for upgrading certain vessels.

For the year ended December 31, 2011, net cash used in investing activities was \$16.7 million and was comprised of:

- \$27.0 million, primarily representing the amount we paid to Capital Maritime for the acquisition of the vessel owning company of the M/V Agamemnon;
- \$11.8 million, representing the cash and cash equivalents acquired in the acquisition of Crude Carriers at the time of the closing of the merger;
- \$1.5 million, representing the increase to our restricted cash which is the minimum amount of free cash we were required to maintain under our credit facilities for the period, due to the acquisitions of the M/V Cape Agamemnon and the five crude tankers of Crude Carriers.

Net Cash Provided by / (Used in) Financing Activities

Net cash provided by financing activities amounted to \$226.2 million for the year ended December 31, 2013, as compared to net cash used in financing activities of \$110.6 million for the year ended December 31, 2012. For the year ended December 31, 2011, net cash used in financing activities amounted to \$19.0 million.

For the year ended December 31, 2013, we used net proceeds of \$72.5 million from the sale and issuance of 9,100,000 Class B Units, combined with a draw of \$54.0 million from our 2008 credit facility and part of our cash balances to finance the acquisition of the two 5,023 TEU container vessels from Capital Maritime for a total consideration of \$130.0 million. We also used net proceeds of \$119.9 million from the sale and issuance of 13,685,000 common units with approximately \$75.0 million from our 2013 credit facility, as amended, and part of our cash balances to acquire the three additional 5,023 TEU container vessels from Capital Maritime for an aggregate purchase price of \$195.0 million.

For the year ended December 31, 2012, proceeds from the sale and issuance of our Class B Units amounted to \$140.0 million. Total expenses paid in connection with the sale and issuance of Class B Units were \$1.7 million. For the year ended December 31, 2011, proceeds from issuance of our units amounted to \$19.0 million. This amount represents the cash contribution that our general partner made to us in order to maintain its 2% interest in us following the acquisition of the vessel owning company of the M/V Cape Agamemnon.

For the year ended December 31, 2013, total proceeds of long term debt amounted to \$129.0 million and we repaid debt from our 2008 credit facility of \$129.0 million. For the year ended December 31, 2012, there were no proceeds from the issuance of long term debt. During 2012 we pre-paid \$175.2 million in connection with the issuance and sale of the Class B Units, the sale of the M/T Attikos and the M/T Aristofanis, and the 2012 Vessel Sale. For the year ended December 31, 2011, proceeds from issuance of long term debt amounted to \$159.6 million. This amount represents the draw downs of \$134.6 and \$25.0 million made under the 2008 credit facility and 2011 credit facility, respectively. We used the \$134.6 million to repay Crude Carriers' outstanding loan at the completion of the acquisition and the \$25.0 million for the partial finance of the acquisition of the shares of the vessel owning company of the M/V Agamemnon.

There were no payments of related party-debt/financing for the year ended December 31, 2013, 2012 and 2011.

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For each of the years ended December 31, 2013, 2012 and 2011 loan issuance costs amounted to \$2.9, \$0.3 and \$0.3 million, respectively.

During the year ended December 31, 2013, we made distributions, including to our Class B unitholders and to Capital Maritime, of \$88.2 million. During the year ended December 31, 2012, we made distributions, including to our Class B unitholders and to Capital Maritime, of \$73.3 million. During the year ended December 31, 2011, we made distributions of \$45.1 million to our common unitholders, including Capital Maritime.

Borrowings

Our long-term third party borrowings are reflected in our balance sheet as Long-term debt and as current liabilities in Current portion of long-term debt. As of December 31, 2013, total borrowings was \$583.3 million consisting of: (i) \$250.9 million outstanding under the 2007 credit facility; (ii) \$238.4 million outstanding under the 2008 credit facility; (iii) \$19.0 million outstanding under the 2011 credit facility and (iv) \$75.0 million under the 2013 credit facility. As of December 31, 2012, total borrowings were \$458.4 million consisting of: (i) \$250.9 million outstanding under the 2007 credit facility; (ii) \$188.5 million outstanding under the 2008 credit facility and (iii) \$19.0 million outstanding under the 2011 credit facility. As of December 31, 2013 long term debt was \$577.9 million as compared to \$577.9 million as of December 31, 2012. The current portion of long term debt as of December 31, 2013 was \$5.4 million as compared to \$0 million as of December 31, 2012.

Our Credit Facilities

We have entered into four non-amortizing credit facilities.

In March 2007, we entered into a loan agreement with a syndicate of financial institutions including HSH Nordbank AG for a revolving credit facility, of \$370.0 million for the financing of the acquisition cost, or part thereof, of up to 15 MR product tankers. Following the sale of the M/T Attikos and the M/T Aristofanis during the first half of 2012 we repaid \$20.5 million under this credit facility. In connection with the issuance and sale of our Class B Units, we repaid \$95.2 million and entered into an amendment which provides for the conversion of the 2007 credit facility into a term loan, the deferral of scheduled amortization payments until March 2016 and the repayment of the facility in six equal consecutive quarterly installments commencing in March 2016 plus a balloon payment due in June, 2017. The interest margin of this facility, as amended, is 2.0%.

In March 2008, we entered into a loan agreement with a syndicate of financial institutions including HSH Nordbank AG for a non-amortizing credit facility of \$350.0 million for the partial financing of vessel acquisitions by us. In September 2011, following the acquisition of Crude Carriers, we completed the refinancing of Crude Carriers' outstanding debt of \$134.6 million using this facility. In connection with the refinancing, the M/T Alexander the Great, the M/T Achilles, the M/T Miltiadis M II, and the M/T Aias were added as collateral to the facility. In connection with the issuance and sale of our Class B Units, we prepaid \$48.4 million and entered into an amendment which provides for the deferral of scheduled amortization payments until March 2016 and the repayment of the facility in nine equal consecutive quarterly installments commencing in March 2016 plus a balloon payment due in March 2018. In addition, an amount of \$52.5 million under the 2008 facility was cancelled. Following the 2012 Vessel Sale we prepaid an additional \$5.2 million and the M/V Archimedes replaced the M/V Agamemnon as collateral under the facility. The interest margin of this facility, as amended, is 3.0%. Loan commitment fees are calculated at 0.325% per annum on any undrawn amount and are paid quarterly.

In June 2011, we entered into a loan agreement with Credit Agricole Emporiki Bank for a credit facility of \$25.0 million to partially finance the acquisition of the vessel owning company of the M/V Cape Agamemnon from Capital Maritime. In connection with the issuance and sale of our Class B Units, we prepaid \$5.0 million and entered into an amendment which provides for the deferral of scheduled amortization payments until March 2016 and the repayment of the facility in nine equal consecutive quarterly installments commencing in March 2016 and a balloon payment due in March 2018.

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On September 6, 2013, we entered into a new senior secured credit facility of up to \$200.0 million led by ING Bank N.V. The facility is non-amortizing and matures in March 2016, with a final maturity date in December 2020. The interest margin of this facility is 3.50%, with a commitment fee of 1.00%. The facility is available for the funding of up to 50% of the charter free value of modern product tankers and post-panamax container vessels. Also in September 2013, we entered into a \$75 million facility for the partial financing of three post-panamax container vessels. On December 27, 2013, the 2013 credit facility was amended to increase its size to \$225.0 million. None of the other material terms of the credit facility were amended.

All our credit facilities contain customary ship finance covenants, including restrictions as to: changes in management and ownership of the mortgaged vessels; the incurrence of additional indebtedness, the mortgaging of vessels, the ratio of EBITDA to net interest expenses, which shall be no less than 2:1, a minimum requirement of \$500,000 per vessel of which 50% may be constituted by undrawn commitments under the applicable credit facility, as well as the ratio of total indebtedness to the aggregate market value of the total fleet, which shall not exceed 0.725:1. Our credit facilities also contain a collateral maintenance requirement according to which the aggregate average fair market value of the collateral vessels must be no less than 125% of the aggregate outstanding amount under the credit facilities. Furthermore, the vessel owning companies may pay dividends or make distributions when no event of default has occurred and the payment of a dividend or distribution has not resulted in a breach of any of the financial covenants. The credit facilities have a general assignment of the earnings, insurance and requisition compensation of the respective vessel or vessels. Each also requires additional security, including: pledge and charge on current account, a personal guarantee from each of the twenty-five vessel owning companies and mortgage interest insurance.

Our obligations under our credit facilities are secured by first-priority mortgages covering our vessels and are guaranteed by each vessel owning company. Our credit facilities contain a Market Disruption Clause requiring us to compensate the banks for any increases to their funding costs caused by disruption of the market which the banks may unilaterally trigger. For the years ended December 31, 2013, 2012 and 2011 we incurred an additional interest expense in the amount of \$0.0, \$0.4 and \$1.3 million, respectively, due to the Market Disruption Clause.

As at December 31, 2013, the amounts drawn down under our four credit facilities were as follows:

			\$370,000 Credit	\$350,000 Credit	\$25,000 Credit	\$225,000 Credit
<u>Vessel / Entity</u>	<u>Date</u>	<u>Facility</u>	<u>Facility</u>	<u>Facility</u>	<u>Facility</u>	<u>Facility</u>
M/T Akeraios	07/13/2007	\$ 46,850	\$	\$	\$	\$
M/T Apostolos	09/20/2007	56,000				
M/T Anemos I	09/28/2007	56,000				
M/T Alexandros II	01/29/2008	48,000				
M/T Amore Mio II	03/27/2008			46,000		
M/T Aristofanis	04/30/2008			11,500		
M/T Aristotelis II	06/17/2008	20,000				
M/T Aris II	08/20/2008	24,000		1,584		
M/V Cape Agamemnon	06/09/2011				19,000	
M/V Hyundai Premium	03/20/2013			24,975		
M/V Hyundai Paramount	03/27/2013			24,975		
M/V Hyundai Prestige, M/V Hyundai Privilege, M/V Hyundai Platinum	09/06/2013					
Crude Carriers Corp. and its subsidiaries	09/30/2011			129,431		
Total		\$ 250,850	\$ 238,465	\$ 19,000	\$	\$

As at December 31, 2013, we had \$150 million in undrawn amounts under our credit facilities and were in compliance with all financial debt covenants. Our obligations under the covenants and restrictions contained in our credit facilities and any other debt instruments we may enter into in the future may be affected by events beyond our control.

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

Furthermore, any contemplated vessel acquisitions will have to be at levels that do not impair the required ratios set out above. The recent global economic downturn has had an adverse effect on vessel values which is likely to persist if the economic slowdown resumes. If the estimated asset values of the vessels in our fleet continue to decrease, such decreases may limit the amounts we can draw down under our credit facilities to purchase additional vessels and our ability to expand our fleet. In addition, we may be obligated to prepay part of our outstanding debt in order to remain in compliance with the relevant covenants in our credit facilities. A decline in the market value of our vessels could also lead to a default under any prospective credit facility to which we become a party, and our ability to refinance our credit facilities and/or limit our ability to obtain additional financing. An increase/decrease of 10% of the aggregate fair market value of our vessels would not cause any violation of the total indebtedness to aggregate market value covenant contained in our credit facilities.

C. Off-Balance Sheet Arrangements

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

D. Contractual Obligations and Contingencies

The following table summarizes our long-term contractual obligations as of December 31, 2013 (in thousands of U.S. Dollars).

	<u>Total</u>	<u>Payment due by period</u>			<u>More than 5 years</u>
		<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	
Long-term Debt Obligations	\$ 583,315	\$ 5,400	\$ 103,888	\$ 416,334	\$ 57,693
Interest Obligations ⁽¹⁾	99,670	17,699	45,915	27,742	8,314
Management fee ⁽²⁾	36,295	10,983	15,469	7,687	2,156
Commercial services fee ⁽³⁾	285	285	-	-	-
Total:	\$ 719,565	\$ 34,367	\$ 165,272	\$ 451,763	\$ 68,163

(1) For our 2007, 2008, 2011 and 2013 credit facilities, calculations for interest obligations have been based on Bloomberg forward rates plus a margin of 2%, 3%, 3.25% and 3.5%, respectively, which reflects our best estimates.

(2) The fees payable to Capital Ship Management represent fees for the provision of commercial and technical services such as crewing, repairs, maintenance, insurance, stores, spares and lubricants, provided pursuant to our management agreements. Management fees under the floating rate Crude Carriers management agreements have been increased annually based on the United States Consumer Price Index for November 2013.

(3) Represents commercial services fee equal to 1.25% on gross time charter revenues to be generated by the vessels managed under the Crude Carriers management agreement which were under long term time charters as of December 31, 2013.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these financial statements requires the use of estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities as of the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

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

Vessel Lives and Impairment

The carrying value of each of our vessels represents its original cost (contract price plus initial expenditures) at the time of delivery or purchase less accumulated depreciation or impairment charges. The carrying values of our vessels may not represent their fair market value at any point in time since the market for second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. However, in recent years, market conditions have fluctuated significantly as a result of the credit crisis and resulting slowdown in world trade. Charter rates for vessels have decreased and vessel values have been depressed. We consider these market developments as indicators of potential impairment of the carrying amount of our assets. We performed undiscounted cash flow tests as of December 31, 2013 and 2012, as an impairment analysis, in which we made estimates and assumptions relating to determining the projected undiscounted operating cash flows by considering the following:

- the charter revenues from existing time charters for the fixed fleet days (our remaining charter agreement rates);
- vessel operating expenses;
- drydocking expenditures;
- an estimated gross daily time charter equivalent for the unfixed days (based on the 10-year average historical one year Time Charter Equivalent) over the remaining economic life of each vessel, excluding days of scheduled off-hires;
- residual value of vessels;
- fixed commercial and technical management fees, assuming an annual increase of 2%;
- a utilization rate of 98.6% 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 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 amount. Charter rates may remain at depressed levels for some time which could adversely affect our revenue and profitability, and future assessments of potential impairment.

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

- depreciation is calculated in accordance with the prevailing industry standard, depreciation is calculated using an estimated useful life of 25 years for our vessels commencing at the date the vessel was originally delivered from the shipyard;
- estimated useful life of vessels takes into account design life, commercial considerations and regulatory restrictions based on our fleet's historical performance;
- estimated charter rates are based on rates under existing vessel contracts and thereafter at market rates at which we expect we can charter our vessels based on market trends;
- estimates of vessel utilization, including estimated off-hire time and the estimated amount of time our vessels may spend operating in the spot market, based on the historical experience of our fleet;
- estimates of operating expenses and drydocking expenditures are based on historical operating and drydocking costs based on the historical experience of our fleet and our expectations of future inflation and operating requirements;

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vessel residual values are a product of a vessel's lightweight tonnage and an estimated scrap rate of \$180; 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, 2012, we would begin recording impairment on the first vessel that will incur impairment by vessel type for time charter declines from their 10 year historical averages as follows:

<u>Vessel</u>	Percentage Decline from which Impairment would be Recorded	
	Year ended December 31, 2013	Year ended December 31, 2012
Product tankers	21.2%	28.2%
Suezmax vessels	28.3%	30.2%
Cape vessel	-	70.2%
Container vessels (5,000 TEU)	37.8%	-

As of December 31, 2013 and February 18, 2014, our current rates for time charters on average were below their 10 year historical averages as follows:

<u>Vessel</u>	Time Charter Rates as Compared with 10-year Historical Average (as percentage above/(below))	
	As of December 31, 2013	As of February 18, 2014
Product tankers	(14.3)%	(14.2)%
Suezmax vessels	(32.7)%	(32.5)%
Container vessels (5,000 TEU)	39.8%	39.8%

Based on the above assumptions we determined that the undiscounted cash flows support the vessels' carrying amounts as of December 31, 2013 and the impairment of \$43.2 million we recorded for the year ended December 31, 2012 was the result of the 2012 Vessel Sale.

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

Interest Rate Swap Agreements

We designate our derivatives based upon the criteria established by the FASB in its accounting guidance for derivatives and hedging activities. The accounting guidance for derivatives requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure them at fair value. The accounting for the changes in the fair value of the derivative depends on the intended use of the derivative and the derivative's designation. For a derivative that does not qualify as a cash flow hedge, the change in fair value is recognized at the end of each accounting period in the statement of income. For a derivative that qualifies as a cash flow hedge, the change in fair value is recognized at the end of each reporting period in accumulated comprehensive income / (loss) (effective portion) until the hedged item is recognized in income. The ineffective portion of a derivative's change in fair value is immediately recognized in the income statement.

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We discontinue cash flow hedge accounting if the hedging instrument expires, is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or we revoke the designation. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs. When the forecasted transaction occurs, any cumulative gain or loss on the hedging instrument is recognized in net income or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in Partners' capital is transferred to net profit or loss for the year as financial income or expense.

We have not had any active interest rate swaps as of December 31, 2013.

Please see Note 2 (Significant Accounting Policies) and Note 8 (Financial Instruments) to our Financial Statements included herein for more detailed information.

Intangible assets

We record all identified tangible and intangible assets or any liabilities associated with the acquisition of a business at fair value. When a business is acquired, we determine the present value of the difference between: (i) the contractual charter rate and (ii) the present market rate for a charter of equivalent duration. When determining present value we use Weighted Average Cost of Capital which includes judgments about discount rates and risks premiums and is appropriate in relation to the business, industry and environment in which we operate. The resulting above-market (assessing above-market (liabilities) charters are amortized using straight line method as a reduction and increase, respectively, to revenues over the remaining term of the charters. In accordance with the guidance related to Accounting for the Impairment or Disposal of Long-Lived Assets, we evaluate the potential impairment of identified acquired intangible assets when there are indicators of impairment. The identified intangibles are tested for impairment whenever events or circumstances indicate that the carrying amount of any asset may not be recoverable based on estimates of future undiscounted cash flows. In the event of an impairment, the asset is written down to its fair value. An impairment loss, if any, is measured as the amount by which the carrying amount of the asset exceeds its fair value. No impairment loss was recognized during any period presented.

Recent accounting pronouncements

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

Item 6. Directors, Senior Management and Employees.**Management of Capital Product Partners L.P.**

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

Our board of directors initially consisted of seven persons, three persons who were designated by our general partner in its sole discretion and four were elected by the common unitholders. Following the completion of our merger with Crude Carriers in September 2011, the size of our board has been increased to eight persons, with five to be elected by our common unitholders going forward. Following completion of the merger, Dimitris P. Christopoulos was elected to our board of directors. Directors appointed by our general partner serve as directors for terms determined by our general partner and directors elected by 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. As of the 2010 annual meeting of unitholders, a majority of our board is now elected by common unitholders (excluding common units held by Capital Maritime) rather than appointed by Capital Maritime. At each annual meeting of

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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 a limited partner or group of limited partners that holds at least 10% of the outstanding common units.

Our general partner intends to cause its officers to devote as much time to the management of our business and affairs as is necessary for the proper conduct of our business and affairs. Our general partner's Chief Executive Officer and Chief Financial Officer, Ioannis E. Lazaridis, allocates his time between our business and affairs and the business and affairs of Capital Maritime. The amount of time Mr. Lazaridis allocates between our business and the business of Capital Maritime varies from time to time depending on various circumstances and needs of the businesses, such as the relative levels of strategic activities of our 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 our 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 restricts 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 3D: Risk Factors. 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, see Item 3D: Risk Factors.

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and director nominees and our general partner's executive officers as of January 31, 2014.

Name	Age	Position
Evangelos M. Marinakis ⁽¹⁾	46	Director and Chairman of the Board
Ioannis E. Lazaridis ⁽¹⁾	46	Director and Chief Executive Officer and Chief Financial Officer of our general partner
Nikolaos Syntychakis ⁽¹⁾	51	Director
Pierre de Demandolx-Dedons ⁽²⁾	73	Director ⁽⁵⁾
Abel Rasterhoff ⁽³⁾	73	Director ⁽⁵⁾
Evangelos G. Bairactaris ⁽⁴⁾	42	Director and Secretary
Keith Forman ⁽⁴⁾	55	Director ⁽⁵⁾
Dimitris P. Christacopoulos ⁽³⁾	43	Director ⁽⁵⁾

(1) Appointed by our general partner (term expires in 2016).

(2) Class I director (term expires in 2014).

(3) Class II director (term expires in 2015).

(4) Class III director (term expires in 2016).

(5) Member of our audit committee and our conflicts committee.

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

Evangelos M. Marinakis, Director and Chairman of the Board.

Mr. Marinakis joined our board of directors on March 13, 2007 and serves as the Chairman of the Board. Mr. Marinakis has served as Capital Maritime's Chief Executive Officer and as a director since its incorporation in March 2005. Mr. Marinakis served as Chairman and Chief Executive Officer of Nantux Stock

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Exchange (NYSE) listed Crude Carriers Corp., an affiliate of Capital Maritime, since March 2010 until its merger with us in September 2011. From 1996 to 2004, Mr. Marinakis was the Commercial Manager of Capital Ship Management and oversaw the businesses of the group of companies that currently form Capital Maritime. For the past 20 years, Mr. Marinakis has also been active in various other family businesses, all related to the shipping industry. Mr. Marinakis holds a B.A. in International Business Administration and an M.Sc in International Relations.

Ioannis E. Lazaridis, Director and Chief Executive and Chief Financial Officer.

Mr. Lazaridis has served as the Chief Executive and Chief Financial Officer of our general partner since its formation in January 2007 and joined our board of directors on March 13, 2007. Mr. Lazaridis served as President of NYSE-listed Crude Carriers Corp., an affiliate of Capital Maritime, since March 2010 until its merger with us in September 2011, and has also served as Capital Maritime's Chief Financial Officer and as a director since its incorporation in March 2004 to March 2005, Mr. Lazaridis was employed by our predecessor companies. From 1996 to 2004, Mr. Lazaridis was employed by Credit Agricole in London, where he worked in the equity department. From 1993 to 1996, Mr. Lazaridis was employed by Kleinwort Benson in equity sales and from 1990 to 1993 was employed by Norwich Union Investment Management. Mr. Lazaridis holds a B.A. degree in economics from the University of Thessaloniki in Greece and an M.A. in Finance from the University of Reading in the UK. He is also an Associate for the Institute of Investment Management and Research in the UK.

Evangelos G. Bairactaris, Director and Secretary.

Mr. Bairactaris joined our board of directors on March 13, 2007 and has served as our Secretary since our formation in January 2007. Mr. Bairactaris is an attorney at law and a member of the Piraeus Bar Association. Mr. Bairactaris has been a partner in G.E. Bairactaris & Partners since 2000 and has been a managing partner since 2003. He has regularly provided his professional services to our predecessor companies and many Greek and international companies and banks. Mr. Bairactaris is currently a director of Hellenic Seaways Maritime S.A., one of the largest coastal passenger and cargo transport services companies operating in Greece and Italy. The law firm of G.E. Bairactaris & Partners has provided, and may continue to provide, legal services to Capital Maritime and its affiliates.

Nikolaos Syntychakis, Director.

Mr. Syntychakis joined our board of directors on April 3, 2007. Mr. Syntychakis, Managing Director of Capital Ship Management, joined Capital Ship Management in January 2001 where he has served as Vetting Manager, Crew Manager and Operations Manager. From 2000 to 2001, Mr. Syntychakis served as Fleet Operator of Delfi S.A. in Piraeus, Greece and from 1988 to 1999 he worked as the Chief Officer and DPA of Sougerka Maritime also in Piraeus, Greece. Mr. Syntychakis has been involved in the shipping industry in various capacities for over 25 years and has also been closely involved with vetting matters on Intertanko's Vetting Committee for several years.

Abel Rasterhoff, Director.

Mr. Rasterhoff joined our board of directors on April 3, 2007. He serves on our conflicts committee and has been designated as the audit committee's 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 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 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 has served as a member of the executive board and 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 TUI Nederland and served as an advisor to the trustees of the TUI Nederland Pension Fund.

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Mr. Rasterhoff served on the Capital Maritime Board from May 2005 until his resignation in February 2007 as the chairman of the audit committee. 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 December 2012. Mr. Rasterhoff holds a graduate business degree in economics from Groningen State University.

Keith Forman, Director.

Mr. Forman joined our board of directors on April 3, 2007 and serves on our conflicts committee and our audit committee. Mr. Forman was, until March 2007, a Partner and served as Chief Financial Officer of Crestwood Midstream Partners. Crestwood Midstream was a private investment partnership focused on equity investments in the midstream energy market. Crestwood's other partners included the Blackstone Group, Kayne Anderson and GSO Capital. From January 2004 to July 2005, he was Senior Vice President, Finance for El Paso Corporation, a leading provider of natural gas services. Mr. Forman, who joined El Paso in 1998 upon their acquisition of the general partner of the Leviathan Gas Pipeline Partners, also served as Vice President from 2001 to 2003, of El Paso Services and from 1992 to 2003 he served as Chief Financial Officer of GulfTerra Energy Partners L.P., a publicly traded master limited partnership. Mr. Forman has served as a Senior Advisor to Industry Funds Management, an Australian based fund manager that invests in infrastructure projects worldwide, since 2012. Since November 2011, Mr. Forman has served as an independent director of NYSE-listed Rentech Nitrogen Partners, a publicly traded master limited partnership engaged in the manufacture of fertilizer products, where he serves on both the audit and conflict committees. Mr. Forman was appointed to the board of directors of Applied Consultants, Inc., a privately owned energy engineering consulting firm based in Longview, Texas in November 2013.

Pierre de Demandolx-Dedons, Director.

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

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. 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 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 holds a diploma in chemical engineering from the National Technical University of Athens and an MBA from Columbia Business School in New York.

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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 all 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. Our general partner did not incur any such expenses prior to our IPO in April 2007.

Executive Compensation

We and our general partner were formed in January 2007. Neither we nor our general partner paid any compensation to our directors or our general partner's officers nor accrued any obligations with respect to management incentive or retirement benefits for our directors or our general partner's officers prior to January 2007. Because our Chief Executive Officer and Chief Financial Officer, Mr. Lazaridis, is an employee of Capital Maritime, his compensation is set and paid by Capital Maritime, and we reimburse Capital Maritime for the cost of the provided services. We do not have a retirement plan for our 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 or our general partner or their affiliates, including plans that may be established in the future.

Compensation of Directors

Officers of our general partner or Capital Maritime who also serve as our directors do not receive additional compensation for their service as directors. Our directors receive compensation for attending meetings of our board of directors or committee meetings as well as for serving in the role of committee chair. Our directors have also received restricted units. Please also read Item 6E: Share Ownership Omnibus Incentive Compensation Plan below for additional information. For the year ended December 31, 2013, our directors, including our chairman, received an aggregate amount of \$530,000. 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 a services agreement entered into between our general partner and Mr. Lazaridis, if a change in control occurs, Mr. Lazaridis may resign within six months of such change in control.

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. Our board of directors currently consists of eight members, three of which are appointed by our general partner. Unitholders are not entitled to elect the directors of our general partner 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.

Although the Nasdaq Global Market does not require a listed limited partnership like us to have a majority of independent directors on our board of directors, we have established a compensation committee and a nominating/corporate governance committee. Our board of directors has established an audit committee and a compliance 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.capitalpllp.com. The membership and main functions of each committee are described below.

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Audit Committee. The audit committee of our board of directors is composed of three or more independent directors, each of whom must meet the independence standards of the Nasdaq Global Market, the SEC and any other applicable laws and regulations governing independence from time to time. The audit committee is currently comprised of directors Abel Rasterhoff (chair), Pierre de Demandolx-Dedons, Keith Forman and Dimitris Christacopoulos. All members of the audit 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.

Conflicts Committee. The conflicts committee of our board of directors is composed of the same directors constituting the audit committee, being Keith Forman (chair), Abel Rasterhoff, Pierre de Demandolx-Dedons and Dimitris Christacopoulos. The members of our conflicts committee may not be officers or employees of our general partner or directors, officers or employees of its affiliates, and must meet the independence standards established by the Nasdaq Global Market. The conflicts committee is an audit committee of a board of directors and certain other requirements. The conflicts committee reviews specific matters that the board believes may present 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 are 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. The duties any of them may owe us or our unitholders.

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 operations consistent with the policies and procedures adopted by our board of directors. All of the executive officers of our general partner and three of our directors are executive officers, directors or affiliates of Capital Maritime.

E. Share Ownership

As of December 31, 2013:

795,200 restricted common units had been issued under our Plan (described below);

623,064 common units resulting from the conversion of Crude Carriers common shares had been issued under the Crude Plan at the time of our merger with Crude Carriers, including shares issued under the Crude Plan to our director Dimitris Christacopoulos when he was a member of the board of directors of Crude Carriers;

Our director Keith Forman has owned a small number of common units since the date of our IPO. In addition, restricted common units were also issued to all members of our board of directors in August 2010 under the terms of our Plan (described below) which they may be deemed to beneficially own to have beneficially owned. The shares issued to our newly elected director Dimitris Christacopoulos when he was a member of the board of directors of Crude Carriers converted to common units in us in the same manner as all shares converted under the terms of our merger agreement. No member of our board of directors owns common or restricted units in a number representing more than 1.0% of our outstanding common units; and

The Marinakis family, including our chairman Mr. Marinakis, through its beneficial ownership of Capital Maritime and Crude Carriers Investments, may be deemed to beneficially own, or to have beneficially owned, all of the units held by Capital Maritime and Crude Carriers Investments.

Omnibus Incentive Compensation Plan

On April 29, 2008, our board of directors adopted the Plan according to which we may issue a limited number of awards, not to exceed 500,000 units in the aggregate to our employees, consultants, officers, directors or affiliates, including the employees, consultants, officers or directors of our general partner, our manager Capital Maritime and certain key affiliates and other eligible persons. Awards may be made in the form of incentive stock options, non-qualified stock options, restricted stock, restricted stock units, dividend equivalent rights, restricted stock, unrestricted stock, restricted stock units and performance shares. The Plan is administered by our general partner as authorized by our board of directors.

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On July 22, 2010, our board of directors amended the Plan to increase the aggregate number of restricted units issuable under the Plan to 800,000 from 500,000.

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

On March 1, 2010, the board of directors of Crude Carriers adopted the Crude Plan according to which Crude Carriers may issue shares, not to exceed 400,000, to its employees, consultants, officers, directors or affiliates, amongst others and on August 31, 2010, 399,400 shares were issued. Except for awards issued to certain members of the Crude Carriers board at the time which vest in equal annual installments over a three-year period, the majority of the shares issued vest three years from the date of issuance.

At the time of the completion of our merger with Crude Carriers all common shares of Crude Carriers which had been previously issued under the Crude Plan were converted to common units in us at an exchange ratio of 1.56, with the exception of common shares issued to the four independent members of the Crude Carriers board of directors who did not continue as members of our board of directors which vested immediately. Concurrently, we adopted the terms of the Crude Plan which governs such converted shares, the terms and conditions of which are substantially similar to the terms and conditions of our Plan and remained unchanged at the completion of the merger.

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

All awards issued under our Plan and the Crude Plan are conditional upon the grantee's continued service until the applicable vesting date and all awards are payable upon vesting. Please read Note 14 (Omnibus Incentive Compensation Plan) to our Financial Statements included herein for more information.

Item 7. Major Unitholders and Related-Party Transactions.

As of December 31, 2013, our partners' capital consisted of 88,440,710 common units, of which 67,237,409 are owned by non-affiliated public investors, 18,922,221 Class B Units, no subordinated units and 1,765,457 general partner units. The Marinakis family, including Evangelos M. Marinakis, our chairman, may be deemed to beneficially own a 27.3% interest in us through its beneficial ownership, amongst others, of Capital Maritime, which owned a 21.5% interest in us, which includes 17,692,891 common units, 4,048,484 Class B Units and a 1.6% interest in us through its ownership of our general partner, and of Crude Carriers Investments, which owned a 3.0% interest in us.

A. Major Unitholders

The following table sets forth as of January 31, 2014, the beneficial ownership of our common units by each person we know beneficially owns more than 1% of more of our common units, and all of our directors, director nominees and the executive officers of our general partner as a group. The number of units beneficially owned by each person is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules a person beneficially owns any units as to which the person has or shares voting or investment power.

Name of Beneficial Owner	Number of Common Units Owned	Percentage of Total Common Units
Capital Maritime ⁽¹⁾⁽²⁾	21,741,375	23.5%
Crude Carriers Investments ⁽²⁾	3,284,210	3.6%
All executive officers and directors as a group (8 persons) ⁽²⁾⁽³⁾	0	0%
Kayne Anderson Capital Advisors, L.P. ⁽⁴⁾	9,172,441	10.8%
Oaktree Capital Group Holdings GP, LLC and certain affiliated funds ⁽⁵⁾	5,049,924	6.9%
Swank Capital, L.L.C. ⁽⁶⁾	4,698,947	5.4%

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- (1) Excludes the 1.6% general partner interest held by our general partner, a wholly owned subsidiary of Capital Maritime.
- (2) The Marinakis family, including our chairman Mr. Marinakis, through its ownership of Capital Maritime and Crude Carriers Investments, among others, may be deemed to beneficially own, or to have beneficially owned, all of the units held by Capital Maritime and Crude Carriers Investments.
- (3) Our director Keith Forman has owned a small number of common units since the date of our IPO. In addition, restricted common units were also owned by all members of our board of directors in August 2010 under the terms of our Plan which they may be deemed to beneficially own, or to have beneficially owned. Our director Dimitris Christacopoulos owns a number of restricted common units in us, which resulted from the conversion of restricted common units in Crude Carriers into our common units at the time of our merger with Crude Carriers. Our chairman Mr. Marinakis and our Chief Executive Officer and Chief Financial Officer Mr. Lazaridis own certain common units in us which resulted from the conversion of shares in Crude Carriers into our common units at the time of our merger with Crude Carriers. No member of our board of directors owns common or restricted units in a number representing more than 4.9% of our outstanding common units.
- (4) This information is based on the Schedule 13G/A filed on February 10, 2014, by Kayne Anderson Capital Advisors, L.P. and Richard A. Kayne.
- (5) This information is based on the Schedule 13G/A filed on February 7, 2014, by Oaktree Value Opportunities Fund, L.P., Oaktree Value Opportunities Fund GP, L.P., Oaktree Value Opportunities Fund GP Ltd., Oaktree FF Investment Fund, L.P., Oaktree FF Investment Fund GP, L.P., Oaktree FF Investment Fund GP Ltd., Oaktree Fund GP I, L.P., which, in its capacity as the sole shareholder of each of Oaktree Value Opportunities Fund GP Ltd. and Oaktree FF Investment Fund GP Ltd., itself reported beneficially owning 4,359,015 common units, representing 5.9% of our total common units, Oaktree Capital I, L.P., which, in its capacity as the general partner of Oaktree Fund GP I, L.P., itself reported beneficially owning 4,359,015 common units, representing 5.9% of our total common units, OCM Holdings I, LLC, which, in its capacity as the general partner of Oaktree Capital I, L.P., itself reported beneficially owning 4,359,015 common units, representing 5.9% of our total common units, Oaktree Holdings I, LLC, which, in its capacity as the managing member of OCM Holdings I, LLC, itself reported beneficially owning 4,359,015 common units, representing 5.9% of our total common units, Oaktree-TCDERS Strategic Credit, LLC, Oaktree Capital Management, L.P., which, in its capacity as the duly appointed managing member of Oaktree-TCDERS Strategic Credit, LLC and as the sole director of each of Oaktree Value Opportunities Fund GP Ltd. and Oaktree FF Investment Fund GP Ltd., itself reported beneficially owning 5,049,924 common units, representing 6.9% of our total common units, Oaktree Holdings, Inc., which, in its capacity as the general partner of Oaktree Capital Management, L.P., itself reported beneficially owning 5,049,924 common units, representing 6.9% of our total common units, Oaktree Capital Group, LLC, which, in its capacity as the managing member of Oaktree Holdings, LLC and as the sole shareholder of Oaktree Holdings, Inc., itself reported beneficially owning 5,049,924 common units, representing 6.9% of our total common units, and Oaktree Group Holdings GP, LLC.
- (6) This information is based on the Schedule 13G filed on February 14, 2014, by Swank Capital, L.L.C., Cushing MLP Asset Management, LP and Swank.

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

Table of Contents**B. Related-Party Transactions**

Capital Maritime's ability, as sole member of our general partner, to control the appointment of three of the eight members of our board of directors and to take certain significant actions we may take as well as its ownership of 20.0% of our common units which it can vote in their totality on all matters that arise under our partnership agreement, means that Capital Maritime, together with its affiliates, will have the ability to exercise significant influence regarding our management and may be able to propose amendments to the partnership agreement that are in its best interest.

Transactions entered into during the year ended December 31, 2013

1. *Amended and Restated Management Agreements.* On May 9, 2013, and November 30, 2013, we amended and restated the fixed fee management agreements with Capital Ship Management in its entirety to reflect, among other things, the vessels covered by such agreement. Please read "Item 4B: Overview - Our Management Agreements" above for a detailed description of the terms of this management agreement.
2. *Equity Offering.* On August 5, 2013, we announced the issuance of 11,900,000 common units at a public offering price of \$9.25 per common unit under our 2011 Form F-3. An additional 1,785,000 common units were subsequently sold on the same terms following the full exercise of the over-allotment option granted to the underwriters for the offering. Capital GP L.L.C., our general partner, participated in both the offering and the exercise of the over-allotment option and purchased 279,286 units at the public offering price, subsequently converting 349,700 common units into general partner units to maintain its interest in us. Net proceeds, before expenses, relating to the offering were approximately \$120.7 million.
3. *Acquisition of the M/V CCNI Angol (ex Hyundai Prestige), the M/V Hyundai Privilege and the M/V Hyundai Platinum from Capital Maritime.* Net proceeds from our common units offering in August 2013 were used toward acquiring three 5,023 TEU container vessels, the M/V CCNI Angol (ex Hyundai Prestige), the M/V Hyundai Privilege and the M/V Hyundai Platinum, from our sponsor Capital Maritime for an aggregate purchase price of \$195.0 million. Each of these vessels was built in 2013 at Hyundai Heavy Industries Co. Ltd. and each such vessel is employed under a 12 year time charter employment (+/- 60 days) to HMM at a gross rate of \$29,350 per day. The charters commenced shortly after the delivery of the vessels to Capital Maritime during the first half of 2013. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors.
4. *Share Purchase Agreements for the acquisition of the vessel owning companies of each of the M/V Hyundai Premium and M/V Hyundai Paramount.* On March 20, and March 27, 2013, we entered into two share purchase agreements with Capital Maritime pursuant to which we acquired all of Capital Maritime's interests in the vessel owning companies that own each of the M/V Hyundai Premium and M/V Hyundai Paramount, respectively. The acquisition was funded by the net proceeds received from our issuance of Class B Units together with approximately \$54 million from our existing credit facilities and part of our cash balances. Both the M/V Hyundai Premium and M/V Hyundai Paramount are 2013 built at Hyundai Heavy Industries Co. Ltd. They were originally ordered by Capital Maritime and have secured a 12 year time charter employment (+/- 60 days) to HMM at a gross rate of \$29,350 per day. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors. Please see "Liquidity and Capital Resources - Net Cash (Used in) / Provided by Investing Activities" and Note 1 (Basis of Presentation and General Information) in the Financial Statements included herein for more information regarding this acquisition, including a detailed explanation of how it was accounted for.
5. *Subscription Agreement for Class B Units.* On March 15, 2013, we entered into a subscription agreement for the sale and issuance of 9.1 million of our Class B Units with certain investors, including Capital Maritime. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors of our board of directors. Pursuant to the

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terms of the subscription agreement, Capital Maritime was issued 615,151 Class B Units, which are convertible at any time into our common units of one-for-one basis. Please see Item 4A: History and Development of the Partnership 2013 Developments above for a detailed description of the sale of these Class B Units.

6. *Charter Party Agreements with Capital Maritime.* During 2013 each of the M/T Avax, M/T Axios, M/T Alkiviadis, M/T Akeraios, M/T Apostolis, M/T Agisilaos, M/T Anemos I, M/T Aristotelis, M/T Arionas, M/T Amoureux, M/T Aias and M/T Amore Mio entered into new or extended existing charter party agreements with Capital Maritime. Each of these charters were subject to 50/50 profit sharing arrangements for breaching IWL. In the case of Amoureux and M/T Aias, profit share arrangements are applicable on actual earnings settled every six months. These new charters/extensions were unanimously approved by the conflicts committee of independent directors of our board of directors. Please see Item 4B: Business Overview Our Charters above for a detailed description of these charters, including earliest possible redelivery dates of the vessels and relevant charter rates.

7. *Investor Relations Services Agreement.* On January 1, 2013, we renewed our Investor Relations Agreement with Capital Ship Management to clarify the provisions under which certain investor relations and corporate support services to assist us in our communications with holders of units representing partnership interests in us shall be provided to us further to the provisions of the Administrative Services Agreement entered into with Capital Ship Management and subject to its terms. Under the terms of the agreement we pay Capital Ship Management a fixed monthly fee of \$15,000 plus reimbursement of reasonable expenses. The agreement will be renewed annually on its terms unless we elect not to renew amendments to management agreements.

Transactions entered into during the year ended December 31, 2012

1. *Share Purchase Agreement Exchange of M/T Alexander the Great with M/V Archimidis.* On December 22, 2012, the 2010 built M/T Alexander the Great was exchanged for the M/V Archimidis, a 7,943 TEU container carrier vessel built in 2006 at Daewoo Shipbuilding in South Korea and owned by Capital Maritime. Under the terms of the share purchase agreement all assets and liabilities of the vessel owning company of the M/V Archimidis, except the vessel, necessary permits and time charter agreement, were retained by Capital Maritime. Capital Maritime paid us \$1,625,000, to reflect the value and longer duration of the charter attached to the vessel. Capital Maritime received all the shares of the vessel owning company of the M/T Alexander the Great and waived any compensation for the early termination of the vessel's charter. All assets and liabilities of the vessel owning company of the M/T Alexander the Great, except the vessel and necessary permits were retained by us. The vessel is managed under the floating fee management agreement. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors of our board of directors.

2. *Share Purchase Agreement Exchange of M/T Achilleas with M/V Agamemnon.* On December 22, 2012, the 2010 built M/T Achilleas was exchanged for the M/V Agamemnon, a 7,943 TEU container carrier vessel built in 2007 at Daewoo Shipbuilding in South Korea and owned by Capital Maritime. Under the terms of the share purchase agreement all assets and liabilities of the vessel owning company of the M/V Agamemnon, except the vessel, necessary permits and time charter agreement, were retained by Capital Maritime. We paid Capital Maritime \$1,375,000, to reflect the value and longer duration of the charter attached to the vessel. Capital Maritime received all the shares of the vessel owning company of the M/T Achilleas and waived any compensation for the early termination of the vessel's charter. All assets and liabilities of the vessel owning company of the M/T Achilleas, except the vessel and necessary permits were retained by us. The vessel is managed under the floating fee management agreement. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors of our board of directors.

3. *Subscription Agreements for Class B Units.* On May 11, 2012 and June 6, 2012, we entered into subscription agreements for the sale and issuance of Class B Units with certain investors, including

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Capital Maritime. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors of board of directors. Pursuant to the terms of the subscription agreements, Capital Maritime was issued 3,433,333 Class B Units, which are convertible time into our common units on a one-for-one basis. Please see Item 4A: History and Development of the Partnership above for a detailed description of issuance and sale of our Class B Units in 2012.

4. *Charter Party Agreements with Capital Maritime.* During 2012 each of the M/T Arionas, M/T Avax, M/T Axios, M/T Akeraios, M/T Agisilaos, M/T Apostolos, M/T Alkiviadis, M/T Miltiadis MII, M/T Aias and M/T Amoureux entered into new or extended existing charter party agreements with Capital Maritime. With the exception of the charter for the M/T Miltiadis MII, each of these charters were subject to 50/50 profit sharing arrangements for benefit of Capital Maritime and were unanimously approved by the conflicts committee of independent directors of our board of directors. Please see Item 4B: Business Overview Our Fleet and Our Charters above for a detailed description of these charters, including earliest possible redelivery dates of the vessels and charter rates.
5. *Amended and Restated Management Agreement.* On January 1, 2012, we amended and restated the fixed fee management agreement with Capital Maritime Management in its entirety to reflect, amongst others, the vessels covered by such agreement. Please read Item 4B: Business Overview Our Management Agreements above for a detailed description of the terms of this management agreement.
6. *Investor Relations Services Agreement.* On January 1, 2012, we entered into an Investor Relations Agreement with Capital Ship Management to clarify the provisions under which certain investor relations and corporate support services to assist us in our communications with holders of units representing partnership interests in us shall be provided to us further to the provisions of the Administrative Services Agreement entered into with Capital Ship Management and subject to its terms. Under the terms of the agreement we pay Capital Ship Management a fixed monthly fee of \$15,000 plus reimbursement of reasonable expenses. The agreement will be renewed annually on its terms unless we elect not to renew.

Transactions entered into during the year ended December 31, 2011

1. *M/T Amore Mio II Charter Party Agreement with Capital Maritime.* On December 18, 2011, the M/T Amore Mio II commenced its charter with Capital Maritime at a net daily charter rate of \$18,022 per day for an 11-14 month period (+/- 30 days) with earliest redelivery expected in October 2012. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors.
2. *M/T Achilleas Charter Party Agreement with Capital Maritime.* On November 20, 2011, we chartered the M/T Achilleas with Capital Maritime at a daily charter rate of \$28,000 per day plus 50/50 profit share on actual earnings settled every 6 months for the first 12 months of its time charter to Capital Maritime. Capital Maritime has the option to extend the time charter employment for a second year at \$34,000 per day and for a third year at \$38,000 per day with the same profit share arrangements. The M/T Achilleas was delivered to Capital Maritime in January 2012. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors.
3. *M/T Alexander The Great Charter Party Agreement with Capital Maritime.* On October 27, 2011, we chartered the M/T Alexander the Great with Capital Maritime at a gross daily charter rate of \$28,000 per day plus 50/50 profit share on actual earnings settled every 6 months for the first 12 months of its time charter to Capital Maritime. Capital Maritime has the option to extend the time charter employment for a second year at \$34,000 per day and for a third year at \$38,000 per day with the same profit share arrangements. The M/T Alexander The Great was delivered to Capital Maritime in November 2011. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors.

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4. *M/T Amoureux and M/T Aias Charter Party Agreements with Capital Maritime.* On October 27, 2011, we chartered the M/T Amoureux and the M/T Aias with Capital Maritime at a gross daily charter rate of \$20,000 per day plus 50/50 profit share on actual earnings settled every six months for the first 18 months of their time charter to Capital Maritime. Capital Maritime has the option to extend the time charter employment for a second year at \$24,000 per day and for a third year at \$28,000 per day with the same profit share arrangements. Both vessels were delivered to Capital Maritime during October and November 2011, respectively. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors.
5. *Amendment to Omnibus Agreement with Capital Maritime.* On September 30, 2011, we amended and restated the Omnibus Agreement with Capital Maritime, Capital GP L.L.C and Capital Product Operating L.L.C in connection with the Agreement and Plan of Merger dated as of May 5, 2011. The amended omnibus agreement governs the manner in which certain future tanker business opportunities will be offered by Capital Maritime to us. Under the terms of the amended and restated omnibus agreement Capital Maritime and its controlled affiliates (other than us, our general partner and our subsidiaries) have agreed not to own or operate product or crude oil tankers with carrying capacity over 30,000 dwt under time or bareboat charters with a remaining duration, excluding extension options, of at least 12 months at the earliest of the following dates: (a) the date the tanker to which such time or bareboat charter is attached was acquired by Capital Maritime and its controlled affiliates and (b) the date on which a tanker owned by Capital Maritime or its controlled affiliates was chartered under such time or bareboat charter without the consent of our general partner or first offering such tanker vessel to us. Similarly, we may not acquire or operate product or crude oil tankers with carrying capacity under 30,000 dwt, other than vessels we had owned prior to the date of such acquisition, without first offering such tanker vessel to Capital Maritime. In addition, each of Capital Maritime and we have granted the other party a right of first refusal on the transfer or rechartering of any vessels with carrying capacity over 30,000 dwt.
6. *M/T Agisilaos Extension of Charter Party Agreement with Capital Maritime.* On July 25, 2011, we extended the charter of the M/T Agisilaos with Capital Maritime. The 12 month extension is fixed at a gross daily charter rate of \$13,500 (\$13,331 net) and the charter is subject to a profit sharing arrangement which allows each party to share, at a 50/50 percentage, additional revenues earned for breaching the Institute Warranty Limits. The earliest redelivery is June 2012.
7. *M/T Arionas Extension of Charter Party Agreement with Capital Maritime.* On July 25, 2011, we extended the charter of the M/T Arionas with Capital Maritime. The 12 month extension is fixed at a gross daily charter rate of \$13,800 (\$13,628 net) and the charter is subject to a profit sharing arrangement which allows each party to share, at a 50/50 percentage, additional revenues earned for breaching the Institute Warranty Limits. The earliest redelivery is September 2012.
8. *Share Purchase Agreement for the acquisition of the vessel owning company of the M/V Cape Agamemnon.* On June 9, 2011, we entered into a share purchase agreement with Capital Maritime pursuant to which we acquired all of Capital Maritime's interests in the vessel owning company that owns the M/V Cape Agamemnon. The acquisition was funded through \$1.5 million from available cash and the incurrence of \$25.0 million of debt under a revolving credit facility and the remainder through the issuance of 6,958,000 common units to Capital Maritime. The M/V Cape Agamemnon, a 179,221 dwt built dry cargo vessel built at Sungdong Shipbuilding & Marine Engineering Co., Ltd., South Korea is chartered to Cosco under a charter with an estimated scheduled expiration date of June 2020, as amended. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors. Please see Item 5B: Liquidity and Capital Resources - Net Cash (Used in) / Provided by Investing Activities and Note 10 (Presentation and General Information) to our Financial Statements included herein for more information regarding this acquisition, including an explanation of how it was accounted for.
9. *Floating Rate Management Agreement with Capital Maritime.* On June 9, 2011, we entered into a floating fee management agreement with Capital Ship Management Corp. based on actual expenses with an initial term of five years. According to this agreement Capital Ship Management provides commercial and technical services for a daily fee that is revised annually based on the United States

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Consumer Price Index. We also reimburse our manager for all of its direct and indirect 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. Under the terms management agreement the costs and expenses associated with a vessel's next scheduled drydocking are borne by us and not by our manager.

10. *Agreement and Plan of Merger Agreement with Crude Carriers.* On May 5, 2011, we entered into a definitive agreement to merge with Crude Carriers in a unit-for-share transaction whereby Crude would become a wholly owned subsidiary of ours. The exchange ratio was 1.56 CPLP units for each Crude Carriers share. Both we and Crude established Special Committees, consisting entirely of independent directors, to negotiate the terms of the agreement, and each of the Special Committees approved the transaction and recommended it to their respective boards of directors, which unanimously approved the transaction. In September 2011, we completed the merger with Crude, which was approved by 60.3% of Crude's unaffiliated shareholders voting as a separate class, representing approximately 97.9% of the total votes cast, at a special shareholders' meeting. In connection with the merger, we issued an additional 24,967,240 common units to holders of Crude Carriers' shares, which includes 3,284,210 common units resulting from the conversion of Crude Carriers' Class B Shares owned by Crude Carriers Investments and 623,064 common units resulting from the conversion of common shares under the Crude Plan. We also approved the election of Dimitris Christacopoulos to our board of directors as a Class II Director. The conflicts of interest retained independent legal and financial advisors to assist in evaluating the proposed transaction and the purchase price.

11. *Crude Carriers Corp. Management Agreement with Capital Ship Management.* On September 30, 2011, we completed our merger with Crude Carriers whereby it became a wholly owned subsidiary of ours. The five crude tanker vessels we acquired as part of our merger with Crude Carriers are managed under a management agreement entered into in March 2010, as amended, with Capital Ship Management whose initial term will expire on December 31, 2020 and shall be automatically renewed for five-year periods if no notice of termination is given in the fourth quarter of the year immediately preceding the end of the initial term or any of its extensions. Under the terms of this management agreement we reimburse our manager for all of its direct and indirect 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 and administrative costs. In addition we pay our manager management fees based on the following components:

- a. Technical management fee at a per day daily fee to be updated on each anniversary following the Consumer Price Index;
- b. Sale & purchase fee equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of a vessel by Crude Carriers; and
- c. Commercial services fee equal to 1.25% of all gross charter revenues generated by each vessel for commercial services rendered.

In addition, the manager has the right to terminate the management agreement and, under certain circumstances, could receive substantial sums in connection with such termination; however, even if our board of directors or our unitholders are dissatisfied with the manager, there are limited circumstances under which we may terminate such management agreement. If the manager elects to terminate the management agreement, in accordance with the terms of the agreement a termination payment, which could be substantial, will be payable to the manager. This termination payment was initially set at \$9.0 million and increases on each anniversary during which the management agreement remains in effect (on a compounding basis) in accordance with the total percentage increase, if any, in the Consumer Price Index over the immediately preceding 12 months.

12. *M/T Avax Charter Party Agreement with Capital Maritime.* On May 3, 2011, we chartered the M/T Avax with Capital Maritime at a gross daily charter rate of \$14,000 for 12 months (+/-30 days). The charter is subject to a profit sharing arrangement which allows each party to share, at a 50/50 percentage, in the additional revenues earned for breaching the Institute Warranty Limits. The charter

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commenced in May upon redelivery of the vessel from the previous charterer, and the earliest expected redelivery under the new charter is April 2012. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors.

13. *M/T Akeraios Charter Party Agreement with Capital Maritime.* On May 3, 2011, we chartered the M/T Akeraios with Capital Maritime at a gross charter rate of \$14,000 for 12 months (+/-30 days). The charter is subject to a profit sharing arrangement which allows each party to share, at a certain percentage, additional revenues earned for breaching the International Warranty Limits. The charter commenced in July upon redelivery from the previous charterer, and the earliest expected redelivery under the charter is June 2012. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors.

14. *M/T Amore Mio II Charter Party Agreement with Capital Maritime.* On January 7, 2011, we rechartered the M/T Amore Mio II with Capital Maritime at a net daily charter rate of \$25,000 (\$25,316.45 gross). The charter commenced directly upon the vessel's redelivery from its previous charter with BEI Limited on January 9, 2011, and has an earliest scheduled expiration date of December 2011. The transaction was approved by our board of directors following approval by the conflicts committee of independent directors.

15. *Investor Relations Services Agreement.* On January 1, 2011, we entered into a one-year Investor Relations Agreement with Capital Ship Management to clarify the provisions under which certain investor relations and corporate support services to assist us in our communications with holders of units representing limited partnership interests in us shall be provided to us further to the provisions of the Administrative Services Agreement entered into with Capital Ship Management and subject to its terms. Under the terms of the agreement we pay Capital Ship Management a fixed monthly fee of \$15,000 plus reimbursement of reasonable expenses.

C. Interests of Experts and Counsel

Not applicable.

Item 8. 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.

Cash Distribution Policy***Rationale for Our Cash Distribution Policy***

Our cash distribution policy reflects a basic judgment that our unitholders will be better served by our distributing our cash available (after deducting estimated maintenance and replacement capital expenditures and reserves) rather than retaining it. Because we believe we will generally finance our expansion capital expenditures from external financing sources, we believe that our investors are best served by our distributing all of our available cash. Our cash distribution policy is consistent with the terms of our partnership agreement.

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agreement, which requires that we distribute all of our available cash quarterly (after deducting expenses, including estimated maintenance and replacement expenditures and reserves and subject to the prior distribution rights of any holders of the Class B Units).

Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy

There is no guarantee that unitholders will receive quarterly distributions from us. In particular you should carefully consider the relevant risks included in 3D: Risk Factors included herein. Our distribution policy is subject to certain restrictions and may be changed at any time, including:

Our unitholders have no contractual or other legal right to receive distributions other than the obligation under our partnership agreement to distribute available cash on a quarterly basis, which is subject to the broad discretion of our board of directors to establish reserves and other limitations.

While our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including provisions requiring us to make distributions contained therein, may be amended. The partnership agreement can be amended with the approval of a majority of the outstanding common units, of which the Marinakis family, including Evangelos M. Marinakis, may be deemed to beneficially own 27.3% through its beneficial ownership in Capital Maritime and Crude Carriers Investments.

Even if our cash distribution policy is not modified or revoked, the amount of distributions we pay under our cash distribution policy and the date we make any distribution is determined by our board of directors, taking into consideration the terms of our partnership agreement and the establishment of reserves for the prudent conduct of our business.

Under Section 51 of 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.

Our common units are subject to the prior distribution rights of any holders of its preferred units then outstanding. As of the date of this Annual Report, there were 18,922,221 Class B Units issued and outstanding. Under the terms of our partnership agreement, we are prohibited from declaring and paying distributions on our common units until we declare and pay (or set aside for payment) full distributions on the Class B Units. Furthermore, pursuant to the terms of the Third Amendment to the Partnership Agreement, an upward adjustment to the distribution rate for the Class B Units occurs in the event the distribution rate on our common units is increased.

We may lack sufficient cash to pay distributions on our common units due to decreases in net revenues or increases in operating expenses, principal interest payments on outstanding debt, tax expenses, working capital requirements maintenance and replacement capital expenditures, anticipated capital expenditures or the payment of distributions on the Class B Units, which our partnership agreement requires us to pay prior to distributions on our common units.

Our distribution policy will be affected by restrictions on distributions under our revolving credit facilities which contain material financial 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 in default under the credit agreements, our ability to make cash distributions to our unitholders, notwithstanding our stated cash distribution policy, will be materially adversely affected.

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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 will be restricted.

Quarterly Common Distributions

Our common unitholders are entitled under our partnership agreement to receive a quarterly distribution to the extent we have sufficient cash on hand to make a distribution after we establish cash reserves, pay fees and expenses and make distributions to Class B unitholders, which our partnership agreement requires us to pay prior to distributions on our common units. Although we intend to continue to make strategic acquisitions and to take advantage of our unique relationships with Capital Maritime in a prudent manner that is accretive to our unitholders and to long-term distribution growth, there is no guarantee that we will pay a quarterly distribution on the common units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our partnership agreement and the decision to make any distribution is determined by our board of directors, taking into consideration the terms of our partnership agreement and other factors. We will be prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default is existing, under the terms of our credit facilities.

We have generally declared distributions in January, April, July and October of each year and paid those distributions in the subsequent month. In January 2010, we introduced an annual distribution guidance of \$0.90 per unit per annum, which was revised in July 2010 upwards to \$0.93 per unit per annum, or \$0.93 per quarter. We made distributions on our common units in accordance with our guidance in November 2010, February 2011, May 2011, August 2011, November 2011, February 2012, May 2012, August 2012, November 2012, February 2013, May 2013, August 2013, November 2013 and February 2014.

Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus (as defined in our partnership agreement) after the minimum quarterly distribution and the target distribution levels have been achieved. Our general partner currently holds all incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in the partnership agreement. Even if we transfer incentive distribution rights to an affiliate or another entity as part of our general partner's merger or consolidation with or into, or sale of substantially all of its assets to such entity, the approval of a majority of our common units (excluding common units held by our general partner and its affiliates) is required. A transfer of incentive distribution rights separately as a class, generally is required for a transfer of the incentive distribution rights to a third party prior to March 31, 2017. 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.

Percentage Allocations of Available Cash From Operating Surplus

The following table illustrates the percentage allocations of the additional available cash from operating surplus, which is subject to the distribution rights of the unitholders of our Class B Units under our partnership agreement, 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 2% general partner interest and assume our general partner has not transferred the incentive distribution rights.

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions
		Unitholders
Minimum Quarterly Distribution	\$0.3750	98%
First Target Distribution	up to \$0.4313	98%
Second Target Distribution	above \$0.4313 up to \$0.4688	85%

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Third Target Distribution	above \$0.4688 up to \$0.5625	75%
Thereafter	above \$0.5625	50%

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No significant changes have occurred since the date of our Financial Statements included herein except for those set out below:

On January 22, 2014, we declared a cash distribution of \$0.2325 per common unit for the fourth quarter of 2013 which was paid on February 14, 2014, to unitholders of record on February 7, 2014.

On January 22, 2014, we declared a cash distribution of \$0.21375 per Class B Unit for the fourth quarter of 2013, in line with our partnership agreement. The fourth quarter Class B Unit cash distribution was paid on February 10, 2014, to Class B unitholders of record on February 3, 2014.

Item 9. The Offer and Listing.**C. Markets**

Our common units started trading on the Nasdaq Global Market under the symbol **CPLP** on March 30, 2007. The following table sets forth the high and low closing sales prices in U.S. Dollars for our common units for each of the periods indicated.

	High	Low
Year Ended: December 31,		
2013	10.57	6.81
2012	8.74	6.21
2011	11.32	4.89
2010	10.01	6.88
2009	11.21	5.23
Quarter Ended:		
December 31, 2013	10.57	8.24
September 30, 2013	9.97	8.61
June 30, 2013	9.48	8.13
March 31, 2013	8.28	6.81
December 31, 2012	8.21	6.21
September 30, 2012	8.21	7.55
June 30, 2012	8.74	6.45
March 31, 2012	8.12	6.42
December 31, 2011	7.13	5.71
September 30, 2011	9.30	4.89
June 30, 2011	11.32	7.88
March 31, 2011	10.61	9.35

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Month Ended:	High	Low
January 31, 2014	10.54	10.00
December 31, 2013	10.57	8.82
November 30, 2013	9.21	8.40
October 31, 2013	9.36	8.24
September 30, 2013	9.09	8.72
August 31, 2013	9.69	8.61

Item 10. Additional Information.**A. Share Capital**

Not applicable.

B. Memorandum and Articles of Association

The information required to be disclosed under this Item 10B is incorporated by reference to the following sections of the prospectus included in our Registration Statement on Form F-1 filed with the SEC on March 19, 2007: The Partnership Agreement, Description of the Common Units, The Units, Conflicts of Interest, Fiduciary Duties and Our Cash Distribution Policy and Restrictions on Distributions and our Current Reports on Form 6-K and relevant Exhibits filed with the SEC on May 23, 2012, June 6, 2012 and March 21, 2013.

C. Material Contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which we or any of our subsidiaries are a party, for the two years immediately preceding the date of this Annual Report, each of which is included in the list of exhibits in Item 19.

Please read Item 7B: Related-Party Transactions above for transactions entered into with related parties as well as further details on certain of the transactions described below.

Settlement Notice and Refund Modification dated December 18, 2013, with Deutsche Bank to provide, among other things, that if the six claims asserted against OSG and certain of its subsidiaries are allowed in an aggregate amount less than \$43.25 million, the maximum aggregate amount that OSG is obligated to refund to Deutsche Bank is \$643,750.

Memorandum of Agreement dated October 17, 2013, with Orix Shipping Company Limited to sell the M/T Agamemnon II.

Memorandum of Agreement dated October 16, 2013, with Goldilocks Maritime S.A. to acquire the M/T Aristarchos (renamed to M/T Aristotelis). The acquisition was funded with proceeds from the sale of the M/T Agamemnon II and approximately \$6.2 million from our cash balances. M/T Aristotelis is employed on a period time charter for \$17,000 gross per day for 18-24 months with Capital Maritime.

Loan Agreement with ING Bank N.V., HSH Nordbank AG, National Bank of Greece S.A. and Skandinaviska Enskilda Banken AB (publ). On September 6, 2013, we entered into a new senior secured credit facility of up to \$200.0 million led by ING Bank N.V., which was amended and restated on October 1, 2013.

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on December 27, 2013, to increase its size to up to \$225.0 million. None of the other material terms of the credit facility were amended. The facility is non-amortizing until March 2016, with a final maturity date in December 2020, and is priced at LIBOR plus 3.50%, with a commitment fee of 1.00%.

Share Purchase Agreement dated August 9, 2013, with Capital Maritime to acquire all of its interest in the vessel owning company of the M/V CCNI Angol (ex Hyundai Prestige). The acquisition was funded partly through the issuance and sale of 13,685,000 common units. The M/V CCNI Angol (ex Hyundai Prestige) is employed under a 12 year time charter employment (+/- 60 days) to HMM at a gross rate of \$29,350 per day, which commenced shortly after the delivery during the first half of 2013.

Share Purchase Agreement dated August 9, 2013, with Capital Maritime to acquire all of its interest in the vessel owning company of the M/V Hyundai Privilege. The acquisition was funded partly through the issuance and sale of 13,685,000 common units. The M/V Hyundai Privilege is employed under a 12 year time charter employment (+/- 60 days) to HMM at a gross rate of \$29,350 per day, which commenced shortly after the delivery during the first half of 2013.

Share Purchase Agreement dated August 9, 2013, with Capital Maritime to acquire all of its interest in the vessel owning company of the M/V Hyundai Platinum. The acquisition was funded partly through the issuance and sale of 13,685,000 common units. The M/V Hyundai Platinum is employed under a 12 year time charter employment (+/- 60 days) to HMM at a gross rate of \$29,350 per day, which commenced shortly after the delivery during the first half of 2013.

Assignment of Claim Agreement dated June 24, 2013, with Deutsche Bank to transfer to Deutsche Bank all of our rights, title, interest, claims and causes of action in and to, or arising under or in connection with, our claims against Sifnos Tanker Corporation and OSG.

Assignment of Claim Agreement dated June 24, 2013, with Deutsche Bank to transfer to Deutsche Bank all of our rights, title, interest, claims and causes of action in and to, or arising under or in connection with, our claims against Kimolos Tanker Corporation and OSG.

Assignment of Claim Agreement dated June 24, 2013, with Deutsche Bank to transfer to Deutsche Bank all of our rights, title, interest, claims and causes of action in and to, or arising under or in connection with, our claims against Serifos Tanker Corporation and OSG.

Share Purchase Agreement dated March 20, 2013, with Capital Maritime to acquire all of its interest in the vessel owning company of the M/V Hyundai Premium. The acquisition was funded partly through the issuance and sale of the Class B units together with approximately \$27.0 million of our existing credit facilities and part of our cash balances. The M/V Hyundai Premium is chartered to HMM under a 12 year time charter employment (+/- 60 days) at a gross rate of \$29,350 per day.

Share Purchase Agreement dated March 27, 2013, with Capital Maritime to acquire all of its interest in the vessel owning company of the M/V Hyundai Paramount. The acquisition was funded partly through the issuance and sale of the Class B units together with approximately \$27.0 million of our existing credit facilities and part of our cash balances. The M/V Hyundai Paramount is chartered to HMM under a 12 year time charter employment (+/- 60 days) at a gross rate of \$29,350 per day.

Amendment to Partnership Agreement dated March 19, 2013, in connection with the issuance and sale of our Class B Units, which amended the preferences, privileges, duties and obligations of the Class B Units.

Registration Rights Agreement dated March 19, 2013, between us and the purchasers named therein in connection with the issuance and sale of our Class B Units.

Subscription Agreement dated March 15, 2013, between us and the purchasers named therein in connection with the issuance and sale of the Units.

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Amendment to the 2008 credit facility replacing the M/T Alexander the Great and the M/T Achilleas as collateral under the facility with the M/V Agamemnon and the M/V Archimidis.

Share Purchase Agreement dated December 22, 2012, with Capital Maritime to acquire all of its interest in the vessel owning company of Archimidis in exchange for the interest in the vessel owning company of the M/T Alexander the Great. Capital Maritime also paid us \$1,623,000 to reflect the value and longer duration of the charter attached to the vessel and waived any compensation for the early termination of the vessel's charter.

Share Purchase Agreement dated December 22, 2012, with Capital Maritime to acquire all of its interest in the vessel owning company of Agamemnon in exchange for the interest in the vessel owning company of the M/T Achilleas. We paid Capital Maritime \$1,375,000, to reflect the value and longer duration of the charter attached to the vessel and Capital Maritime waived any compensation for the early termination of the vessel's charter.

Subscription Agreement dated June 6, 2012, between us and the purchasers named therein in connection with the issuance and sale of the Class B Units.

Registration Rights Agreement dated June 6, 2012, between us and Salient Midstream & MLP Fund in connection with the issuance and sale of the Class B Units.

Registration Rights Agreement dated May 22, 2012, among us and the purchasers named therein in connection with the issuance and sale of the Class B Units.

Amendment to Partnership Agreement dated May 22, 2012, in connection with the issuance and sale of our Class B Units, which established forth the rights, preferences, privileges, duties and obligations of the Class B Units.

Amendment to the 2011 credit facility dated May 21, 2012 in connection with the issuance and sale of our Class B Units, providing for a delayed scheduled amortization payments until March 31, 2016.

Amendment to 2008 credit facility dated May 21, 2012 in connection with the issuance and sale of our Class B Units, providing for a delayed scheduled amortization payments until March 31, 2016, amending the interest margin and cancelling an undrawn tranche under the facility.

Amendment to 2007 credit facility dated May 21, 2012 in connection with the issuance and sale of our Class B Units, providing for a delayed scheduled amortization payment until March 31, 2016, the conversion of the facility into a term loan and amending the interest margin.

Subscription Agreement dated May 11, 2012, between us and the purchasers named therein in connection with the issuance and sale of the Class B Units.

Amendment to Partnership Agreement dated September 30, 2011, in connection with the Agreement and Plan of Merger dated as of May 5, 2011. Amendment increases the size of our board of directors by one, from seven to eight, and includes certain other changes being made pursuant to the Merger Agreement.

Amendment and Restatement of Omnibus Agreement. On September 30, 2011, we amended and restated the Omnibus Agreement between us and Capital Maritime, in connection with the Agreement and Plan of Merger dated as of May 5, 2011. The amendment limits our ability to acquire and operate certain product or crude oil tankers based on carrying capacity and the remaining duration of their charters, and includes certain other changes being made pursuant to the Merger Agreement.

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Loan Agreement with Credit Agricole Emporiki Bank. On June 9, 2011, we entered into a new \$25.0 million credit facility provided by Credit Agricole Emporiki Bank in connection with the acquisition of the vessel owning company of the M/V Cape Agamemnon from Capital Maritime. The full amount available under the facility was drawn down to finance part of the acquisition cost of the vessel. The new facility is non-amortizing until March 2012 and is priced at LIBOR plus 3.25%.

Share Purchase Agreement dated June 9, 2011, with Capital Maritime to acquire all of its interest in the vessel owning company of the M/V Cape Agamemnon. The acquisition was funded partly through the issuance of 6,958,000 common units to Capital Maritime and the remainder through the incurrence of \$25.0 million of debt under our 2011 credit facility. We also paid \$1.5 million to Capital Maritime as part of the consideration for the acquisition which was contributed by our general partner to us in exchange for 142,000 general partner units in order for it to maintain its 2% interest in us. The M/V Cape Agamemnon is chartered to Cosco under a charter, as amended, with an earliest scheduled expiration date of June 2020.

Agreement and Plan of Merger dated May 5, 2011, with Crude Carriers Corp, amongst others, to merge with Crude Carriers in a unit-for-share transaction whereby Crude Carriers would become a wholly owned subsidiary of ours. The exchange ratio was 1.56 CPLP units for each Crude Carriers share, which equated to a value of \$17.58 per Crude share based on CPLP's closing unit price of \$11.27 on May 4, 2011. The transaction was approved by a special meeting of shareholders of Crude Carriers and consummated in September 2011.

D. Exchange Controls and Other Limitations Affecting Unitholders

We are not aware of any governmental laws, decrees or regulations, including foreign exchange controls, in the Republic of The Marshall Islands that restrict the export or import of capital, or that affect the remittance of dividends, interest or other payments to non-resident holders of our securities. We are not aware of any limitations on the right of non-resident or foreign owners to hold or vote our securities imposed by the laws of the Republic of The Marshall Islands in connection with our partnership agreement.

E. Taxation**Marshall Islands Taxation**

The following is a discussion of the material Marshall Islands tax consequences of our activities to unitholders who do not reside in, maintain offices in or conduct business in The Marshall Islands (non-resident holders). Because we, our operating subsidiary and our controlled affiliates do not, and we do not expect that we, our operating subsidiary and our controlled affiliates will, conduct business or operations in The Marshall Islands, under current Marshall Islands law non-resident holders of our securities will not be subject to Marshall Islands taxation or withholding on distributions, including upon a return of capital, we make no such distributions to 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 operating subsidiary and our controlled affiliates do not, and we do not expect that we, our operating subsidiary and our controlled affiliates will, conduct business or operations in The Marshall Islands, under current Marshall Islands law neither we nor our controlled affiliates will be subject to income tax on our gains, profits or other taxation. As a result, distributions by our operating subsidiary and our controlled affiliates to us will not be subject to Marshall Islands taxation.

Table of Contents**Material United States 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 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 consequences to vary substantially from the consequences described below.

The following discussion applies only to beneficial owners of our common units that own such units as capital assets (generally, for investment purposes) and does not comment on all aspects of U.S. federal income taxation which may be important to particular common unitholders in light of their individual circumstances, such as unitholders subject to special tax rules (e.g., financial institutions, insurance companies, broker-dealers, tax-exempt organizations, or former citizens or long-term residents of the United States), persons that will hold the common units as part of a straddle, hedge, conversion, constructive sale, wash sale, or other integrated transaction for U.S. federal income tax purposes, persons that own (actually or constructively) 10.0% or more of the total combined voting power of one or more 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 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 owns 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) are not subject to the discussion of certain rules relating to PFICs below (please see Item 10E: Taxation Material United States Federal Income Tax Considerations Status and Significant Tax Consequences), generally not directly be 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, distributions from us to common unitholders will generally be reported on Internal Revenue Service Form 1099-DIV.

Taxation of Operating Income

We expect that substantially all of our gross income will continue to be attributable to the transportation of crude oil and related oil products as well as dry bulk and containerized goods. For this purpose, gross income attributable to transportation (or Transportation Income) includes income derived from, or in connection with, the use (or hiring or leasing for use) of a vessel to transport cargo, or the performance of services directly related to the use of any vessel to transport cargo and thus includes spot charter, time charter and bareboat charter income.

Transportation Income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States (or U.S. Source International Transportation Income) will be considered to be 50% derived from sources within the United States. Transportation Income attributable to transportation that both begins and ends in the United States (or U.S. Source Domestic Transportation Income) will be considered to be 100% derived from sources within the United States. Transportation Income attributable to transportation exclusively between non-U.S. destinations will be considered to be 100% derived from sources outside the United States. Transportation Income derived from sources outside the United States generally will not be subject to U.S. federal income tax.

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Based on our current operations, we do not expect to have U.S. Source Domestic Transportation Income. However, certain of our activities give rise to U.S. Source International Transportation Income, and future expansion of our operations could result in an increase in the amount of U.S. Source International Transportation Income, as well as give rise to U.S. Source Domestic Transportation Income, all of which could be subject to U.S. federal income taxation unless exempt from 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 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 to our U.S. Source International Transportation Income and we will not be taxed on our U.S. Source International Transportation Income. The Section 883 Exemption does not apply to U.S. Source Domestic Transportation Income.

We will qualify for the Section 883 Exemption if, among other matters, we meet the following three requirements:

We are organized in a jurisdiction outside the United States that grants an equivalent exemption from tax to corporations organized in the United States (an Equivalent Exemption);

We satisfy the Publicly Traded Test (as described below); and

We meet certain substantiation, reporting and other requirements.

The Publicly Traded Test requires that the stock of a non-U.S. corporation be primarily and regularly traded on an established securities market either in the United States or in a jurisdiction outside the United States that grants an Equivalent Exemption. The Section 883 Regulations provide, in pertinent part, that the 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 in a 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 is greater than 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 the 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, 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 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 satisfy the Publicly Traded Test. In addition, since our common units are only traded on the Nasdaq Global 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.

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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 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 each 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 such 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 in the future. 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 the 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 the 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 without 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 interest in 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 documentation to establish an exception to the application of the Closely Held Block Exception. This exception is available when shareholders residing in a jurisdiction qualify for an Equivalent Exemption and meeting certain other requirements own sufficient shares in the Closely Held Block to preclude shareholders who have not met the 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, U.S. Source Domestic Transportation Income generally will be treated as Effectively Connected Income.

Any income we earn that is treated as Effectively Connected Income would be subject to U.S. federal corporate income tax (the highest statutory rate is currently 35%). In addition, a 30% branch profits tax imposed under Section 884 of the Code also would apply to such income, and a branch interest tax could be imposed on certain interest paid or deemed paid by us.

Table of Contents***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 be subject to the net income and branch profits tax regime described above.

The 4% Gross Basis Tax

If the Section 883 Exemption does not apply and the net basis tax does not apply, we would be subject to a 4% U.S. federal income tax on the U.S. source 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 aspects 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 accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits will be treated 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 received with respect to our common units generally will be treated as passive income from sources outside the United States for purposes of computing allowable tax credits for U.S. federal income tax purposes.

Dividends paid on our common units to a U.S. Holder who is an individual, trust or estate (or a U.S. Individual Holder) will be treated as qualified dividend income that is taxable to such U.S. Individual Holder at preferential rates applicable to long-term capital gain provided that: (i) our common units are readily tradable on an established securities market in the United States (such as the Nasdaq Global 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 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. The 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 unit will be treated as long-term capital loss to the extent of the amount of such dividend.

Table of Contents***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 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 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 taxed 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 owns 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 (including 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 produced or 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 generally constitutes passive income unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business. Under 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 were 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 that 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 our common units for any taxable year, we cannot assure you 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, which election we refer to as a QEF election. As an alternative to 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.

Table of Contents***Taxation of U.S. Holders Making a Timely QEF Election***

If a U.S. Holder makes a timely QEF election, which U.S. Holder we refer to as an *Electing Holder*, the Electing Holder must report each year for U.S. 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 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 which we refer to as a *Non-Electing Holder*, would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distribution received by the Non-Electing Holder on our common units in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common units), and (2) any gain realized on the sale, exchange or other disposition of our common units. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common units;
- the amount allocated to the current taxable year and any year prior to the year we were first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a qualified pension, profit sharing or other retirement trust or other tax-exempt organization that did not borrow money or otherwise utilize leverage in connection with its acquisition of our common units. If we were treated as a PFIC for any taxable year and a Non-Electing Holder 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.

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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 the 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 engaged in a trade or business may be exempt from taxation under an income tax treaty if the income represented thereby is not attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder.

Disposition of Common Units

The U.S. federal income taxation of Non-U.S. Holders on any gain resulting from the disposition of our common units is generally the same as described regarding distributions. However, individual Non-U.S. Holders may be subject to tax on gain resulting from the disposition of our common units if they are present in the United States for 183 days or more during the taxable year in which those shares are disposed and meet certain other requirements.

Backup Withholding and Information Reporting

In general, payments of distributions on our common units or the proceeds of a disposition of our common units to a U.S. Individual Holder will be subject to information reporting requirements. These payments also may be subject to backup withholding, if the U.S. Individual Holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that he has failed to report all interest or corporate distributions required to be shown on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding on payments within the United States by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable. Backup withholding is not an additional tax. Rather, a common unit holder 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 liability) by filing a return with the IRS.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

We have filed with the SEC a registration statement on Form F-1, a registration statement on Form F-4 and three registration statements on Form F-3 regarding our common units. This Annual Report does not contain all of the information found in these registration statements. For further information regarding our common units, you may wish to review the full registration statements, including their exhibits. The registration statements, including the exhibits, are available for inspection and copied at the public reference facilities maintained by the SEC at 100 F

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Street, N.E., Washington, D.C. 20549. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC, Street, N.E., Washington, D.C. 20549, at prescribed rates or from the SEC's web site on the Internet at <http://www.sec.gov> free of charge. Please call toll-free 1-800-SEC-0330 for further information on public reference room. Our registration statement can also be inspected and copied at the offices of the Nasdaq Market, One Liberty Plaza, New York, New York 10006.

I. Subsidiary Information

Please see Exhibit 8.1 to this Annual Report for a list of our significant subsidiaries as of December 31, 2013.

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, earnings and cash flows. We intend to assess these risks and, when appropriate, take measures to minimize our exposure to the risks.

Foreign Exchange Risk

We do not have a material currency exposure risk. We generate all of our revenues in U.S. Dollars and incur less than 12% of our expenses in currencies other than U.S. Dollars. For accounting purposes, expenses incurred in currencies other than the U.S. Dollar are translated into U.S. Dollars at the exchange rate prevailing on the date of each transaction. As of December 31, 2013, less than 5% of liabilities were denominated in currencies other than U.S. Dollars (mainly in Euros). All such liabilities were translated into U.S. Dollars at the exchange rate prevailing on December 31, 2013. We have not hedged currency exchange risks and our operating results could be adversely affected as a result.

Interest Rate Risk

The international tanker industry is capital intensive, requiring significant amounts of investment, a significant portion of which is provided in the form of long-term debt. Our current debt contains interest rates that fluctuate with LIBOR. Our 2007 credit facility and 2008 credit facility each bear an interest rate of 2% and 3% per annum over US\$ LIBOR, respectively. Our 2011 credit facility bears an interest margin of 3.25% per annum over US\$ LIBOR. Our 2013 credit facility bears an interest margin of 3.50% per annum over US\$ LIBOR. Therefore, we are exposed to the risk that our interest expense may increase if interest rates rise.

Currently we have no interest rate swap agreements outstanding. During 2013 three interest rate swap agreements expired. As a result of a possible disruption in determining the cost of funds for our banks, any increases by the banks to their funding costs under our agreements will lead to proportionate increases in the relevant interest amounts interest payable under our agreement on a quarterly basis. As an indication of the extent of our sensitivity to interest rate changes, based upon our debt level, an increase of 100 basis points in LIBOR would have resulted in an increase in our interest expense by approximately \$5.3 million for the year ended December 31, 2013, assuming all other variables had remained constant. Please refer to Item 5B: Liquidity and Capital Resources – Borrowing Capacity and Credit Facilities for more information on the specific rates we have entered into under each swap agreement.

Please read Note 2 (Significant Accounting Policies), Note 7 (Long-Term Debt) and Note 8 (Financial Instruments) to our Financial Statements included in this Annual Report which provide additional information with respect to our derivative financial instruments and existing debt agreements.

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Concentration of Credit Risk

Financial instruments which potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents, interest rate swap agreements, and trade accounts receivable. We place our cash and cash equivalents, consisting mostly of deposits, and enter into interest rate swap agreements with creditworthy financial institutions as rated by qualified rating agencies. For the years ended December 31, 2013, 2012, and 2011, 49%, 68% and 56% of our revenues, respectively, were derived from two charterers. We do not obtain rights to collateral to reduce our credit risk. Please refer to Item 5B: Liquidity Capital Resources Borrowings Our Credit Facilities for more information on our interest rate swap agreements.

Inflation

Inflation has had a minimal impact on vessel operating expenses, drydocking expenses and general and administrative expenses to date. Our management considers inflation to be a significant risk to direct expenses in the current and foreseeable economic environment. However, in the event that inflation becomes a significant factor in the global economy, inflationary pressures would result in increased operating, voyage and financing costs.

Item 12. Description of Securities Other than Equity Securities.

Not Applicable.

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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, 2013, our management (with the participation of the chief executive officer and chief financial officer of our general partner) conducted an evaluation pursuant to Rule 13a-15(b) and 15d-15 promulgated under the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), regarding the effectiveness of the design and operation of our disclosure controls and procedures. 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 such 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.

However, based on this evaluation, the chief executive officer and chief financial officer of our general partner concluded that as of December 31, 2013, our disclosure controls and procedures, which include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to the 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 to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is 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 the 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 our general partnership and 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the 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 1992 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

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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, 2013.

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 the 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 and procedures may deteriorate.

Deloitte Hadjipavlou, Sofianos & Cambanis S.A. ("Deloitte"), our independent registered public accounting firm, has audited the Financial Statements included herein and our internal control over financial reporting and has issued an attestation report on the effectiveness of our internal control over financial reporting which is reproduced in its entirety in Item 15(c) below.

c. Attestation Report of the Registered Public Accounting Firm.

To the Board of Directors and Unitholders of Capital Product Partners L.P., Majuro, Republic of the Marshall Islands.

We have audited the internal control over financial reporting of Capital Product Partners L.P. (the "Partnership") as of December 31, 2013, based on the framework established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material aspects. 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 under the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the standards established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Partnership and our report dated February 18, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ Deloitte Hadjipavlou, Sofianos, & Cambanis S.A.

Athens, Greece

February 18, 2014

d. Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during the year covered by this Annual Report that have materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 16A. Audit Committee Financial Expert.

Our board of directors has determined that director Abel Rasterhoff, the chairman of our audit committee, qualifies as an audit committee financial expert for the purposes of the U.S. Sarbanes-Oxley Act of 2002 and is independent under applicable Nasdaq Global Market and SEC standards.

Item 16B. Code of Ethics.

In May 2013, our board of directors adopted an amended Code of Business Conduct and Ethics that includes a Code of Ethics (the "Code") 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, and agents and persons performing similar functions, including for the avoidance of doubt any employees, officers or directors of Capital Ship Management, vintners, located, as well as to all of the Partnership's subsidiaries and other business entities controlled by it worldwide. This amendment incorporates updated provisions and conditions consistent with the FCPA and U.K. Bribery Act, and includes a new 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 free of charge upon written request. We intend to disclose, under "Corporate Governance" in the Investor Relations area of our web site, any future amendments of the Code for the benefit of any of our directors and executive officers within five business days of such waiver or amendment.

Table of Contents**Item 16C. Principal Accountant Fees and Services.**

Our principal accountant for 2013 and 2012 was Deloitte. The following table shows the fees we paid or accrued for audit services provided by Deloitte periods (in thousands of U.S. Dollars).

Fees	2013
Audit Fees ⁽¹⁾	\$ 477.3
Audit-Related Fees	
Tax Fees ⁽²⁾	25.0
Total	\$ 502.3

(1) Audit fees represent fees for professional services provided in connection with the audit of our Financial Statements included herein, review of quarterly consolidated financial statements, audit services provided in connection with other regulatory filings, issuance of consents and approvals with and review of documents filed with the SEC.

(2) Tax fees represent fees for professional services provided in connection with various U.S. income tax compliance and information reporting matters. The audit committee of our board of directors has the authority to pre-approve permissible audit-related and non-audit services not prohibited by law performed by our independent auditors and associated fees. Engagements for proposed services either may be separately pre-approved by the audit committee entered into pursuant to detailed pre-approval policies and procedures established by the audit committee, as long as the audit committee is informed on the basis of any engagement entered into on that basis. The audit committee separately pre-approved all engagements and fees paid to our principal accountant for 2012 and 2013.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

None.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

In May 2012 we announced an agreement to issue \$140.0 million of Class B Units and in March 2013 we announced an agreement to issue 9.1 million Class B Units to groups of investors including amongst others, Capital Maritime. As of March 26, 2013, there were 24,655,554 Class B Units issued and outstanding of which 4,048,484 were owned by Capital Maritime. In July, August, October and December 2013, certain holders of our Class B Units, not including Capital Maritime, converted 5,733,333 Class B Units into common units in accordance with the terms of the partnership agreement. As a result, there were 18,922,221 Class B Units issued and outstanding, of which 4,048,484 remained owned by Capital Maritime as of the date of this Annual Report. On August 9, 2013, we issued 279,286 common units to Capital GP L.L.C., our general partner, at a price of \$9.25 per common unit the public offering price (not subject to any underwriting discount), such public offering closing that same day. On August 19, 2013, we issued 349,700 general partner units to Capital GP L.L.C., our general partner, in exchange for a capital contribution of 349,700 common units, in order for it to maintain its 2% interest in us. Following these transactions, Capital Maritime owned 17,692,891 common units and 4,048,484 Class B Units, representing a 21.5% limited partner interest in us. As of December 31, 2013, the Marinakis family, including Evangelos M. Marinakis, our chairman, may be deemed to beneficially own a 27.3% interest in us through its beneficial ownership, amongst other entities, Capital Maritime and of Crude Carriers Investments.

Item 16F. Change in Registrant's Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance.

The Nasdaq Global Market requires limited partnerships with listed units to comply with its corporate governance standards. As a foreign private issuer, we are not required to comply with all of the rules that apply to listed U.S. limited partnerships. However, we have generally chosen to comply with most of the rules of the Nasdaq Global 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 a compensation committee and a conflicts committee comprised solely of independent directors. Accordingly, we do not believe there are any significant differences between our corporate governance practices and those that would typically apply to a U.S. limited partnership.

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domestic issuer that is a limited partnership under the corporate governance standards of the Nasdaq Global Market. Please see Item 6C: Board Practices and Item 10B: Memorandum and Articles of Association for more detail regarding our corporate governance practices.

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Not Applicable.

Item 18. Financial Statements**INDEX TO FINANCIAL STATEMENTS****CAPITAL PRODUCT PARTNERS L.P.**

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2013 and 2012

Consolidated Statements of Comprehensive (Loss)/ Income for the years ended December 31, 2013, 2012 and 2011

Consolidated Statement of Changes in Partners' Capital for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011

Notes to the Consolidated Financial Statements

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	First Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P. (2)
1.3	Amendment to Capital Product Partners Amended and Restated Agreement of Limited Partnership (7)
1.4	Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P. dated February 22, 2010 (8)
1.5	Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P. dated September 30, 2011 (15)
1.6	Second Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P. dated September 30, 2011 (15)
1.7	Third Amendment to Second Amended and Restated Agreement of Limited Partnership of Capital Product Partners L.P. dated September 30, 2011 (17)
1.8	Certificate of Formation of Capital GP L.L.C. (1)
1.9	Limited Liability Company Agreement of Capital GP L.L.C. (1)
1.10	Certificate of Formation of Capital Product Operating GP L.L.C. (1)
4.1	Revolving \$370.0 Million Credit Facility dated March 22, 2007 (1)
4.2	First Supplemental Agreement to Revolving \$370.0 million Credit Facility dated September 19, 2007 (3)
4.3	Second Supplemental Agreement to Revolving \$370.0 Million Credit Facility dated June 11, 2008 (4)
4.4	Third Supplemental Agreement to Revolving \$370.0 Million Credit Facility dated April 7, 2009 (7)
4.5	Fourth Supplemental Agreement to Revolving \$370.0 Million Credit Facility dated April 8, 2009 (7)
4.6	Fifth Supplemental Agreement to Revolving \$370.0 Million Credit Facility dated October 2, 2009 (7)
4.7	Sixth Supplemental Agreement to Revolving \$370.0 Million Credit Facility dated June 30, 2010 (10)
4.8	Seventh Supplemental Agreement to Revolving \$370.0 Million Credit Facility dated November 30, 2010 (10)

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No.	Description
4.9	Eighth Supplemental Agreement to Revolving \$370.0 Million Credit Facility dated December 23, 2011 (14)
4.10	Ninth Supplemental Agreement to Revolving \$370.0 Million Credit Facility dated May 21, 2012 (15)
4.11	Revolving \$350.0 Million Credit Facility dated March 19, 2008 (3)
4.12	First Supplemental Agreement to Revolving \$350.0 million Credit Facility dated October 2, 2009 (7)
4.13	Second Supplemental Agreement to Revolving \$350.0 million Credit Facility dated June 30, 2010 (10)
4.14	Third Supplemental Agreement to Revolving \$350.0 million Credit Facility dated May 21, 2012 (15)
4.15	Fourth Supplemental Agreement to Revolving \$350.0 million Credit Facility dated December 21, 2012 (18)
4.16	Loan Agreement with Emporiki Bank Of Greece S.A. dated June 9, 2011 (14)
4.17	Supplemental Letter to Loan Agreement with Emporiki Bank of Greece S.A. dated May 21, 2012 (15)
4.18	Amended and Restated Loan Agreement with ING Bank N.V., HSH Nordbank AG, National Bank of Greece S.A. and Skandinaviska Enskilda AB (publ) dated December 27, 2013
4.19	Omnibus Agreement (1)
4.20	Amended and Restated Omnibus Agreement dated September 30, 2011(9)
4.21	Management Agreement with Capital Ship Management (1)
4.22	Amendment 1 to Management Agreement with Capital Ship Management dated September 24, 2007 (3)
4.23	Amendment 2 to Management Agreement with Capital Ship Management dated March 27, 2008 (3)
4.24	Amendment 3 to Management Agreement with Capital Ship Management dated April 30, 2008 (4)
4.25	Amendment 4 to Management Agreement with Capital Ship Management dated April 7, 2009 (7)
4.26	Amendment 5 to Management Agreement with Capital Ship Management dated April 13, 2009 (7)
4.27	Amendment 6 to Management Agreement with Capital Ship Management dated April 30, 2009 (7)
4.28	Amendment 7 to Management Agreement with Capital Ship Management dated March 1, 2010 (10)
4.29	Amendment 8 to Management Agreement with Capital Ship Management dated June 30, 2010 (10)
4.30	Amendment 9 to Management Agreement with Capital Ship Management dated August 13, 2010 (10)
4.31	Amended and Restated Management Agreement with Capital Ship Management dated January 1, 2012 (14)
4.32	Amended and Restated Management Agreement with Capital Ship Management dated May 9, 2013
4.33	Amended and Restated Management Agreement with Capital Ship Management dated November 30, 2013
4.34	Floating Rate Management Agreement with Capital Ship Management Corp. dated June 9, 2011(14)
4.35	Amendment 1 to Floating Rate Management Agreement with Capital Ship Management Corp. dated August 4, 2011 (14)
4.36	Amendment 2 to Floating Rate Management Agreement with Capital Ship Management Corp. dated December 5, 2011 (14)
4.37	Amendment 3 to Floating Rate Management Agreement with Capital Ship Management Corp. dated April 18, 2012 (18)
4.38	Amendment 4 to Floating Rate Management Agreement with Capital Ship Management Corp. dated June 13, 2012 (18)
4.39	Amendment 5 to Floating Rate Management Agreement with Capital Ship Management Corp. dated August 26, 2012 (18)
4.40	Amendment 6 to Floating Rate Management Agreement with Capital Ship Management Corp. dated September 15, 2012 (18)
4.41	Amendment 7 to Floating Rate Management Agreement with Capital Ship Management Corp. dated December 22, 2012 (18)
4.42	Amendment 8 to Floating Rate Management Agreement with Capital Ship Management Corp. dated December 24, 2012 (18)
4.43	Amendment 9 to Floating Rate Management Agreement with Capital Ship Management Corp. dated January 22, 2013
4.44	Amendment 10 to Floating Rate Management Agreement with Capital Ship Management Corp. dated March 20, 2013
4.45	Amendment 11 to Floating Rate Management Agreement with Capital Ship Management Corp. dated September 11, 2013

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No.	Description
4.46	Amendment 12 to Floating Rate Management Agreement with Capital Ship Management Corp. dated November 28, 2013
4.47	Administrative Services Agreement with Capital Ship Management (1)
4.48	Amendment 1 to Administrative Services Agreement with Capital Ship Management Corp. dated April 2, 2012 (18)
4.49	Contribution and Conveyance Agreement for Initial Fleet (1)
4.50	Share Purchase Agreement for 2007 and 2008 Vessels (1)
4.51	Share Purchase Agreement for M/T Attikos dated September 24, 2007 (3)
4.52	Share Purchase Agreement for M/T Amore Mio II dated March 27, 2008 (3)
4.53	Share Purchase Agreement for M/T Aristofanis dated April 30, 2008 (4)
4.54	Share Purchase Agreement for M/T Agamemnon II dated April 3, 2009 (7)
4.55	Share Purchase Agreement for M/T Ayrton II dated April 12, 2009 (7)
4.56	Share Purchase Agreement for M/T Atrotos (El Pipila) dated February 22, 2010 (10)
4.57	Share Purchase Agreement for M/T Alkiviadis dated June 30, 2010 (10)
4.58	Share Purchase Agreement for M/T Assos (Insurgentes) dated August 13, 2010 (10)
4.59	Share Purchase Agreement for M/V Cape Agamemnon dated June 9, 2011 (14)
4.60	Share Purchase Agreement for M/T Archimidis dated December 22, 2012 (18)
4.61	Share Purchase Agreement for M/T Agamemnon dated December 22, 2012 (18)
4.62	Share Purchase Agreement for M/V Hyundai Premium dated March 20, 2013 (17)
4.63	Share Purchase Agreement for M/V Hyundai Paramount dated March 27, 2013
4.64	Share Purchase Agreement for M/V CCNI Angol (ex Hyundai Prestige) dated August 9, 2013
4.65	Share Purchase Agreement for M/V Hyundai Platinum dated August 9, 2013
4.66	Share Purchase Agreement for M/V Hyundai Privilege dated August 9, 2013
4.67	Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan dated April 29, 2008 (5)
4.68	Capital Product Partners L.P. 2008 Omnibus Incentive Compensation Plan amended July 22, 2010 (10)
4.69	Crude Carriers Corp. Equity Incentive Plan dated March 1, 2010 (11)
4.70	Form of Management Agreement between Crude Carriers Corp. and Capital Ship Management Corp. (11)
4.71	Amendment No. 1 to Crude Carriers Management Agreement dated August 5, 2010 (12)
4.72	Amendment No. 2 to Crude Carriers Management Agreement dated August 6, 2010 (12)
4.73	Form of Share Purchase Agreement between Crude Carriers Corp. and Capital Maritime & Trading Corp. for Cooper Consultants Co. (11)
4.74	Form of Share Purchase Agreement between Crude Carriers Corp. and Capital Maritime & Trading Corp. for Alexander the Great Carriers Corp.
4.75	Form of Share Purchase Agreement between Crude Carriers Corp. and Capital Maritime & Trading Corp. for Achilleas Carriers Corp. (11)
4.76	Memorandum of Agreement for acquisition of M/T Amoureux dated April 19, 2010 (12)
4.77	Memorandum of Agreement for acquisition of M/T Aias dated April 19, 2010 (12)
4.78	Memorandum of Agreement for acquisition of M/T Aristotelis (ex M/T Aristarchos) dated October 16, 2013
4.79	Memorandum of Agreement for disposition of M/T Agamemnon II dated October 17, 2013
4.80	Form Restricted Unit Award of Capital Product Partners L.P. (10)
4.81	Agreement between Capital Product Partners and Capital GP L.L.C. dated January 30, 2009 (6)
4.82	Agreement and Plan of Merger by and among Capital Product Partners L.P., Capital GP L.L.C., Poseidon Project Corp. and Crude Carriers Corp. as of May 5, 2011. (13)
4.83	Subscription Agreement dated May 11, 2012 (15)
4.84	Registration Rights Agreement dated May 22, 2012 (15)
4.85	Subscription Agreement dated June 6, 2012 (16)
4.86	Registration Rights Agreement dated June 6, 2012 (16)
4.87	Subscription Agreement dated March 15, 2013 (17)
4.88	Registration Rights Agreement dated March 19, 2013 (17)
4.89	Assignment of Claim Agreement dated June 24, 2013

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No.	Description
4.90	Assignment of Claim Agreement dated June 24, 2013
4.91	Assignment of Claim Agreement dated June 24, 2013
4.92	Settlement Notice and Refund Modification dated December 18, 2013
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 Ioannis E. Lazaridis, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the U.S. Sarbanes-Oxley Act of 2002*
13.2	Capital Product Partners L.P. Certification of Ioannis E. Lazaridis, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002*
15.1	Consent of Deloitte Hadjipavlou, Sofianos & Cambanis S.A.
15.2	Consent of Deloitte Hadjipavlou, Sofianos & Cambanis S.A.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Previously filed as an exhibit to Capital Product Partners L.P. s Registration Statement on Form F-1 (File No. 333-141422), filed with the SEC on August 14, 2007 and hereby incorporated by reference to such Registration Statement.
- (2) Previously filed as Appendix A to the Partnership s Rule 424(b)(4) Prospectus filed with the SEC on March 30, 2007, and hereby incorporated by reference to this Annual Report.
- (3) Previously filed as an exhibit to the registrant s Annual Report on Form 20-F for the year ended December 31, 2007 and filed with the SEC on April 11, 2008.
- (4) Previously filed as an exhibit to the registrant s Registration Statement on Form F-3 filed with the SEC on August 29, 2008.
- (5) Previously filed as a Current Report on Form 6-K with the SEC on April 30, 2008.
- (6) Previously filed as an exhibit to the registrant s Annual Report on Form 20-F for the year ended December 31, 2008 and filed with the SEC on February 11, 2009.
- (7) Previously filed as an exhibit to the registrant s Annual Report on Form 20-F for the year ended December 31, 2009 and filed with the SEC on February 11, 2010.
- (8) Previously filed as a Current Report on Form 6-K with the SEC on February 24, 2010.
- (9) Previously filed as a Current Report on Form 6-K with the SEC on September 30, 2011.
- (10) 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 11, 2011.
- (11) Previously filed as an exhibit to Crude Carriers Corp. s Registration Statement on Form F-1 (File No. 333-165138), filed with the SEC on March 1, 2010, and hereby incorporated by reference to such Registration Statement.
- (12) Previously filed as an exhibit to Crude Carriers Corp. s Annual Report on Form 20-F for the year ended December 31, 2010 and filed with the SEC on April 18, 2011.
- (13) Previously filed as a Current Report on Form 6-K with the SEC on May 9, 2011.
- (14) Previously filed as an exhibit to the registrant s Annual Report on Form 20-F for the year ended December 31, 2011 and filed with the SEC on February 11, 2012.
- (15) Previously furnished as a Current Report on Form 6-K with the SEC on May 23, 2012.
- (16) Previously furnished as a Current Report on Form 6-K with the SEC on June 6, 2012.
- (17) Previously furnished as a Current Report on Form 6-K with the SEC on March 21, 2013.
- (18) 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 11, 2013.

* Furnished only and not filed

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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/ Ioannis E. Lazaridis

Name: Ioannis E. Lazaridis

Title: Chief Executive Officer and Chief

Financial Officer of Capital GP L.L.C.

Dated: February 18, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of Capital Product Partners L.P., Majuro, Republic of the Marshall Islands.

We have audited the accompanying consolidated balance sheets of Capital Product Partners L.P. (the Partnership) as of December 31, 2013 and 2012, and 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, 2013. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Capital Product Partners L.P. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Partnership's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2014 expressed an unqualified opinion on the Partnership's control over financial reporting.

/s/ Deloitte Hadjipavlou, Sofianos & Cambanis S.A.

Athens, Greece

February 18, 2014

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Table of Contents**Capital Product Partners L.P.****Consolidated Balance Sheets**

(In thousands of United States Dollars, except number of units)

	December 31, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 63,972	\$ 40,112
Trade accounts receivable, net	4,365	4,365
Due from related parties (Note 4)	667	667
Above market acquired charters (Note 6)	612	612
Prepayments and other assets	1,376	1,376
Inventories	2,740	2,740
Total current assets	73,732	51,872
Fixed assets		
Vessels, net (Note 5)	1,176,819	950,000
Total fixed assets	1,176,819	950,000
Other non-current assets		
Trade accounts receivable, net	-	-
Above market acquired charters (Note 6)	130,770	40,000
Deferred charges, net	5,451	5,451
Restricted cash (Notes 2, 7)	15,000	15,000
Total non-current assets	1,328,040	1,020,451
Total assets	\$ 1,401,772	\$ 1,072,323
Liabilities and Partners' Capital		
Current liabilities		
Current portion of long-term debt (Note 7)	\$ 5,400	\$ 5,400
Trade accounts payable	7,519	7,519
Due to related parties (Note 4)	13,686	13,686
Derivative instruments (Note 8)	-	-
Accrued liabilities (Note 9)	5,387	5,387
Deferred revenue (Note 4)	6,936	6,936
Total current liabilities	38,928	38,928
Long-term liabilities		
Long-term debt (Note 7)	577,915	450,000
Deferred revenue	3,503	3,503
Total long-term liabilities	581,418	453,503
Total liabilities	620,346	492,431
Commitments and contingencies (Note 17)	-	-
Partners' capital		

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General Partner	9,250	
Limited Partners - Common (88,440,710 and 69,372,077 units issued and outstanding at December 31, 2013 and 2012, respectively)	559,155	42
Limited Partners - Preferred (18,922,221 and 15,555,554 Class B units issued and outstanding at December 31, 2013 and 2012, respectively)	213,021	13
Accumulated other comprehensive loss (Notes 2, 8)	-	
Total partners capital	781,426	57
Total liabilities and partners capital	\$ 1,401,772	\$ 1,07

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

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Table of Contents**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,			
	2013		2012	
Revenues	\$ 116,520	\$	84,012	\$
Revenues related party (Note 4)	54,974		69,938	
Total revenues	171,494		153,950	
Expenses:				
Voyage expenses (Note 10)	5,776		5,114	
Voyage expenses related party (Notes 4, 10)	314		554	
Vessel operating expenses (Note 10)	38,284		22,126	
Vessel operating expenses related party (Notes, 4, 10)	17,039		23,634	
General and administrative expenses (Note 4)	9,477		9,159	
Loss / (gain) on sale of vessels to third parties (Note 5)	7,073		(1,296)	
Depreciation & amortization (Note 5)	52,208		48,235	
Vessels impairment charge (Note 5)			43,178	
Operating income	41,323		3,246	
Non operating income:				
Gain on sale of claim (Note 16)	31,356			
Gain from bargain purchase (Note 3)	42,256			
Total non operating income	73,612			
Other income (expense):				
Interest expense and finance cost	(15,991)		(26,658)	
Gain on interest rate swap agreement (Note 8)	4		1,448	
Interest and other income	533		775	
Total other expense, net	(15,454)		(24,435)	
Partnership s Net income/ (loss)	\$ 99,481	\$	(21,189)	\$
Preferred unit holders interest in Partnership s net income	18,805		10,809	
General Partner s interest in Partnership s net income / (loss)	\$ 1,598	\$	(640)	\$
Common unit holders interest in Partnership s net income/ (loss)	\$ 79,078	\$	(31,358)	\$
Net income / (loss) per (Note 15):				
Common unit basic	\$ 1.04	\$	(0.46)	\$
Weighted-average units outstanding:				
Common unit basic	75,645,207		68,256,072	47,1
Net income per (Note 15):				
Common unit diluted	\$ 1.01	\$	(0.46)	\$
Weighted-average units outstanding:				
Common units diluted	97,369,136		68,256,072	47,1
Comprehensive income / (loss):				
Partnership s net income / (loss)	99,481		(21,189)	
Other Comprehensive income:				
Unrealized gain on derivative instruments (Note 8)	462		10,762	
Comprehensive income/ (loss)	\$ 99,943	\$	(10,427)	\$

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

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

	General Partner	Limited Partners Common	Total	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2011	\$ 5,584	\$ 262,918	\$ 268,502	\$ (28,742)	\$ 240,760
Dividends declared and paid to unitholders (Note 13)	(902)	(44,214)	(45,116)	-	(45,116)
Issuance of Partnership's units for business acquisition of Crude (Note 3)	3,111	152,448	155,559	-	155,559
Issuance of Partnership units for business acquisition of Patroklos Marine Corp. (Note 3)	1,470	57,055	58,525	-	58,525
Partnership's net income	1,742	85,378	87,120	-	87,120
Fair value of Crude's equity incentive plan attributable to precombination services (Note 3)	-	1,505	1,505	-	1,505
Equity compensation expense (Note 14)	-	2,455	2,455	-	2,455
Other comprehensive income (Note 8)	-	-	-	17,518	17,518
Balance at December 31, 2011	\$ 11,005	\$ 517,545	528,550	\$ (11,224)	\$ 517,326

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

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Table of Contents**Capital Product Partners L.P.****Consolidated Statements of Changes in Partners' Capital - Continued**

(In thousands of United States Dollars)

	General Partner	Limited Partners Common	Limited Partners Preferred	Total	Accumulated Other Comprehensive Loss	
Balance at December 31, 2011	\$ 11,005	\$ 517,545	\$	\$ 528,550	\$ (11,224)	\$
Distributions declared and paid (distributions per common and preferred unit) (Note 13)	(1,316)	(64,516)	(7,484)	(73,316)		
Partnership's net loss	(640)	(31,358)	10,809	(21,189)		
Issuance of preferred units (Note 13)			136,419	136,419		
Equity compensation expense (Note 14)		3,826		3,826		
Other comprehensive income (Note 8)					10,762	
Balance at December 31, 2012	\$ 9,049	\$ 425,497	\$ 139,744	\$ 574,290	\$ (462)	\$

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

Table of Contents**Capital Product Partners L.P.****Consolidated Statements of Changes in Partners' Capital - Continued**

(In thousands of United States Dollars)

	General Partner	Limited Partners Common	Limited Partners Preferred	Total	Accumulated Other Comprehensive Loss	\$
Balance at December 31, 2012	\$ 9,049	\$ 425,497	\$ 139,744	\$ 574,290	\$ (462)	\$
Distributions declared and paid (distributions per common and preferred unit) (Note 13)	(1,397)	(68,759)	(18,085)	(88,241)		
Partnership's net income	1,598	79,078	18,805	99,481		
Issuance of Partnership's units (Note 13)		119,811	72,557	192,368		
Equity compensation expense (Note 14)		3,528		3,528		
Other comprehensive income (Note 8)					462	
Balance at December 31, 2013	9,250	559,155	213,021	781,426		

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

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

	For the years ended December 31		
	2013	2012	2011
Cash flows from operating activities:			
Net income / (loss)	\$ 99,481	\$ (21,189)	\$ (1,000)
Adjustments to reconcile net income / (loss) to net cash provided by operating activities :			
Vessel depreciation and amortization (Note 5)	52,208	48,235	(8,000)
Vessels impairment (Notes 3, 5)		43,178	
Gain from bargain purchase (Note 3)	(42,256)		(8,000)
Amortization of deferred charges	405	480	
Amortization of above market acquired charters (Note 6)	13,594	7,904	
Equity compensation expense (Note 14)	3,528	3,826	
Gain on interest rate swap agreements (Note 8)	(4)	(1,448)	
Loss / (gain) on sale of vessels to third parties (Note 5)	7,073	(1,296)	
Accrual on gain on sale of claim (Note 16)	644		
Changes in operating assets and liabilities:			
Trade accounts receivable	(1,171)	221	
Due from related parties	(667)		
Prepayments and other assets	(117)	237	
Inventories	(407)	1,677	
Trade accounts payable	2,066	(5,594)	
Due to related parties	(3,761)	7,009	
Accrued liabilities	1,573	480	
Deferred revenue	(1,852)	1,078	
Drydocking costs	(761)		
Net cash provided by operating activities	129,576	84,798	(1,000)
Cash flows from investing activities:			
Vessel acquisitions and improvements (Notes 3, 5)	(363,038)	(1,614)	(2,000)
Increase in restricted cash	(4,500)	(3,750)	
Proceeds from sale of vessels (Notes 3, 5)	32,192	21,299	
Cash and cash equivalents acquired in business acquisition			
Net cash (used in) / provided by investing activities	(335,346)	15,935	(1,000)
Cash flows from financing activities:			
Proceeds from issuance of Partnership units (Notes 3, 13)	195,771	140,000	
Expenses paid for issuance of Partnership units	(3,410)	(1,673)	
Proceeds from issuance of long-term debt (Note 7)	129,000		1,000
Payments of long-term debt (Note 7)	(4,050)	(175,215)	(13,000)
Loan issuance costs	(2,879)	(348)	
Dividends paid	(88,241)	(73,316)	(4,000)
Net cash provided by / (used in) financing activities	226,191	(110,552)	(1,000)

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Net increase / (decrease) in cash and cash equivalents	20,421	(9,819)	
Cash and cash equivalents at beginning of period	43,551	53,370	
Cash and cash equivalents at end of period	63,972	43,551	
Supplemental Cash Flow Information			
Cash paid for interest	\$ 14,845	\$ 25,864	\$
Non-Cash Investing and Financing Activities			
Capital expenditures included in liabilities	\$ 103	\$ 134	\$
Offering expenses included in liabilities	\$ (7)	\$ 1,908	\$
Capitalized dry docking and deferred costs included in liabilities	\$ 628	\$	\$
Fair value of vessels purchased, M/V Archimidis and M/V Agamemnon (Notes 3, 5)	\$	\$ 133,000	\$
Fair value of vessels sold, M/T Alexander the Great and M/T Achilleas, reduced by the net cash consideration received (Notes 3, 5)	\$	\$ (137,500)	\$
Acquisition of above market time charter (Notes 3, 6)	\$ 97,256	\$ 4,500	\$
Units issued to acquire M/V Cape Agamemnon (Note 3)	\$	\$	\$
Crude s net assets at the completion of the business acquisition (Note 12)	\$	\$	\$ 2
Units issued to acquire Crude (Note 3)	\$	\$	\$ 1
Fair value of Crude s Equity Incentive Plan attributable to pre combination services (Note 3)	\$	\$	\$

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

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****1. Basis of Presentation and General Information**

Capital Product Partners L.P. (the Partnership) was formed on January 16, 2007, under the laws of the Marshall Islands. The Partnership is an intermodal shipping company. Its fleet of thirty modern high specification vessels consists of four suezmax crude oil tankers, eighteen modern medium range tankers which are classed as IMO II/III vessels, seven post-panamax container carrier vessels and one capesize bulk carrier. Its vessels are capable of carrying a wide variety of cargoes, including crude oil, refined oil products, such as gasoline, diesel, fuel oil and jet fuel, edible oils and certain chemicals such as ethanol as well as cargo and containerized goods under short-term voyage charters and medium to long-term time and bareboat charters.

The consolidated financial statements include the following vessel-owning companies and operating companies which were all incorporated or formed under the laws of the Marshall Islands and Liberia.

Subsidiary	Date of Incorporation	Name of Vessel Owned by Subsidiary	DWT	Date acquired by the Partnership	Date acquired by C
Capital Product Operating GP LLC	01/16/2007				
Crude Carriers Corp.(6)	10/29/2009			09/30/2011	
Crude Carriers Operating Corp. (6)	01/21/2010			09/30/2011	
Shipping Rider Co.	09/16/2003	M/T Atlantas (M/T British Ensign) (1)	36,760	04/04/2007	04/04/2007
Canvey Shipmanagement Co.	03/18/2004	M/T Assos (M/T Insurgentes) (1),(4)	47,872	08/16/2010	05/08/2007
				04/04/2007	
Centurion Navigation Limited	08/27/2003	M/T Aktoras (M/T British Envoy) (1)	36,759	04/04/2007	07/13/2007
Polarwind Maritime S.A.	10/10/2003	M/T Agisilaos (1)	36,760	04/04/2007	08/16/2010
Carnation Shipping Company	11/10/2003	M/T Arionas (1)	36,725	04/04/2007	11/10/2003
Apollonas Shipping Company	02/10/2004	M/T Avax (1)	47,834	04/04/2007	01/16/2007
Tempest Maritime Inc.	09/12/2003	M/T Aiolos (M/T British Emissary) (1)	36,725	04/04/2007	03/01/2010
Iraklitos Shipping Company	02/10/2004	M/T Axios (1)	47,872	04/04/2007	02/10/2004
Epicurus Shipping Company	02/11/2004	M/T Atrotos (M/T El Pipila) (2),(5)	47,786	03/01/2010	05/08/2007
				05/08/2007	
Laredo Maritime Inc.	02/03/2004	M/T Akeraios (2)	47,781	07/13/2007	07/13/2007
Lorenzo Shipmanagement Inc.	05/26/2004	M/T Apostolos (2)	47,782	09/20/2007	09/20/2007
Splendor Shipholding S.A.	07/08/2004	M/T Anemos I (2)	47,782	09/28/2007	09/28/2007

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Ross Shipmanagement Co.	12/29/2003	M/T Attikos (3),(7)	12,000	09/24/2007	01/
Sorrel Shipmanagement Inc.	02/07/2006	M/T Alexandros II (M/T Overseas Serifos) (2)	51,258	01/29/2008	01/
Baymont Enterprises Incorporated	05/29/2007	M/T Amore Mio II (3)	159,982	03/27/2008	07/
Forbes Maritime Co.	02/03/2004	M/T Aristofanis (3),(8)	12,000	04/30/2008	06/
Wind Dancer Shipping Inc.	02/07/2006	M/T Aristotelis II (M/T Overseas Sifnos) (2)	51,226	06/17/2008	06/
Belerion Maritime Co.	01/24/2006	M/T Aris II (M/T Overseas Kimolos) (2)	51,218	08/20/2008	08/
Mango Finance Corp.	07/14/2006	M/T Agamemnon II (3), (4),(10)	51,238	04/07/2009	11/
Navarro International S.A.	07/14/2006	M/T Ayrton II (3), (5)	51,238	04/13/2009	04/
Adrian Shipholding Inc.	06/22/2004	M/T Alkiviadis (3)	36,721	06/30/2010	03/
Patroklos Marine Corp.	06/17/2008	M/V Cape Agamemnon	179,221	06/09/2011	01/
Cooper Consultants Co. renamed to Miltiadis M II Carriers Corp.	04/06/2006	M/T Miltiadis M II (6)	162,000	09/30/2011	04/

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Table of Contents**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**

Subsidiary	Date of Incorporation	Name of Vessel Owned by Subsidiary	DWT	Date acquired by the Partnership	Date a by C
Alexander the Great Carriers Corp.	01/26/2010	M/T Alexander The Great (6),(9)	297,958	09/30/2011	03/
Achilleas Carriers Corp.	01/26/2010	M/T Achilleas (6),(9)	297,863	09/30/2011	06/
Amoureux Carriers Corp.	04/14/2010	M/T Amoureux (6)	149,993	09/30/2011	
Aias Carriers Corp.	04/14/2010	M/T Aias (6)	150,393	09/30/2011	
Agamemnon Container Carrier Corp.	04/19/2012	M/V Agamemnon (9)	103,773	12/22/2012	06/
Archimidis Container Carrier Corp.	04/19/2012	M/V Archimidis (9)	103,773	12/22/2012	06/
Aenaos Product Carrier S.A.	10/16/2013	M/T Aristotelis	51,604	11/28/2013	
Anax Container Carrier S.A.	04/08/2011	M/V Hyundai Prestige	63,010	09/11/2013	02/
Hercules Container Carrier S.A.	04/08/2011	M/V Hyundai Premium	63,010	03/20/2013	03/
Iason Container Carrier S.A.	04/08/2011	M/V Hyundai Paramount	63,010	03/27/2013	03/
Theseas Container Carrier S.A.	04/08/2011	M/V Hyundai Privilege	63,010	09/11/2013	05/
Cronus Container Carrier S.A.	07/19/2011	M/V Hyundai Platinum	63,010	09/11/2013	06/
Miltiadis M II Corp.	08/28/2012	-	-	-	

- (1) Initial Vessels acquired from Capital Maritime & Trading Corp. (CMTC) upon consummation of the Partnership s Initial Public Offering (IPO) completed on April 3, 2007.
- (2) Committed Vessels (the Partnership committed to acquire these vessels from CMTC upon consummation of the IPO).
- (3) Non-Contracted Vessels (vessels acquired from CMTC that were neither initial nor committed vessels).
- (4) Was acquired on April 4, 2007, on April 7, 2009 was exchanged with the M/T Agamemnon II and was reacquired on August 16, 2010.
- (5) Was acquired on May 8, 2007, on April 13, 2009 was exchanged with the M/T Ayrton II and was reacquired on March 1, 2010.
- (6) Were acquired upon the completion of the business acquisition of Crude Carriers Corp. (Crude).
- (7) Was sold on February 14, 2012.
- (8) Was sold on April 4, 2012.
- (9) On December 22, 2012 the M/T Alexander the Great and the M/T Achilleas were exchanged with the M/V Archimidis and the M/V Agamemnon respectively.
- (10) Was sold on November 5, 2013.

2. Significant Accounting Policies

- (a) **Principles of Consolidation:** The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and include the accounts of the legal entities comprising the Partnership discussed in Note 1. Intra-group balances and transactions have been eliminated upon consolidation. Balances and transactions with CMTC and its affiliates have not been eliminated, but are presented as balances and transactions with related parties.
- (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. Additional consolidated financial statements include corporate overhead expenses that are normally incurred by a listed company.
- (c) **Other Comprehensive Income:** The Partnership separately records certain transactions directly as components of partners' capital / stockholders' equity. For the years ended December 31, 2013 and 2012 other comprehensive income is comprised of changes in fair value of interest rate swaps that qualify as cash flow hedges and the amortization of the accumulated other comprehensive loss attributable to interest rate swaps that do not qualify as cash flow hedges (Note 8).

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****2. Significant Accounting Policies Continued**

(d) **Accounting for Revenue, Voyage and Operating Expenses:** The Partnership generates its revenues from charterers for the charter hire of its vessels. Vessels are chartered on time charters, bareboat charters or voyage charters. A time charter is a contract for the use of a vessel for a specific period of time at a specified daily charter hire rate, which is generally payable monthly in advance. Some of the Partnership's time charters also include profit-sharing provisions, under which the Partnership can realize additional revenues in the event that spot rates are higher than the base rates in these time charters. A bareboat charter is a contract in which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate, generally payable monthly in advance, and the charterer generally assumes all risk and costs of operation during the bareboat charter period. A voyage charter is deemed to commence upon the later of the completion of discharge of the vessel's previous cargo or upon vessel arrival to the agreed upon port of discharge. The terms of a voyage contract that is not cancelable and voyage is deemed to end upon the completion of discharge of the delivered cargo. Revenues from voyage charter agreements are recognized when a voyage agreement exists, the price is fixed, service is provided and the collection of the related revenue is reasonably assured.

Revenues are recorded over the term of the charter as service is provided and recognized on a pro-rata basis over the duration of the voyage.

All of the Partnership's time charters and bareboat charters are classified as operating leases. Revenues under operating lease arrangements are recognized when a charter agreement exists, charter rate is fixed and determinable, the vessel is made available to the lessee, and collection of the related revenue is reasonably assured. Revenues are recognized ratably on a straight line basis over the period of the respective time or bareboat charter. Revenues from profit-sharing arrangements in time charters represent a portion of time charter equivalent (voyage income less direct expenses, divided by operating days), that exceeds the agreed base rate and are recognized in the period earned. Deferred revenue represents cash received in advance of being earned. The portion of the revenue that will be earned within the next twelve months is classified as current liability and the rest as long term liability.

Vessel voyage expenses are direct expenses to voyage revenues and primarily consist of commissions, port expenses, canal dues and bunkers. Commissions are expensed over the related charter period and all the other voyage expenses are expensed as incurred. Under the Partnership's time and bareboat charter agreements, all voyage expenses, except commissions are assumed by the charterer, with the exception of Overseas Shipholding Group Inc. bareboat charter agreements. In the exception of the M/T Agamemnon II and the M/T Ayrton II time charter agreements where the charterer is responsible for the commissions. For all other time charters all voyage expenses are paid by the Partnership.

Vessel operating expenses presented in the consolidated financial statements mainly consisted of:

Management fees payable to the Partnership's manager Capital Shipmanagement Corp. (the "Manager" or "CSM") under three different Management agreements (Note 4); and

Actual operating expenses such as crewing, repairs and maintenance, insurance, stores, spares, lubricants and other operating expenses.

Vessel operating expenses are expensed as incurred.

(e) **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 transaction. On 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 interest and other income.

accompanying consolidated statements of comprehensive income / (loss).

- (f) **Cash and Cash Equivalents:** The Partnership considers highly-liquid investments such as time deposits and certificates of deposit with an original term of three months or less to be cash equivalents.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****2. Significant Accounting Policies – Continued**

(g) **Restricted cash:** For the Partnership to comply with debt covenants under its credit facilities, it must maintain minimum cash deposits. Such deposits are considered by the Partnership to be restricted cash. As of December 31, 2013 and 2012, restricted cash amounted to \$15,000 and \$10,500, respectively. Restricted cash is presented under other non-current assets.

(h) **Trade Accounts Receivable, Net:** The amount shown as trade accounts receivable primarily consists of earned revenue that has not been billed yet. Revenue that has been billed but not yet collected. At each balance sheet date all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. As of December 31, 2013 and 2012 allowance for doubtful accounts amounted to \$84 and \$54, respectively.

(i) **Inventories:** Inventories consist of consumable bunkers, lubricants, spares and stores and are stated at the lower of cost or market value. Inventory is determined by the first-in, first-out method.

(j) **Fixed Assets:** Fixed assets consist of vessels which are stated at cost, less accumulated depreciation. Vessel cost consists of the contract price for the vessel and any material expenses incurred upon their construction (improvements and delivery expenses, on-site supervision costs incurred during the construction periods, as well as capitalized interest expense during the construction period). Vessels acquired through acquisition of businesses are recorded at their acquisition date fair values. The cost of each of the Partnership's vessels is depreciated beginning when the vessel is ready for its intended use on a straight-line basis over the vessels' 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.

(k) **Impairment of Long-lived Assets:** An impairment loss on long-lived assets is recognized when indicators of impairment are present and the carrying amount of the long-lived asset is greater than its fair value and not believed to be recoverable. In determining future benefits derived from use of long-lived assets, the Partnership performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets on a vessel by vessel basis. If the carrying value of the related asset exceeds its undiscounted future net cash flows, the carrying value is reduced to its fair value. Various factors including future charter rates and vessel operating costs are included in this analysis.

In recent years market conditions as compared to previous years have changed significantly as a result of the global credit crisis and resulting slowdown in the trade. Charter rates decreased and values of assets were affected. The Partnership considered these market developments as indicators of potential impairment and determined the carrying amount of its assets. The Partnership has performed an undiscounted cash flow test based on US GAAP as of December 31, 2013 and 2012. In determining undiscounted projected net operating cash flows for the vessels and comparing them to the vessels' carrying values. In developing estimates of future cash flows, the Partnership made assumptions about future charter rates, utilization rates, vessel operating expenses, future dry docking costs and the expected remaining useful life of the vessels. These assumptions are based on historical trends as well as future expectations that are in line with the Partnership's performance and expectations for the vessels' utilization under the current deployment strategy. Based on these assumptions, the Partnership determined that its undiscounted cash flows supported the vessels' carrying amounts as of December 31, 2013 and 2012.

(l) **Intangible assets:** The Partnership records all identified tangible and intangible assets or any liabilities associated with the acquisition of a business. When a business is acquired that owns a vessel with an existing charter agreement, the Partnership determines the present value of the difference between: (i) the contractual charter rate and (ii) the prevailing market rate for a charter of equivalent duration. When determining present value, the Partnership uses Weighted Average Cost of Capital (WACC). The resulting above-market (assets) and below-market (liabilities) charters are recognized and amortized using straight line method as a reduction and increase, respectively, to revenues over the remaining term of the charters.

(m) *Deferred charges, net:* are comprised mainly of:

fees paid to lenders for obtaining new loans or refinancing existing loans and are capitalized as deferred finance charges and amortized to expense and finance cost over the term of the respective loan using the effective interest rate method; and

dry docking costs. The Partnership's vessels are required to be dry docked every thirty to sixty months for major repairs and maintenance cannot be performed while the vessels are under operation. For the vessels that were operated under the floating fee management agreement under Crude's management agreement (Note 4) the Partnership has adopted the deferral method of accounting for dry docking activities where incurred are deferred and amortized on a straight line basis over the period until the next scheduled dry docking activity.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****2. Significant Accounting Policies – Continued**

- (n) **Pension and Retirement Benefit Obligations:** The vessel-owning companies included in the consolidated financial statements employ the crew under short-term contracts (usually up to seven months) and accordingly, they are not liable for any pension or post retirement benefits.
- (o) **Concentration of Credit Risk:** Financial instruments which potentially subject the Partnership to significant concentrations of credit risk consist principally of cash and cash equivalents, interest rate swaps, and trade accounts receivable. The Partnership places its cash and cash equivalents consisting mostly of deposits, and enters into interest rate swap agreements with creditworthy financial institutions rated by qualified rating agencies. A limited number of financial institutions hold the Partnership's cash. Most of the Partnership's revenues were derived from a few charterers. For the year ended December 31, 2013, CMTC, British Petroleum Shipping Limited (BP), A.P. Moller-Maersk A.S. (Maersk) and Hyundai Merchant Marine Co Ltd (HMM) accounted for 32%, 17%, 14% and 13% of the Partnership's total revenue, respectively. For the year ended December 31, 2012, CMTC and BP accounted for 45% and 23% of the Partnership's total revenue, respectively. For the year ended December 31, 2011, BP, CMTC, and Overseas Shipholding Group Inc. (OSG) accounted for 32%, 24% and 11% of the Partnership's total revenue, respectively. The Partnership does not obtain rights of collateral from its charterers to reduce its credit risk.
- (p) **Fair Value of Financial Instruments:** On January 1, 2008, the Partnership adopted the accounting guidance for Fair Value Measurements for financial assets and liabilities and any other assets and liabilities carried at fair value. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The carrying value of trade receivables, due from related parties, due to related parties, accounts payable and current accrued liabilities approximates their fair value. The fair values of long-term variable rate bank loans approximate their carrying values, due to their variable interest 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, 2013. Interest rate swaps are recorded at fair value on the consolidated balance sheet.
- (q) **Interest Rate Swap Agreements:** The Partnership designates its derivatives based upon the intended use, and recognizes all derivatives as either assets or liabilities in the consolidated balance sheet and measures those instruments at fair value. Changes in the fair value of each derivative instrument are recognized depending on the intended use of the derivative and the resulting designation. For a derivative that does not qualify as a hedge, changes in fair value are recognized within the consolidated statements of comprehensive income / (loss). For derivatives that qualify as cash flow hedges, the changes in fair value of the effective portion are recognized at the end of each reporting period in Other comprehensive income / (loss), until the hedged item is recognized in the consolidated statements of comprehensive income / (loss). The ineffective portion of a derivative's change in fair value is immediately recognized in the consolidated statements of comprehensive income / (loss).
- (r) **Net Income / (Loss) Per Limited Partner Unit:** Basic net income per limited partner unit is calculated by dividing Partnership's net income less net income allocable to preferred unit holders, general partner interest in net income (including incentive distribution rights) and net income allocable to unvested units by the weighted-average number of outstanding limited partner units during the period (Note 15). Diluted net income per limited partner unit reflects potential dilution that could occur if securities or other contracts to issue limited partner units were exercised.
- (s) **Income Taxes:** The Partnership is not subject to the payment of any income tax on its income. Instead, a tax is levied based on the tonnage of the Partnership's vessels which is included in operating expenses (Note 11).

(f) **Segment Reporting:** The Partnership reports financial information and evaluates its operations by charter revenues and not by the length, type of type of ship employment for its customers, i.e. time or bareboat charters. The Partnership does not use discrete financial information to evaluate operating results for each such type of charter or vessel. Although revenue can be identified for these types of charters or vessels, management does not identify expenses, profitability or other financial information for these various types of charters or vessels. As a result, management, including chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet, and thus the Partnership determined that it operates as one reportable segment. Furthermore, when the Partnership charters a vessel to a charterer, the charterer is free to use the vessel worldwide and, as a result, the disclosure of geographic information is impracticable.

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Capital Product Partners L.P.

Notes to the Consolidated Financial Statements

(In thousands of United States Dollars)

2. Significant Accounting Policies Continued

- (u) ***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. In addition, unvested awards granted to non-employees are measured at their then-current fair value as of the financial reporting dates until non-employees complete the service (Note 14).
- (v) **Recent Accounting Pronouncements:** There are no recent accounting pronouncements issued during 2013 whose adoption would have a material impact on the Partnership's consolidated financial statements in the current year or expected to have an impact on future years.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions****a. Anax Container Carrier S.A. (M/V Hyundai Prestige)**

On September 11, 2013, the Partnership acquired the shares of Anax Container Carrier S.A., the vessel owning company of the M/V Hyundai Prestige (referred to as M/V CCNI Angol) (Anax) from CMTC for a total consideration of \$65,000 following the unanimous recommendation of the conflicts committee and the unanimous approval of the board of directors. The vessel at the time of her acquisition by the Partnership was fixed on a twelve year time charter, with the time charter commenced in February 2013 and the earliest expiration date under the charter is in December 2024.

The Partnership accounted for the acquisition of Anax as an acquisition of a business. All assets and liabilities of Anax except the vessel, necessary per time charter agreement, were retained by CMTC. The purchase price of the acquisition has been allocated to the identifiable assets acquired, with the excess fair value of assets acquired over the purchase price recorded as a gain from bargain purchase.

Purchase Price

The total purchase consideration of \$65,000 was funded using a portion of the \$75,000 that the Partnership had drawn down under its new loan facility (a portion of the net proceeds from the issuance of 13,685,000 Partnership's Common Units in August 2013 (Note 13) and part of the Partnership's available cash).

Acquisition related costs

There were no costs incurred in relation to the acquisition of Anax.

Purchase price allocation

The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition.

The fair value allocated to each class of identifiable assets of Anax and the gain from bargain purchase recorded as non operating income in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2013 was calculated as follows:

	As of
	September 11, 2013
Vessel	\$ 54,000
Above market acquired time charter	\$ 19,094
Identifiable assets	\$ 73,094
Purchase price	(65,000)
Gain from bargain purchase	\$ 8,094

After a subsequent review and reassessment of valuation methods and procedures of the \$73,094 fair value amount for identifiable assets acquired, the Partnership concluded that its measurements for the assets acquired appropriately reflect consideration of all available information that existed as of the acquisition date. Therefore, the Partnership recorded a gain from bargain purchase of \$8,094 in its consolidated statements of comprehensive income / (loss), in accordance with Accounting Standard Codification (ASC) Subtopic 805-30 Business Combinations, Goodwill or Gain from Bargain Purchase, Including Consideration of the Anax acquisition date.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****a. Anax Container Carrier S.A. (M/V Hyundai Prestige) Continued*****Identifiable intangible assets***

The following table sets forth the component of the identifiable intangible asset acquired with the purchase of Anax which is being amortized over its duration on a straight-line basis as a reduction of revenue:

Intangible assets	As of September 11, 2013	Duration of time charter acquired
Above market acquired time charter	\$ 19,094	11.3 years

The fair value of the above market time charter acquired was determined as the difference between the time charter rate at which the vessel was fixed and the market rate for a comparable charter as provided by independent third parties on the business combination date discounted at a WACC of approximately 11%.

Total revenues and net income of M/V Hyundai Prestige since its acquisition by the Partnership were \$2,778 and \$1,298 respectively and are included in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2013.

Pro Forma Financial Information

The supplemental pro forma financial information was prepared using the acquisition method of accounting and is based on the following:

The Partnership's actual results of operations for the year ended December 31, 2013

Pro forma results of operations of Anax for the period from its vessel's delivery from the shipyard on February 19, 2013 (vessel in service) to September 11, 2013 as if Hyundai Prestige was operating under post acquisition revenue and cost structure.

The combined results do not purport to be indicative of the results of the operations which would have resulted had the acquisition been effected at beginning of the applicable period noted above, or the future results of operations of the combined entity.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions – Continued****a. Anax Container Carrier S.A. (M/V Hyundai Prestige) – Continued*****Pro Forma Financial Information – Continued***

The following table summarizes total net revenues; net income and net income per common unit of the combined entity had the acquisition of Hyundai occurred on February 19, 2013 (vessel inception):

	For the year ended December 31,
	2013
Total revenues	\$ 176,535
Partnership's net income	\$ 100,624
Preferred unit holders' interest in Partnership's net income	\$ 18,805
General Partner's interest in Partnership's net income	\$ 1,621
Common unit holders interest in Partnership's net income	\$ 80,198
Net income per common unit basic	\$ 1.05
Net income per common unit diluted	\$ 1.02

b. Theseas Container Carrier S.A. (M/V Hyundai Privilege)

On September 11, 2013, the Partnership acquired the shares of Theseas Container Carrier S.A., the vessel owning company of the M/V Hyundai Privilege (the vessel) from CMTC for a total consideration of \$65,000 following the unanimous recommendation of the conflicts committee and the unanimous approval of the directors. The vessel at the time of her acquisition by the Partnership was fixed on a twelve year time charter, with HMM. The time charter commenced in 2013 and the earliest expiration date under the charter is in April 2025.

The Partnership accounted for the acquisition of Theseas as an acquisition of a business. All assets and liabilities of Theseas except the vessel, necessary and time charter agreement, were retained by CMTC. The purchase price of the acquisition has been allocated to the identifiable assets acquired, with the difference between the fair value of assets acquired over the purchase price recorded as a gain from bargain purchase.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****b. Theseas Container Carrier S.A. (M/V Hyundai Privilege) Continued*****Purchase Price***

The total purchase consideration of \$65,000 was funded using a portion of the \$75,000 that the Partnership had drawn down under its new loan facility (the "Loan Facility") and part of the net proceeds from the issuance of 13,685,000 Partnership's Common Units in August 2013 (Note 13) and part of the Partnership's available cash.

Acquisition related costs

There were no costs incurred in relation to the acquisition of Theseas.

Purchase price allocation

The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition.

The fair value allocated to each class of identifiable assets of Theseas and the gain from bargain purchase recorded as non operating income in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2013 was calculated as follows:

	As of
	September 11, 2013
Vessel	\$ 54,000
Above market acquired time charter	\$ 19,329
Identifiable assets	\$ 73,329
Purchase price	(65,000)
Gain from bargain purchase	\$ 8,329

After a subsequent review and reassessment of valuation methods and procedures of the \$73,329 fair value amount for identifiable assets acquired, the Partnership concluded that its measurements for the assets acquired appropriately reflect consideration of all available information that existed as of the acquisition date. Therefore, the Partnership recorded a gain from bargain purchase of \$8,329 in its consolidated statements of comprehensive income / (loss), in accordance with Accounting Standard Codification (ASC) Subtopic 805-30 Business Combinations, Goodwill or Gain from Bargain Purchase, Including Consideration of the Theseas acquisition date.

Identifiable intangible assets

The following table sets forth the component of the identifiable intangible asset acquired with the purchase of Theseas which is being amortized over its duration on a straight-line basis as a reduction of revenue:

Intangible assets	As of September 11, 2013	Duration of time charter acquired
Above market acquired time charter	\$ 19,329	11.6 years

The fair value of the above market time charter acquired was determined as the difference between the time charter rate at which the vessel was fixed and the market rate for a comparable charter as provided by independent third parties on the business combination date discounted at a WACC of approximately 11%.

Total revenues and net income of M/V Hyundai Privilege since its acquisition by the Partnership were \$2,785 and \$1,392 respectively and are included in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2013.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions – Continued****b. Thiseas Container Carrier S.A. (M/V Hyundai Privilege) – Continued*****Pro Forma Financial Information***

The supplemental pro forma financial information was prepared using the acquisition method of accounting and is based on the following:

The Partnership's actual results of operations for the year ended December 31, 2013

Pro forma results of operations of Thiseas for the period from its vessel's delivery from the shipyard on May 31, 2013 (vessel inception) to September 11, 2013 as if Hyundai Privilege was operating under post acquisition revenue and cost structure.

The combined results do not purport to be indicative of the results of the operations which would have resulted had the acquisition been effected at beginning of the applicable period noted above, or the future results of operations of the combined entity.

The following table summarizes total net revenues; net income and net income per common unit of the combined entity had the acquisition of Hyundai Privilege occurred on May 31, 2013 (vessel inception):

Total revenues	\$	174,045
Partnership's net income	\$	100,144
Preferred unit holders' interest in Partnership's net income	\$	18,805
General Partner's interest in Partnership's net income	\$	1,611
Common unit holders interest in Partnership's net income	\$	79,728
Net income per common unit basic	\$	1.04
Net income per common unit diluted	\$	1.01

c. Cronus Container Carrier S.A. (M/V Hyundai Platinum)

On September 11, 2013, the Partnership acquired the shares of Cronus Container Carrier S.A., the vessel owning company of the M/V Hyundai Platinum from CMTC for a total consideration of \$65,000 following the unanimous recommendation of the conflicts committee and the unanimous approval of the directors. The vessel at the time of her acquisition by the Partnership was fixed on a twelve year time charter, with HMM. The time charter commenced in 2013 and the earliest expiration date under the charter is in April 2025.

The Partnership accounted for the acquisition of Cronus as an acquisition of a business. All assets and liabilities of Cronus except the vessel, necessary per time charter agreement, were retained by CMTC. The purchase price of the acquisition has been allocated to the identifiable assets acquired, with the excess fair value of assets acquired over the purchase price recorded as a gain from bargain purchase.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****c. Cronus Container Carrier S.A. (M/V Hyundai Platinum) Continued*****Purchase Price***

The total purchase consideration of \$65,000 was funded using a portion of the \$75,000 that the Partnership had drawn down under its new loan facility (Note 12) and part of the net proceeds from the issuance of 13,685,000 Partnership's Common Units in August 2013 (Note 13) and part of the Partnership's available cash.

Acquisition related costs

There were no costs incurred in relation to the acquisition of Cronus.

Purchase price allocation

The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition.

The fair value allocated to each class of identifiable assets of Cronus and the gain from bargain purchase recorded as non operating income in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2013 was calculated as follows:

	As of
	September 11, 2013
Vessel	\$ 54,000
Above market acquired time charter	\$ 19,358
Identifiable assets	\$ 73,358
Purchase price	(65,000)
Gain from bargain purchase	\$ 8,358

After a subsequent review and reassessment of valuation methods and procedures of the \$73,358 fair value amount for identifiable assets acquired, the Partnership concluded that its measurements for the assets acquired appropriately reflect consideration of all available information that existed as of the acquisition date. Therefore, the Partnership recorded a gain from bargain purchase of \$8,358 in its consolidated statements of comprehensive income / (loss), in accordance with Accounting Standard Codification (ASC) Subtopic 805-30 Business Combinations, Goodwill or Gain from Bargain Purchase, Including Consideration of the Cronus acquisition date.

Identifiable intangible assets

The following table sets forth the component of the identifiable intangible asset acquired with the purchase of Cronus which is being amortized over its duration on a straight-line basis as a reduction of revenue:

Intangible assets	As of September 11, 2013	Duration of time charter acquired
Above market acquired time charter	\$ 19,358	11.6 years

The fair value of the above market time charter acquired was determined as the difference between the time charter rate at which the vessel was fixed and the market rate for a comparable charter as provided by independent third parties on the business combination date discounted at a WACC of approximately 11%.

Total revenues and net income of M/V Hyundai Platinum since its acquisition by the Partnership were \$2,786 and \$1,357 respectively and are included in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2013.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions – Continued****c. Cronus Container Carrier S.A. (M/V Hyundai Platinum) – Continued*****Pro Forma Financial Information***

The supplemental pro forma financial information was prepared using the acquisition method of accounting and is based on the following:

The Partnership's actual results of operations for the year ended December 31, 2013

Pro forma results of operations of Cronus for the period from its vessel's delivery from the shipyard on June 14, 2013 (vessel inception)

September 11, 2013 as if Hyundai Platinum was operating under post acquisition revenue and cost structure.

The combined results do not purport to be indicative of the results of the operations which would have resulted had the acquisition been effected at beginning of the applicable period noted above, or the future results of operations of the combined entity.

The following table summarizes total net revenues; net income and net income per common unit of the combined entity had the acquisition of Hyundai Platinum occurred on June 14, 2013 (vessel inception):

Total revenues	\$	173,699
Partnership's net income	\$	100,031
Preferred unit holders' interest in Partnership's net income	\$	18,805
General Partner's interest in Partnership's net income	\$	1,609
Common unit holders interest in Partnership's net income	\$	79,617
Net income per common unit basic	\$	1.04
Net income per common unit diluted	\$	1.01

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****d. Hercules Container Carrier S.A. (M/V Hyundai Premium)**

On March 20, 2013, the Partnership acquired the shares of Hercules Container Carrier S.A., the vessel owning company of the M/V Hyundai Premium (the vessel) from CMTC for a total consideration of \$65,000 following the unanimous recommendation of the conflicts committee and the unanimous approval of the directors. The vessel at the time of her acquisition by the Partnership was fixed on a twelve year time charter, with HMM. The time charter commenced in 2013 and the earliest expiration date under the charter is in January 2025.

The Partnership accounted for the acquisition of Hercules as an acquisition of a business. All assets and liabilities of Hercules except the vessel, necessary and time charter agreement, were retained by CMTC. The purchase price of the acquisition has been allocated to the identifiable assets acquired, with the difference between the fair value of assets acquired over the purchase price recorded as a gain from bargain purchase.

Purchase Price

The total purchase consideration of \$65,000 was funded by \$27,000 through a draw-down from the Partnership's \$350,000 credit facility (Note 7), representing part of the net proceeds from the issuance of 9,100,000 Partnership's Class B Convertible Preferred Units in March 2013 (Note 13) and by \$38,000 from the Partnership's available cash.

Acquisition related costs

There were no costs incurred in relation to the acquisition of Hercules.

Purchase price allocation

The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition.

The fair value allocated to each class of identifiable assets of Hercules and the gain from bargain purchase recorded as non operating income in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2013 was calculated as follows:

	As of
	March 20, 2013
Vessel	\$ 54,000
Above market acquired time charter	\$ 19,707
Identifiable assets	\$ 73,707
Purchase price	(65,000)

Gain from bargain purchase **\$ 8,707**

After a subsequent review and reassessment of valuation methods and procedures of the \$73,707 fair value amount for identifiable assets acquired, the Partnership concluded that its measurements for the assets acquired appropriately reflect consideration of all available information that existed as of the acquisition date. Therefore, the Partnership recorded a gain from bargain purchase of \$8,707 in its consolidated statements of comprehensive income / (loss), in accordance with Accounting Standard Codification (ASC) Subtopic 805-30 Business Combinations, Goodwill or Gain from Bargain Purchase, Including Consideration of the Hercules acquisition date.

Identifiable intangible assets

The following table sets forth the component of the identifiable intangible asset acquired with the purchase of Hercules which is being amortized over its useful life on a straight-line basis as a reduction of revenue:

Intangible assets	As of March 20, 2013	Duration of time charter acquired
Above market acquired time charter	\$ 19,707	11.8 years

The fair value of the above market time charter acquired was determined as the difference between the time charter rate at which the vessel was fixed at the market rate for a comparable charter as provided by independent third parties on the business combination date discounted at a WACC of approximately 11.5%.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****d. Hercules Container Carrier S.A. (M/V Hyundai Premium) Continued**

Total revenues and net income of M/V Hyundai Premium since its acquisition by the Partnership were \$7,181 and \$3,567 respectively and are included in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2013.

Pro Forma Financial Information

The supplemental pro forma financial information was prepared using the acquisition method of accounting and is based on the following:

The Partnership's actual results of operations for the year ended December 31, 2013

Pro forma results of operations of Hercules for the period from its vessel's delivery from the shipyard on March 11, 2013 (vessel inception) to March 20, 2013 as if Hyundai Premium was operating under post acquisition revenue and cost structure.

The combined results do not purport to be indicative of the results of the operations which would have resulted had the acquisition been effected at beginning of the applicable period noted above, or the future results of operations of the combined entity.

The following table summarizes total net revenues; net income and net income per common unit of the combined entity had the acquisition of Hyundai Premium occurred on March 11, 2013 (vessel inception):

Total revenues	\$	171,717
Partnership's net income	\$	99,571
Preferred unit holders' interest in Partnership's net income	\$	18,805
General Partner's interest in Partnership's net income	\$	1,600
Common unit holders interest in Partnership's net income	\$	79,166
Net income per common unit basic	\$	1.04
Net income per common unit diluted	\$	1.01

e. Iason Container Carrier S.A. (M/V Hyundai Paramount)

On 27 March 2013, the M/V Hyundai Paramount ("Iason") was delivered to CMTC from a shipyard and on the same date the Partnership acquired the shares of Iason Container Carrier S.A., the vessel owning company of M/V Hyundai Paramount from CMTC for a total consideration of \$65,000 following the recommendation of the conflicts committee and the unanimous approval of the board of directors. At the time of her acquisition by the Partnership the vessel was fixed on a twelve year time charter, with HMM. The time charter commenced in April 2013 and the earliest expiration date under the charter is in February 2025.

The Partnership accounted for the acquisition of Iason as an acquisition of a business. All assets and liabilities of Iason except the vessel, necessary post-acquisition time charter agreement, were retained by CMTC. The purchase price of the acquisition has been allocated to the identifiable assets acquired, with the excess of the fair value of assets acquired over the purchase price recorded as a gain from bargain purchase.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****e. Iason Container Carrier S.A. (M/V Hyundai Paramount) Continued*****Purchase Price***

The total purchase consideration of \$65,000 was funded by \$27,000 through a draw-down from the Partnership's \$350,000 credit facility (Note 7), representing part of the net proceeds from the issuance of Partnership's Class B Convertible Preferred Units in March 2013 (Note 13) and by \$1,722 Partnership's available cash.

Acquisition related costs

There were no costs incurred in relation to the acquisition of Iason.

Purchase price allocation

The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition.

The fair value allocated to each class of identifiable assets of Iason and the gain from bargain purchase recorded as non operating income in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2013 was calculated as follows:

	As of
	March 27, 2013
Vessel	\$ 54,000
Above market acquired time charter	\$ 19,768
Identifiable assets	\$ 73,768
Purchase price	\$ (65,000)
Gain from bargain purchase	\$ 8,768

After a subsequent review and reassessment of valuation methods and procedures of the \$73,768 fair value amount for identifiable assets acquired, the Partnership concluded that its measurements for the assets acquired appropriately reflect consideration of all available information that existed as of the acquisition date. Therefore, the Partnership recorded a gain from bargain purchase of \$8,768 in its consolidated statements of comprehensive income / (loss), in accordance with ASC Subtopic 805-30 Business Combinations, Goodwill or Gain from Bargain Purchase, Including Consideration Transferred as of the Iason acquisition date.

Identifiable intangible assets

The following table sets forth the component of the identifiable intangible asset acquired with the purchase of Iason which is being amortized over its duration on a straight-line basis as a reduction of revenue:

Intangible assets	As of March 27, 2013	Duration of time charter acquired
Above market acquired time charter	\$ 19,768	11.8 years

The fair value of the above market time charter acquired was determined as the difference between the time charter rate at which the vessel was fixed at and the market rate for comparable charter as provided by independent third parties on the business combination date discounted at a WACC of approximately 11%.

Total revenues and net income of Hyundai Paramount since its acquisition by the Partnership were \$6,732 and \$3,220 respectively and included in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2013.

Pro Forma Financial Information

There is no pro forma financial information available in relation to the acquisition of Iason as its vessel was under construction up to the date of her acquisition by the Partnership.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****f. Agamemnon Container Carrier Corp. (M/V Agamemnon)**

On December 22, 2012, the Partnership acquired the shares of Agamemnon Container Carrier Corp., the vessel owning company of the M/V Agamemnon (Agamemnon), from CMTC in exchange for the shares of the Partnership's wholly owned subsidiary Achilleas Carriers Corp., the vessel owning company of the M/T Achilleas (Achilleas) following the unanimous recommendation of the conflicts committee and the unanimous approval of the board of directors. At the time of her acquisition by the Partnership operated under a three year time charter, with Maersk. The time charter commenced in June 2012 and the expiry is in July 2015. Maersk has the option to extend the charter for up to an additional four years. The acquisition of Agamemnon was deemed accretive to the Partnership's distributions.

The Partnership accounted for the acquisition of Agamemnon as an acquisition of a business. All assets and liabilities of Agamemnon except the vessel, permits and time charter agreement, were retained by CMTC. Furthermore up to the date of the exchange of Achilleas Carriers Corp., all assets and liabilities of Achilleas, except the vessel, were retained by the Partnership. CMTC has also waived any compensation for the early termination of the charter of Achilleas. The purchase price of the acquisition has been allocated to the identifiable assets acquired.

Purchase Price

The total purchase consideration of \$70,250 is comprised of:

- a) \$68,875 representing the fair value of Achilleas, and;
- b) \$1,375 representing the cash consideration paid to CMTC by the Partnership.

Acquisition related costs

Acquisition-related costs of approximately \$5.0 are included in general and administrative expenses in the consolidated statements of comprehensive income (loss) for the year ended December 31, 2012.

Purchase price allocation

The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition.

The fair value allocated to each class of identifiable assets of Agamemnon was calculated as follows:

As of
December 22, 2012

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Vessel	\$	68,000
Above market acquired time charter	\$	2,250
Identifiable assets	\$	70,250
Purchase price	\$	(70,250)

Identifiable intangible assets

The following table sets forth the component of the identifiable intangible asset acquired with the purchase of Agamemnon which is being amortized over its estimated useful life on a straight-line basis as a reduction of revenue:

Intangible assets	As of December 22, 2012	Duration of time charter acquired
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Above market acquired time charter	\$ 2,250	2.6 years
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The fair value of the above market time charter acquired was determined as the difference between the time charter rate and the market rate for a comparable time charter on the business combination date discounted at the WACC of approximately 11%.

Total revenues and net income of Agamemnon since its acquisition by the Partnership were \$318 and \$185 respectively and included in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2012.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****f. Agamemnon Container Carrier Corp. (M/V Agamemnon) Continued*****Pro Forma Financial Information***

The supplemental pro forma financial information was prepared using the acquisition method of accounting and is based on the following:

The Partnership's actual results of operations for the year ended December 31, 2012 excluding non recurring transactions such as impairment charge of \$21,614 (Note 5) as well as the actual results of operations of Achilleas for the period from January 1, December 21, 2012 and actual acquisition related costs the Partnership incurred in connection with the acquisition of Agamemnon; The Partnership's actual results of operations for the year ended December 31, 2011 adjusted for non recurring transactions such as impairment charge of \$21,614 and actual acquisition related costs the Partnership incurred in connection with the acquisition of Agamemnon; Achilleas actual results of operations for the period from October 1, 2011 to December 31, 2011 have been excluded from the Partnership's actual results of operations as the vessel owning company of Achilleas was a fully owned subsidiary of Crude which was merged with the Partnership on September 30, 2011 (Note 3i) and;

Pro forma results of operations of Agamemnon for the period from January 1, 2012 to December 21, 2012 and for the year ended December 31, 2011 as if Agamemnon was operating under post acquisition revenue and cost structure.

The combined results do not purport to be indicative of the results of the operations which would have resulted had the acquisition been effected at beginning of the applicable period noted above, or the future results of operations of the combined entity. The following table summarizes total net revenues; net income / (loss) per common unit of the combined entity had the acquisition of Agamemnon occurred on January 1, 2011:

	For the year ended December 31, 2012	
	2012	2011
Total revenues	\$ 154,227	\$ 154,227
Partnership's net income	2,210	2,210
Preferred unit holders' interest in Partnership's net income	10,809	10,809
General Partner's interest in Partnership's net (loss) / income	(172)	(172)
Common unit holders interest in Partnership's net (loss) / income	\$ (8,427)	\$ (8,427)
Net (loss) / income per common unit (basic and diluted)	\$ (0.12)	\$ (0.12)

g. Archimidis Container Carrier Corp. (M/V Archimidis)

On December 22, 2012, the Partnership acquired the shares of Archimidis Container Carrier Corp., the vessel owning company of the M/V Archimidis (Archimidis), from CMTC in exchange for the shares of the Partnership's wholly owned subsidiary Alexander The Great Carriers Corp., the vessel owning company of the M/T Alexander The Great (Alexander The Great) following the unanimous recommendation of the conflicts committee and the approval of the board of directors. The vessel at the time of her acquisition by the Partnership operated under a three year time charter, with Maersk. The charter commenced in November 2012 and the earliest expiry is in October 2015. Maersk has the option to extend the charter for up to an additional two years. The acquisition of Archimidis was deemed accretive to the Partnership's distributions.

The Partnership accounted for the acquisition of Archimidis as an acquisition of a business. All assets and liabilities of Archimidis except the vessel, permits and time charter agreement, were retained by CMTC. Furthermore up to the date of the exchange of Alexander the Great Carriers Corp., all liabilities of Alexander the Great, except the vessel, were retained by the Partnership. CMTC has also waived any compensation for the early termination charter of Alexander the Great. The purchase price of the acquisition has been allocated to the identifiable assets acquired.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****g. Archimidis Container Carrier Corp. (M/V Archimidis) Continued*****Purchase Price***

The total purchase consideration of \$67,250 is comprised of:

- a) \$68,875 representing the fair value of Alexander the Great and;
- b) \$1,625 representing the cash consideration the Partnership received by CMTC.

Acquisition related costs

Acquisition-related costs of approximately \$5.0 are included in general and administrative expenses in the consolidated statements of comprehensive (loss) for the year ended December 31, 2012.

Purchase price allocation

The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition.

The fair value allocated to each class of identifiable assets of Archimidis was calculated as follows:

	As of
	December 22, 2012
Vessel	\$ 65,000
Above market acquired time charter	\$ 2,250
Identifiable assets	\$ 67,250
Purchase price	\$ (67,250)

Identifiable intangible assets

The following table sets forth the component of the identifiable intangible asset acquired with the purchase of Archimidis which is being amortized over its useful life on a straight-line basis as a reduction of revenue:

Intangible assets	As of December 22, 2012	Duration of time charter acquired
Above market acquired time charter	\$ 2,250	3.0 years

The fair value of the above market time charter acquired was determined as the difference between the time charter rate and market rate for comparable charters at the business combination date discounted at the WACC of approximately 11%.

Total revenues and net income of Archimidis since its acquisition by the Partnership were \$321 and \$178 respectively and included in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2012.

Pro Forma Financial Information

The supplemental pro forma financial information was prepared using the acquisition method of accounting and is based on the following:

The Partnership's actual results of operations for the year ended December 31, 2012 excluding non recurring transactions such as Alexander the Great impairment charge of \$21,564 (Note 5) as well as the actual results of operations of Alexander the Great for the period from January 1, 2012 to December 21, 2012 and actual acquisition related costs the Partnership incurred in connection with the acquisition of Archimidis;

The Partnership's actual results of operations for the year ended December 31, 2011 adjusted for non recurring transactions such as Alexander the Great impairment charge of \$21,564 and actual acquisition related costs the Partnership incurred in connection with the acquisition of Archimidis. Alexander the Great actual results of operations for the period from October 1, 2011 to December 31, 2011 have been excluded from the Partnership's actual results of operations as the vessel owning company of Alexander the Great was a fully owned subsidiary of Crude which was merged with the Partnership on September 30, 2011 (Note 3i) and;

Pro forma results of operations of Archimidis for the period from January 1, 2012 to December 21, 2012 and for the year ended December 31, 2011, as if Archimidis was operating under post acquisition revenue and cost structure.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****g. Archimidis Container Carrier Corp. (M/V Archimidis) Continued**

The combined results do not purport to be indicative of the results of the operations which would have resulted had the acquisition been effected at beginning of the applicable period noted above, or the future results of operations of the combined entity.

The following table summarizes total net revenues; net (loss) / income and net (loss) / income per common unit of the combined entity had the acquisition of Archimidis occurred on January 1, 2011:

	For the year ended December 31, 2012	
Total revenues	\$ 155,011	\$ 155,011
Partnership's net income	2,746	2,746
Preferred unit holders' interest in Partnership's net income	10,809	10,809
General Partner's interest in Partnership's net (loss) / income	(161)	(161)
Common unit holders interest in Partnership's net (loss)/income	\$ (7,902)	\$ (7,902)
Net (loss)/income per common unit (basic and diluted)	\$ (0.12)	\$ (0.12)

h. Patroklos Marine Corp. (M/V Cape Agamemnon)

On June 9, 2011, the Partnership acquired the shares of Patroklos Marine Corp., the vessel owning company of the M/V Cape Agamemnon ("Patroklos") from CMTC as it was deemed accretive to the Partnership's distributions by the board of directors. The vessel at the time of her acquisition by the Partnership was under a ten year time charter, with Cosco Bulk Carrier Co. Ltd. ("COSCO Bulk"), an affiliate of the COSCO Group. The time charter commenced in July 2007 and the earliest expiry under the charter is in June 2020. The acquisition of Patroklos was unanimously approved by the Partnership's Board of Directors following the unanimous approval and recommendation of the Board's conflicts committee, which is comprised entirely of independent directors.

The Partnership accounted for the acquisition of Patroklos as an acquisition of a business. All assets and liabilities of Patroklos except the vessel, necessary time charter agreement, were retained by CMTC. The purchase price of the acquisition has been allocated to the identifiable assets acquired, with the difference between the fair value of assets acquired over the purchase price recorded as a gain from bargain purchase.

Purchase Price

The total purchase consideration of \$83,525 was funded by \$1,470 from available cash, \$25,000 through a draw down from the Partnership's credit facility at Credit Agricole Emporiki Bank and the remaining through the issuance of 6,958,000 Partnership's common units to CMTC at a price of \$8.20 per unit as reported on the Nasdaq Stock Exchange the date of the acquisition of Patroklos by the Partnership. Furthermore upon the acquisition of Patroklos, the Partnership issued another 142,000 of Partnership's common units. These units were converted into 142,000 of general partner units by the Partnership and delivered to the General Partner ("CGP") in order for it to maintain its 2% interest in the Partnership. The Partnership received the amount of \$1,470 in exchange for the general partner units.

Acquisition related costs

Acquisition-related costs of approximately \$409 are included in general and administrative expenses in the consolidated statements of comprehensive (loss) for the year ended December 31, 2011.

Purchase price allocation

The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****h. Patroklos Marine Corp. (M/V Cape Agamemnon) Continued**

The fair value allocated to each class of identifiable assets of Patroklos and the gain from bargain purchase recorded as non operating income / (expense), in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2011 was calculated as follows:

	As of
	June 9, 2011
Vessel	\$ 51,500
Above market acquired time charter	\$ 48,551
Identifiable assets	\$ 100,051
Purchase price	\$ (83,525)
Gain from bargain purchase	\$ 16,526

The gain from bargain purchase of \$16,526 has resulted from the decline of the Partnership's common unit price as the 6,958,000 common units which were transferred to CMTC were valued at \$8.20 per unit as quoted on the Nasdaq Stock Exchange on the day of the acquisition of Patroklos, as compared to the Partnership's common unit price of \$10.35 representing a value of Partnership's common unit on the day CMTC and the Partnership agreed on the purchase consideration, including the issuance of these common units.

After a subsequent review and reassessment of valuation methods and procedures of the \$100,051 fair value amount for identifiable assets acquired, the Partnership concluded that its measurements for the assets acquired appropriately reflect consideration of all available information that existed as of the acquisition date. Therefore, the Partnership recorded a gain from bargain purchase of \$16,526 in accordance with ASC Subtopic 805-30 as of the Patroklos acquisition date.

Identifiable intangible assets

The following table sets forth the component of the identifiable intangible asset acquired with the purchase of Patroklos which is being amortized over its useful life on a straight-line basis as a reduction of revenue:

Intangible	As of	Duration of time
assets	June 9, 2011	charter
		acquired

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Above market acquired time charter

\$ 48,551

9.1 years

The fair value of the above market time charter acquired was determined as the difference between the time charter rate and market rate for comparable charters at the business combination date discounted at the WACC of approximately 11%.

Total revenues and net income of Patroklos since its acquisition by the Partnership were \$5,305 and \$2,899 respectively and included in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2011.

i. Crude

On September 30, 2011, the merger between the Partnership and Crude was successfully completed. The exchange ratio of this unit for share transaction was one Partnership's common units for each Crude share. The Partnership was the surviving entity in the merger and continued to be structured as a master limited partnership. This transaction was deemed accretive to the Partnership's distributions in the long term and it added to the balance sheet strength and flexibility of the Partnership.

The Crude acquisition has been accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the total purchase price has been allocated to the all identifiable assets acquired and liabilities assumed with the excess of the fair value of assets acquired and liabilities assumed being recorded as a gain from bargain purchase.

Purchase Price

The total purchase consideration of \$157,064 was comprised of:

a) \$155,559 representing the value of 24,344,176 Partnership's common units that were issued to Crude's shareholders, based on the exchange ratio of one Partnership's common units for each Crude share, at a price of \$6.39 per unit as quoted on the Nasdaq Stock Exchange on September 30, 2011 the successful closing of the acquisition and;

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****3. Acquisitions Continued****i. Crude Continued**

b) \$1,505 representing the fair value attributable to precombination services of Crude's Equity Incentive Plan awards at the closing of the merger on September 30, 2011. Crude's Equity Incentive Plan awards consisted of 399,400 of Crude's common shares which were also exchanged at a ratio of 1.56 into 623,064 Partnership common units at the closing of the merger.

Furthermore at the closing of the acquisition of Crude the Partnership converted 499,346 of Partnership's common units held by CMTC into 499,346 Partnership partner units and delivered to CGP in order for it to maintain its 2% interest in the Partnership. For these units there was no cash consideration paid to the Partnership.

Acquisition related costs

Acquisition-related costs of approximately \$4,225 were included in general and administrative expenses in the consolidated statements of comprehensive income / (loss) for the year ended December 31, 2011.

Purchase price allocation

The allocation of the purchase price to all identifiable assets acquired and liabilities assumed was based on their estimated fair values at the date of acquisition.

The fair value allocated to each class of assets and liabilities of Crude and the gain from bargain purchase recorded as non operating income / (expense), net of taxes, in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2011 was calculated as follows:

	As of September 30, 2011
Current assets	\$ 30,300
Vessels	351,750
Total liabilities	(159,059)
Net assets acquired and liabilities assumed	\$ 222,991
Purchase price	\$ (157,064)
Gain from bargain purchase	\$ 65,927

The gain from bargain purchase of \$65,927 has mainly resulted from:

the decline of the Partnership's common unit price as the common units which were issued to Crude's shareholders were valued at \$6.39 per unit as quoted on the Nasdaq Stock Exchange on the day of the acquisition of Crude as compared to the Partnership's common unit price of \$11.27 used to determine the ratio of the unit for share transaction;

the fair value adjustments for the five crude tanker vessels comprising Crude's fleet on the day of the acquisition and;

the fair value attributable to precombination services of Crude's Equity Incentive Plan awards included into the purchase consideration. After a subsequent review and reassessment of valuation methods and procedures of the \$222,991 fair value amount for identifiable assets acquired and liabilities assumed, the Partnership concluded that its measurements for the identifiable assets acquired and liabilities assumed appropriately reflect consideration of all available information that existed as of the acquisition date. As a result of the merger and based on ASC Subtopic 805-30 the Partnership recorded a gain on bargain purchase of \$65,927 in its consolidated statements of comprehensive income / (loss) as of the acquisition date.

Total revenues and net loss of Crude since its acquisition by the Partnership were \$13,327 and \$1,399 respectively and included in the Partnership's consolidated statements of comprehensive income / (loss) for the year ended December 31, 2011.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****4. Transactions with Related Parties**

The Partnership and its subsidiaries, have related-party transactions with the Manager, arising certain terms of the following three different types of management agreements.

1. **Fixed fee management agreement:** At the time of the completion of the IPO, the Partnership entered into an agreement with its Manager, a to which the Manager provides the Partnership with certain commercial and technical management services for a fixed daily fee per managed vessel which covers the commercial and technical management services, the respective vessels' operating costs such as crewing, repairs and maintenance, insurance, stores, spares, and lubricants as well as the cost of the first special survey or next scheduled dry-docking, of each vessel. In addition to the fixed daily fees payable under the management agreement, the Manager is entitled to supplementary compensation for additional fees and expenses (as defined in the agreement) of any direct and indirect additional expenses it reasonably incurs in providing these services, which may vary from time to time. The Partnership also pays a fixed daily fee per bareboat chartered vessel in its fleet, mainly to cover compliance and commercial costs. These costs include those costs incurred by the Manager to remain in compliance with the oil majors' requirements, including vetting requirements;
2. **Floating fee management agreement:** On June 9, 2011, the Partnership entered into an agreement with its Manager based on actual expenses per managed vessel with an initial term of five years. Under the terms of this agreement the Partnership compensates its Manager for expenses and liabilities incurred on the Partnership's behalf while providing the agreed services, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating costs. Costs and expenses associated with a managed vessel's next scheduled dry docking are borne by the Partnership and not by the Manager. The Partnership also pays its Manager a daily technical management fee per managed vessel, which is revised annually based on the United States Consumer Price Index; and
3. **Crude management agreement:** On September 30, 2011, the Partnership completed the acquisition of Crude. The five crude tanker vessels that the Partnership acquired continue to be managed under a management agreement entered into in March 2010 with the Manager, whose initial term expires on December 31, 2020. Under the terms of this agreement the Partnership compensates the Manager for all of its expenses and liabilities incurred on the Partnership's behalf while providing the agreed services, including, but not limited to, crew, repairs and maintenance, insurance, stores, spares, lubricants and other operating and administrative costs. The Partnership also pays its Manager the following fees:

(a) a daily technical management fee per managed vessel that is revised annually based on the United States Consumer Price Index;

(b) a sale & purchase fee equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of a vessel acquired/disposed of and

(c) a commercial services fee equal to 1.25% of all gross charter revenues generated by each vessel for commercial services rendered.

The Manager has the right to terminate the Crude management agreement and, under certain circumstances, could receive substantial sums in connection with termination. As of March 2013 this termination fee had been adjusted to \$9,654.

All the above three agreements constitute the Management Agreements.

Under the terms of the fixed fee management agreement, the Manager charged the Partnership for additional fees and costs, relating to insurances, vetting, and repairs and spares that related to unforeseen events. For the years ended December 31, 2013, 2012 and 2011 such fees amounted to \$644, \$1,237, respectively. The 2013 and 2011 charge includes the amounts of \$330 and \$710 that reflect the claim proceeds the Partnership received for Aristofanis and the M/T Attikos respectively.

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On April 4, 2007, the Partnership entered into an administrative services agreement with the Manager, pursuant to which the Manager will provide administrative management services to the Partnership such as accounting, auditing, legal, insurance, IT, clerical, investor relations and other administrative services. Also the Partnership reimburses CGP for all expenses which are necessary or appropriate for the conduct of the Partnership's business. The Partnership reimburses the Manager and CGP for reasonable costs and expenses incurred in connection with the provision of these services after the Manager submits 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 administrative expenses in the consolidated statements of comprehensive income / (loss).

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements**

(In thousands of United States Dollars)

4. Transactions with Related Parties – Continued

Balances and transactions with related parties consisted of the following:

	As of December 31, 2013	As of December 31, 2012
Consolidated Balance Sheets		
Assets:		
Hire receivable (c)	\$ 667	\$
Due from related parties	667	
Total assets	\$ 667	\$
Liabilities:		
Manager payments on behalf of the Partnership (a)	\$ 12,333	15,957
Management fee payable to CSM (b)	1,353	1,490
Due to related parties	\$ 13,686	\$ 17,447
Deferred revenue – current (e)	5,198	4,637
Total liabilities	\$ 18,884	\$ 22,084

For the year ended**December 31,****Consolidated Statements of****Income**

	2013	2012
Revenues (c)	\$ 54,974	\$ 69,938
Voyage expenses	314	554
Vessel operating expenses	17,039	23,634
General and administrative expenses (d)	3,052	3,092

(a) *Manager - Payments on Behalf of Capital Product Partners L.P.* : This line item includes the payments made by the Manager on behalf of the Partnership and its subsidiaries.

(b) *Management fee payable to CSM* : The amount outstanding as of December 31, 2013 and 2012 represents the management fee payable to CSM as a result of the Management Agreements the Partnership entered into with the Manager.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements**

(In thousands of United States Dollars)

4. Transactions with Related Parties – Continued(c) **Revenues:** The following table includes information regarding the charter agreements were in place between the Partnership and CMTC during 2013 and

Vessel Name	Time Charter (TC) in years	Commencement of Charter	Termination or earliest expected redelivery	Gross (Net) Daily Hire Rate
M/T Agisilaos	1 TC	08/2011	09/2012	\$13.5 (\$13.3)
M/T Agisilaos	1 TC	09/2012	09/2013	\$13.5 (\$13.3)
M/T Agisilaos	1 TC	09/2013	08/2014	\$14.3 (\$14.1)
M/T Axios	1 TC	06/2012	06/2013	\$14.0 (\$13.8)
M/T Axios	1 TC	06/2013	05/2014	\$14.8 (\$14.6)
M/T Arionas	1 TC	10/2011	11/2012	\$13.8 (\$13.6)
M/T Arionas	1 TC	11/2012	11/2013	\$13.8 (\$13.6)
M/T Arionas	1 TC	11/2013	10/2014	\$14.3 (\$14.1)
M/T Alkiviadis	2 TC	06/2010	07/2012	\$13.0 (\$12.8)
M/T Alkiviadis	1 TC	07/2012	07/2013	\$13.4 (\$13.2)
M/T Alkiviadis	1 TC	07/2013	06/2014	\$14.3 (\$14.1)
M/T Amore Mio II	0.9 to 1.2TC	12/2011	03/2012	\$18.3 (\$18.0)
M/T Amore Mio II	1 TC	12/2013	11/2014	\$17.0 (\$16.8)
M/T Avax	1 TC	05/2011	05/2012	\$14.0 (\$13.8)
M/T Avax	1 TC	05/2012	05/2013	\$14.0 (\$13.8)
M/T Avax	1 TC	05/2013	10/2013	\$14.8 (\$14.6)
M/T Akeraios	1 TC	07/2011	07/2012	\$14.0 (\$13.8)
M/T Akeraios	1 TC	07/2012	07/2013	\$14.0 (\$13.8)
M/T Akeraios	1.5 TC	07/2013	12/2014	\$15.0 (\$14.8)
M/T Apostolos	1 TC	09/2012	10/2013	\$14.0 (\$13.8)
M/T Apostolos	1.2 to 1.5 TC	10/2013	12/2014	\$14.9 (\$14.7)
M/T Anemos I	1.2 to 1.5 TC	12/2013	02/2015	\$14.9 (\$14.7)
M/T Aristotelis	1.5 to 2 TC	12/2013	06/2015	\$17.0 (\$16.8)
M/T Miltiadis M II	1 TC	03/2012	09/2012	\$18.3 (\$18.0)
M/T Alexander the Great(1)	1TC	11/2011	12/2012	\$28.0 (\$27.7)
M/T Amoureux	1+1 TC	10/2011	1/2014	\$20.0+\$24.0 (\$19.8+\$23.7)
M/T Aias	1+1 TC	11/2011	12/2013	\$20.0+\$24.0 (\$19.8+\$23.7)
M/T Aias	1 TC	12/2013	11/2014	\$24.0 (\$23.7)
M/T Agamemnon	1 TC	03/2013	10/2013	\$14.5
M/T Achilleas (1)	1TC	01/2012	12/2012	\$28.0 (\$27.7)

- (1) On December 22, 2012, the Partnership acquired the shares of the vessel owning companies of the M/V Agamemnon and the M/V Archimedes from CMTC in exchange of the shares of the vessel owning companies of the M/T Achilleas and the M/T Alexander The Great respectively (Note 3).
- (d) **General and administrative expenses:** This line item mainly includes internal audit, investor relations and consultancy fees.
- (e) **Deferred Revenue:** As of December 31, 2013 and 2012 the Partnership received cash in advance for revenue earned in a subsequent period from CMTC.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****5. Vessels, net**

An analysis of vessels is as follows:

	Net book Value
Carrying amount as at January 1, 2012	\$ 1,073,986
Acquisition and improvements	133,105
Disposals	(156,128)
Impairment of vessels	(43,178)
Depreciation	(48,235)
Carrying amount as at December 31, 2012	\$ 959,550
Acquisitions and improvements	308,141
Disposals	(38,923)
Depreciation	(51,949)
Carrying amount as at December 31, 2013	\$ 1,176,819

All of the Partnership's vessels as of December 31, 2013 have been provided as collateral to secure the Partnership's credit facilities.

On November 28, 2013, the Company acquired the M/T Aristarchos (renamed M/T Aristotelis), a 51,604 dwt eco type medium range product tanker built from an unrelated third party, for a total consideration of \$38,141 including initial expenses of \$111. The acquisition price was funded from the selling proceeds of the M/T Agamemnon II and from the Partnership's available cash.

On November 5, 2013, the Company disposed the M/T Agamemnon II a 51,238 dwt chemical tanker built in 2008 for net proceeds of \$32,192 to an unrelated third party. The Partnership realized a net loss on this disposal of \$7,073 as the carrying value of the vessel at the time of her disposal was \$38,923. This net loss is presented in the Partnership's consolidated statements of comprehensive income / (loss) as Loss / (gain) on sale of vessels to third parties. For the period ended December 31 2013, the Partnership has unpaid expenses relating to this sale of \$343.

On September 11, 2013, the Company acquired the shares of Anax Container Carrier S.A., the vessel owning company of the M/V Hyundai Prestige reefer, the vessel owning company of the M/V Hyundai CCNI Angol, Theseas Container Carrier S.A., the vessel owning company of the M/V Hyundai Privilege and Cronus Container Carrier S.A., the vessel owning company of the M/V Hyundai Platinum (Note 3). The vessels were recorded in the Partnership's financial statements at their respective fair values of \$54,000 each as quoted by independent brokers at the time of their acquisition by the Partnership.

On March 20 and March 27, 2013, the Company acquired the shares of Hercules Container Carrier S.A., the vessel owning company of M/V Hyundai Pegasus and Iason Container Carrier S.A., the vessel owning company of the M/V Hyundai Paramount, respectively (Note 3). The vessels were recorded in the Partnership's financial statements at their respective fair values of \$54,000 each as quoted by independent brokers at the time of their acquisition by the Partnership.

On December 22, 2012, the Partnership acquired the shares of the vessel owning companies of two post panamax container carrier vessels the M/V Agamemnon II and the M/V Archimidis from CMTC in exchange of the shares of the vessel owning companies of two very large crude carrier vessels the M/T Achilleas and the M/T Alexander The Great respectively (Note 3). The M/V Agamemnon and the M/V Archimidis have been recorded in the Partnership's financial statements at their fair value as quoted by independent brokers at the time of the acquisition of \$68,000 and \$65,000 respectively.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****5. Vessels, net Continued**

In relation to the transaction described above the Partnership recorded an impairment charge of \$43,178 which represents the difference between the carrying amount of the M/T Achilleas and the M/T Alexander the Great of \$180,928 and the fair market value of these vessels of \$137,750 as quoted by independent broker presented as Vessels impairment charge in the Partnership's consolidated statements of comprehensive income / (loss). The vessel-owning companies Achilleas and the M/T Alexander the Great were deconsolidated from the Partnership accounts as of the date of their disposal to CMTC. Results of operations, cash flows, and assets and liabilities of these vessels prior to their disposal to CMTC are included in the Partnership's consolidated financial statements.

On April 4, 2012 the Company disposed the M/T Aristofanis, a 12,000 dwt, chemical tanker built in 2005 for net proceeds of \$9,867, to an unrelated third party. The Partnership realized a net gain on this disposal of \$353 as the carrying value of the vessel at the time of her disposal was \$9,514.

On February 14, 2012 the Company disposed the M/T Attikos, a 12,000 dwt chemical tanker built in 2005 for net proceeds of \$9,807, to an unrelated third party. The Partnership realized a net gain on this disposal of \$943 as the carrying value of the vessel at the time of her disposal was \$8,864.

During 2012 the M/T Avax, M/T Axios, M/T Akeraios, M/T Apostolos, M/T Anemos and M/T Atrotos (renamed El Pipila) underwent improvements for their respective first special survey. These costs for these six vessels amounted to \$105 and were capitalized as part of the respective vessels' historic cost.

6. Above market acquired charters

On September 11, 2013 the Partnership acquired the shares of Anax Container Carrier S.A., Theseas Container Carrier S.A. and Cronus Container Carrier S.A., vessel owning companies of the M/V Hyundai Prestige renamed to CCNI Angol, M/V Hyundai Privilege, and M/V Hyundai Platinum, respectively, from Hyundai with outstanding time charters to Hyundai which were above the market rates for equivalent time charters prevailing at the time of acquisition. The present value of the above market acquired time charters were estimated by the Partnership at \$19,094, \$19,329 and \$19,358, respectively, and recorded as an asset in the consolidated balance sheet as of the acquisition date (Note 3).

On March 20 and March 27, 2013 the Partnership acquired the shares of Hercules Container Carrier S.A. and Iason Container Carrier S.A., the vessel owning companies of M/V Hyundai Premium and M/V Hyundai Paramount, respectively, from CMTC with outstanding time charters to Hyundai which were above the market rates for equivalent time charters prevailing at the time of acquisition. The present value of the above market acquired time charters were estimated by the Partnership at \$19,707 and \$19,768, respectively, and recorded as an asset in the consolidated balance sheet as of the acquisition date (Note 3).

In December 22, 2012 the Partnership acquired the shares of Agamemnon and Archimidis, from CMTC with outstanding time charters to Maersk which were above the market rates for equivalent time charters prevailing at the time of acquisition. The present value of the above market acquired time charters were estimated by the Partnership at \$2,250 each, and recorded as an asset in the consolidated balance sheet as of the acquisition date (Note 3).

In June 2011 the Partnership acquired the shares of Patroklos, the vessel-owning company of M/V Cape Agamemnon from CMTC with an outstanding time charter to COSCO Bulk terminating in June, 2020, which was above the market rates for equivalent time charters prevailing at the time of acquisition. The present value of the above market acquired time charter was estimated by the Partnership at \$48,551, and recorded as an asset in the consolidated balance sheet as of the acquisition date (Note 3).

For the years ended December 31, 2013, 2012 and 2011 revenues included a reduction of 13,594, \$7,904 and \$5,489 as amortization of the above market acquired charters, respectively.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements**

(In thousands of United States Dollars)

6. Above market acquired charters Continued

An analysis of above market acquired charters is as follows:

Above market acquired charters	M/V Cape Agamemnon	M/T Assos	M/V Agamemnon	M/V Archimidis	M/V Hyundai Premium	M/V Hyundai Paramount	M/V Hyundai Prestige	M/V Hyundai Privilege	M/V Hyundai Platinum
Carrying amount as at January 1, 2012	\$ 45,543	\$ 5,581	\$	\$	\$	\$	\$	\$	\$
Acquisitions			2,250	2,250					
Amortization	(5,372)	(2,488)	(23)	(21)					
Carrying amount as at December 31, 2012	\$ 40,171	\$ 3,093	\$ 2,227	\$ 2,229	\$	\$	\$	\$	\$
Acquisitions					19,707	19,768	19,094	19,329	19,358
Amortization	(5,357)	(2,481)	(864)	(797)	(1,311)	(1,240)	(519)	(513)	(512)
Carrying amount as at December 31, 2013	\$ 34,814	\$ 612	\$ 1,363	\$ 1,432	\$ 18,396	\$ 18,528	\$ 18,575	\$ 18,816	\$ 18,846

As of December 31, 2013 the remaining carrying amount of unamortized above market acquired time and bare-boat charters was \$131,382 and will be amortized in future years as follows:

For the twelve month period ended December 31,	M/V Cape Agamemnon	M/T Assos	M/V Agamemnon	M/V Archimidis	M/V Hyundai Premium	M/V Hyundai Paramount	M/V Hyundai Prestige	M/V Hyundai Privilege	M/V Hyundai Platinum
2014	\$ 5,357	\$ 612	\$ 863	\$ 796	\$ 1,668	\$ 1,670	\$ 1,693	\$ 1,672	\$ 1,669
2015	5,357	-	500	636	1,668	1,670	1,693	1,672	1,669
2016	5,372	-	-	-	1,668	1,670	1,697	1,675	1,674
2017	5,357	-	-	-	1,668	1,670	1,693	1,672	1,669
2018	5,357	-	-	-	1,668	1,670	1,693	1,672	1,669
Thereafter	8,014	-	-	-	10,056	10,178	10,106	10,453	10,496
Total	\$ 34,814	\$ 612	\$ 1,363	\$ 1,432	\$ 18,396	\$ 18,528	\$ 18,575	\$ 18,816	\$ 18,846

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements**

(In thousands of United States Dollars)

7. Long-Term Debt

Long-term debt consists of the following:

	Bank Loans	Entity	As of December 31, 2013	As of December 31, 2012	Margin
(i)	Issued in April, 2007 maturing in June, 2017	Capital Product Partners L.P.	\$ 250,850	\$ 250,850	2.00%
(ii)	Issued in March, 2008 maturing in March 2018	Capital Product Partners L.P.	\$ 238,465	188,515	3.00%
(iii)	Issued in June 2011 maturing in March 2018	Capital Product Partners L.P.	\$ 19,000	19,000	3.25%
(iv)	Issued in September 2013 maturing in December 2020	Capital Product Partners L.P.	\$ 75,000	-	3.50%
	Total		\$ 583,315	\$ 458,365	
	Less: Current portion		\$ 5,400	-	
	Long-term portion		\$ 577,915	\$ 458,365	

As at December 31, 2013, the amounts drawn down under the Partnership's four credit facilities were as follows:

Vessel / Entity	Date	\$370,000 Credit Facility (i)	\$350,000 Credit Facility (ii)	\$25,000 Credit Facility (iii)	\$225,000 Secured Credit Facility
M/T Akeraios	07/13/2007	\$ 46,850	\$	\$	\$
M/T Apostolos	09/20/2007	56,000			
M/T Anemos I	09/28/2007	56,000			
M/T Alexandros II	01/29/2008	48,000			
M/T Amore Mio II	03/27/2008		46,000		
M/T Aristofanis	04/30/2008		11,500		
M/T Aristotelis II	06/17/2008	20,000			
M/T Aris II	08/20/2008	24,000	1,584		
M/V Cape Agamemnon	06/09/2011			19,000	
M/V Hyundai Premium	03/20/2013		24,975		
M/V Hyundai Paramount	03/27/2013		24,975		
M/V Hyundai Prestige(CCNI Angol), M/V Hyundai Privilege, M/V Hyundai Platinum	09/06/2013				
Crude Carriers Corp. and its subsidiaries	09/30/2011		129,431		
Total		\$ 250,850	\$ 238,465	\$ 19,000	\$

In September 2013 the Partnership entered into a new senior secured credit facility of up to \$200,000, which was amended in December, 2013 to upsize to \$225,000, led by ING Bank N.V. in order to partly finance the acquisition cost of certain vessels. The facility is divided in two tranches. Tranche A con

\$75,000 which was drawn down on September 11, 2013, in order to part finance the acquisition cost of the shares of Anax Container Carrier S.A., Container Carrier S.A. and Thisseas Container Carrier S.A. that were the owning companies of the 2013-built 5,000 TEU container vessels Hyundai (renamed to CCNI Angol), Hyundai Privilege and Hyundai Platinum respectively (Note 3). Tranche B, consisted of \$150,000, which will be advanced in order to finance up to 50% of the acquisition cost of certain additional ships or to finance the cost of acquiring the issued share capital of an additional vessel owning company. As of December 31, 2013 the Partnership had not drawn down any amount of Tranche B. The facility is repayable in twenty consecutive quarterly installments, beginning in March 2016, in the amount that provides for the overall thirteen and sixteen year repayment profiles on sub facilities (Tranche A) and B (Tranche B) respectively, after adjustment for the security vessel age at acquisition date and availability period.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****7. Long-Term Debt Continued**

All amounts outstanding, including the balloon payment, will become due and payable in December 2020. The facility bears interest at LIBOR plus a margin of 3.50% and commitment fees of 1.0%.

In November, 2013 the Partnership amended its credit facility of \$370,000 in order to replace the M/T Agamemnon II which was sold on November 5, 2013 with the M/T Aristotelis as a security.

In March, 2013, the Partnership's credit facility of \$350,000 was converted into a term loan, and the undrawn amount of \$1,420 was cancelled.

On March 20, and March 27, 2013, the Partnership had drawn in total the amount of \$54,000 from the undrawn portion of its \$350,000 credit facility in order to partly finance the acquisition of the vessel owning companies of the M/V Hyundai Premium and the M/V Hyundai Paramount respectively (Note 3). The amount of \$54,000 is payable in twenty equal consecutive quarterly installments of \$1,350 commencing in June 2013 plus a balloon payment of \$27,000 in March 2014.

Following the exchange of the M/T Achilleas with the M/V Agamemnon and the M/T Alexander the Great with the M/V Archimidis in December 2012, the Partnership prepaid from its available cash the amount of \$5,149 and the M/V Archimidis and the M/V Agamemnon replaced the M/T Alexander the Great and the M/T Achilleas as collateral under its credit facility of \$350,000.

Following the issuance of Class B Convertible Preferred Units in May and June 2012 (Note 13), the Partnership prepaid debt of \$149,566 across its credit facilities by using in full the net proceeds of the issuance of \$136,419 and an amount of \$13,147 from its available cash. Following the debt repayment of \$149,566, on May 23, 2012 the Partnership's credit facilities were amended: a) The new amortization schedule will commence in March 2016 b) the margin on the credit facility of \$370,000 and \$350,000 has increased to 2% and 3% respectively and c) the Partnership's credit facility of \$370,000 was converted into a term loan and the undrawn tranche of \$52,500 relating to the credit facility of \$350,000 was cancelled.

The Partnership's loan of \$370,000 will be repaid in 6 equal consecutive quarterly installments of \$12,975 commencing in March, 2016 plus a balloon payment of \$370,000 in June, 2017. The Partnership's credit facilities of \$350,000 and \$25,000 will be repaid in 9 equal consecutive quarterly installments of \$7,855 and \$2,778 respectively commencing in March, 2016 plus a balloon payment for each facility due in March, 2018.

On April 4, 2012, an amount of \$10,500 was repaid on the Partnership's revolving credit facility of \$370,000, from the proceeds of the disposal of its vessel M/T Aristofanis.

On February 15, 2012, an amount of \$10,000 was repaid on the Partnership's revolving credit facility of \$370,000, from the proceeds of the disposal of its vessel M/T Attikos.

The Partnership's credit facilities contain customary ship finance covenants, including restrictions as to: changes in management and ownership of the vessels, the incurrence of additional indebtedness, the mortgaging of vessels, the ratio of EBITDA to Net Interest Expenses shall be no less than 2:1, minimum requirement of \$500 per vessel, as well as the ratio of net Total Indebtedness to the aggregate Market Value of the total fleet shall not exceed 0.725:1. The credit facilities also contain the collateral maintenance requirement in which the aggregate average fair market value, of the collateral vessels shall be no less than 100% of the aggregate outstanding amount under these facilities. Also the vessel-owning companies may pay dividends or make distributions when no event of default has occurred and the payment of such dividend or distribution has not resulted in a breach of any of the financial covenants. As of December 31, 2013 and March 31, 2014, the Partnership was in compliance with all financial debt covenants.

The credit facilities have a general assignment of the earnings, insurances and requisition compensation of the respective vessel or vessels. Each also has additional security, including: pledge and charge on current account; corporate guarantee from each of the thirty vessel-owning companies, and mortgage and marine insurance.

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The Partnership's credit facilities contain a Market Disruption Clause where the lenders, at their discretion, may impose additional interest margin if the rate exceeds effective interest rate (LIBOR) stated in the loan agreement with the Partnership. For the years ended December 31, 2013, 2012 and 2011, the Partnership incurred an additional interest expense in the amount of \$0, \$373 and \$1,290 respectively due to the Market Disruption Clause.

For the years ended December 31, 2013, 2012 and 2011, the Partnership recorded interest expense of \$14,982, \$25,788 and \$32,216, respectively. For the years ended December 31, 2013 and 2012 the weighted average interest rate of the Partnership's loan facilities was 2.81% and 3.11%, respectively.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements**

(In thousands of United States Dollars)

7. Long-Term Debt Continued

The required annual loan payments to be made subsequent to December 31, 2013 are as follows:

	\$370,000 Credit Facility (i)	\$350,000 Credit Facility (ii)	\$25,000 Credit Facility (iii)	\$225,000 Senior Secured Credit Facility (iv)	Total
2014	\$ -	\$ 5,400	\$ -	\$ -	\$ 5,400
2015	-	5,400	-	-	5,400
2016	51,900	36,819	4,000	5,769	98,488
2017	198,950	36,819	4,000	5,769	245,538
2018	-	154,027	11,000	5,769	170,796
Thereafter	-	-	-	57,693	57,693
Total	\$ 250,850	\$ 238,465	\$ 19,000	\$ 75,000	\$ 583,315

8. Derivative Instruments

The Partnership had entered into fourteen interest rate swap agreements in order to mitigate the exposure from interest rate fluctuations. Nine of the Partnership's interest rate swap agreements under its \$370,000 credit facility expired as of June 29, 2012 and one was terminated upon the disposal of the M/T Attikos and M/T Aristofanis. During the year ended December 31, 2012, the Partnership terminated one interest rate swap agreement in full and one partially under its \$350,000 credit facility. During the year ended December 31, 2013, the Partnership's three remaining swaps with a notional amount of \$59,084 expired.

All derivatives are carried at fair value on the consolidated balance sheet at each period end. Balances as of December 31, 2013 and December 31, 2012 are as follows:

	December 31, 2013		December 31, 2012
	Interest Rate Swaps	Total	Interest Rate Swaps
Short-term liabilities	\$ -	\$ -	\$ 467
Long-term liabilities	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ 467

Tabular disclosure of financial instruments is as follows:

**Derivative Liabilities
Balance sheet****As of December 31,
2013****As of December 31,
2012**

location	Fair value	Fair value
Derivatives designated as hedging instruments effective hedges		
Derivative instruments long-term liabilities.	\$ -	\$ -
Derivative instruments short-term liabilities.	\$ -	\$ 100
Total derivatives not designated as hedging instruments ineffective hedges		
Derivative instruments short-term liabilities.	\$ -	\$ 367
Total Derivative Liabilities	\$ -	\$ 467

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Capital Product Partners L.P.

Notes to the Consolidated Financial Statements

(In thousands of United States Dollars)

8. Derivative Instruments Continued

The table below shows the effective portion of the hedging relationship of the Partnership's derivatives designated as hedging instruments recognized in Comprehensive Income (OCI), the realized losses from net interest rate settlements transferred from OCI into the Partnership's consolidated statements of comprehensive income / (loss) and the amounts recognized in the consolidated statements of comprehensive income / (loss) arising from the hedging relationships not qualifying for hedge accounting for the years ended December 31, 2013, 2012 and 2011, respectively:

Derivatives designated in cash flow hedging relationships recognized in OCI (Effective Portion)	Change in Fair Value of Hedging instrument recognized in OCI (Effective Portion)			Location of Gain/(loss) Recognized in consolidated statements of comprehensive income /income (Effective Portion)	Amount of Loss Reclassified from OCI into consolidated statements of comprehensive income (Effective Portion)			Amount of Gain recorded in OCI (Effective Portion)			Location of Gain/(loss) Recognized in consolidated statements of comprehensive income /income (ineffective portion)	Amount of Gain recognized		
	2013	2012	2011		2013	2012	2011	2013	2012	2011		2013	2012	
Interest rate swaps	(4)	(1,903)	(4,234)	Interest expense and finance cost	(466)	(12,665)	(21,752)	462	10,762	17,518			4	1,448

The Partnership follows the accounting guidance for derivative instruments that establishes a framework for measuring fair value in 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 measure those measurements by establishing hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requirements for assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

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

The Partnership's interest rate swap agreements, entered into pursuant to its loan agreements, are based on LIBOR swap rates. LIBOR swap rates are based on commonly quoted intervals for the full terms of the swaps and therefore are considered Level 2 items. The fair values of the interest rate swap determined at Level 2 of the fair value hierarchy are derived principally from or corroborated by observable market data. Inputs include quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparable, interest rates, yield curves and other items that allow value to be determined. The fair value of the interest rate swaps is determined using a discounted cash flow method based on market-based LIBOR swap yield curves.

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The fair value of the Partnership's interest rate swaps is the estimated value of the swap agreements at the reporting date, taking into account current interest rates and the forward yield curve and the creditworthiness of the Partnership and its counterparties.

Derivatives	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Sig Unol I (L
December 31, 2012	\$ 467		\$ 467	
December 31, 2013	\$		\$	

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****8. Derivative Instruments – Continued**

Since March 31, 2012 and May 23, 2012 two out of three interest rate swaps did not qualify as cash flow hedges and the changes in their fair value was recorded in the consolidated statements of comprehensive income / (loss) whilst the third interest rate swap agreement qualified as a cash flow hedge and the change in fair value is recognized in accumulated other comprehensive income / (loss). As a result the amount of \$1,400 and \$50, which was part of the Partnership's accumulated other comprehensive income / (loss) (OCL) as of March 31, 2012 and May 23, 2012 respectively, were attributable to the two ineffective swaps. These amounts were being amortized over their respective remaining term up to their maturity date March 27, 2013 and March 28, 2013, respectively in the Partnership's consolidated statements of comprehensive income by using the effective interest rate method.

The net result of the accumulated OCL amortization and the change of the fair value of certain interest rate swap agreements of \$4, \$1,448 and \$2,310 is presented under other non operating income (expense) net as a Gain on interest rate swap agreement in the Partnership's consolidated statements of comprehensive income/(loss) for the years ended December 31, 2013, 2012 and 2011, respectively.

9. Accrued Liabilities

Accrued liabilities consist of the following:

	As of December 31,	
	2013	2012
Accrued loan interest and loan fees	\$ 312	\$ 62
Accrued operating expenses	2,501	1,311
Accrued voyage expenses and commissions	1,543	909
Accrued general and administrative expenses	1,031	499
Total	\$ 5,387	\$ 2,781

10. Voyage Expenses and Vessel Operating Expenses

Voyage expenses and vessel operating expenses consist of the following:

	For the years ended December 31,		
	2013	2012	2011
Voyage expenses:			
Commissions	\$ 2,742	\$ 1,752	\$ 1,844
Bunkers	2,473	3,921	8,400
Port expenses	226	-	1,390
Other	649	(5)	96
Total	\$ 6,090	\$ 5,668	\$ 11,730
Vessel operating expenses:			
Crew costs and related costs	\$ 21,154	\$ 13,230	\$ 2,963

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Insurance expense	3,780	2,830	784
Spares, repairs, maintenance and other expenses	6,545	2,231	390
Stores and lubricants	5,022	3,115	651
Management fees	16,395	21,784	29,279
Vetting, insurances, spares and repairs (Note 4)	644	1,850	1,237
Other operating expenses	1,783	720	161
Total	\$ 55,323	\$ 45,760	\$ 35,465

11. Income Taxes

Under the laws of the Marshall Islands, the country in which the vessel-owning subsidiaries were incorporated, these companies are not subject to international shipping income. However, they are subject to registration and tonnage taxes in the country in which the vessels are registered and managed, which have been included in vessel operating expenses in the accompanying consolidated statements of comprehensive income / (loss).

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements**

(In thousands of United States Dollars)

11. Income Taxes – Continued

Pursuant to Section 883 of the United States Internal Revenue Code (the "Code") and the regulations thereunder, a foreign corporation engaged in the 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 of the same types of shipping income (e.g., voyage, time, bareboat charter) earned by the foreign corporation and (b) more than 50% of the voting power and value of the foreign corporation's stock is primarily and regularly traded on an established securities market in the United States and certain other requirements are met (the "Publicly-Traded Test").

The jurisdictions where the Partnership's vessel-owning subsidiaries are incorporated each grants an equivalent exemption to United States corporations with respect to each type of shipping income earned by the Partnership's ship-owning subsidiaries. Additionally, our units are only traded on the Nasdaq Global Market, which is considered to be an established securities market. The Partnership has satisfied the Publicly-Traded Test for the years ended December 31, 2013, 2012, 2011 and the ship-owning subsidiaries are exempt from United States federal income taxation with respect to U.S.-source shipping income.

12. Cash Flow

On September 30, 2011 the acquisition of Crude was successfully completed (Note 3). As the merger agreement with Crude was a unit for share transaction, no cash consideration was paid and thus the following assets and liabilities of Crude acquired in a non-cash transaction are not included into the Partnership's consolidated statement of cash flows for the year ended December 31, 2011.

	As of September 30, 2011
Crude's Net Assets	
Trade receivables	\$ 8,321
Prepayments and other assets	629
Inventories	9,503
Vessels	351,750
Total assets	370,203
Trade accounts payable	\$ 12,497
Due to related parties	10,457
Accrued liabilities	1,525
Long term debt	134,580
Total liabilities	159,059
Total Net Assets	211,144

13. Partners' Capital

General: The partnership agreement requires that within 45 days after the end of each quarter, beginning with the quarter ending June 30, 2007, the Partnership's available cash will be distributed to unitholders.

Definition of Available Cash: Available Cash, for each fiscal quarter, consists of all cash on hand at the end of the quarter:

less the amount of cash reserves established by our board of directors to:

provide for the proper conduct of the Partnership's business (including reserves for future capital expenditures and for our anticipated needs);

comply with applicable law, any of the Partnership's debt instruments, or other agreements; or

provide funds for distributions to the Partnership's unitholders and to the general partner for any one or more of the next four quarters

plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Working capital borrowings are generally borrowings that are made under our credit agreement and in all cases are used solely for working capital purposes or to pay distributions to partners.

General Partner Interest and Incentive Distribution Rights: The General Partner has an approximate 2% interest in the Partnership as well as the right to receive distributions. 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 2% interest.

Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****13. Partners Capital Continued**

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus if the minimum quarterly distribution and the target distribution levels have been achieved. The Partnership's general partner as of December 31, 2013, 2012 and 2011 holds the incentive distribution rights.

The following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders and general partner at the various target distribution levels. The amounts set forth under "Marginal Percentage Interest in Distributions" are the percentage interests of the unitholders and general partner in any available cash from operating surplus that is being distributed up to and including the corresponding amount in the column "Total Distribution Target Amount," until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentages shown for the unitholders and general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution.

		Marginal Percentage Interest in Distributions	
	Total Quarterly Distribution Target Amount per Unit	Unitholders	General Partner
Minimum Quarterly Distribution	\$0.3750	98%	2%
First Target Distribution	up to \$0.4313	98%	2%
Second Target Distribution	above \$0.4313 up to \$0.4688	85%	15%
Third Target Distribution	above \$0.4688 up to \$0.5625	75%	25%
Thereafter	above \$0.5625	50%	50%

Distributions of Available Cash From Operating Surplus After the Subordination Period: Our Partnership agreement requires that we will make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

first, 98% to all unitholders, pro rata, and 2.0% to our general partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and

Thereafter, in the manner described in the above table under section "General Partner Interest and Incentive Distribution Rights". In August 2013, the Partnership completed successfully an equity offering of 13,685,000 common units, including 1,785,000 common units represented by an overallotment option which was fully exercised, at a net price of \$9.25 per common unit, receiving proceeds of \$120,696 after the deduction of the underwriting commissions. After the deduction of expenses relating to this equity offering the net proceeds of this offering amounted to \$119,811. The net proceeds were used to partially fund the acquisition cost of the vessel owning companies of the M/V Hyundai Prestige, the M/V Hyundai Privilege and the M/V Hyundai Platinum CMTC (Note 3). CMTC participated in both the offering and the exercise of the over-allotment option and purchased 279,286 units at the public offering. Subsequently, in August 2013, converting 349,700 common units into general partner units in order for CGP to maintain its 2% interest in the Partnership.

During 2013 various investors' holders of Class B Convertible Preferred Units converted 5,733,333 Class B Convertible Preferred Units into common units.

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On March 15, 2013 the Partnership entered into a Class B Convertible Preferred Unit Subscription Agreement (the Agreement) in order to issue 9,100,000 Class B Convertible Preferred Units at a price of \$8.25 per Class B Convertible Preferred Unit to a group of investors including among others Kayne Anderson Advisors L.P., Oaktree Capital Management, L.P. and CMTC. The Partnership used the net proceeds of \$72,557 to partially fund the acquisition of the operating companies of the M/V Hyundai Premium and the M/V Hyundai Paramount from CMTC (Note 3).

On May 23, and June 6, 2012 the Partnership entered into a Class B Convertible Preferred Unit Subscription Agreement (the Agreement) with various investors. According to this Agreement the Partnership issued 15,555,554 Class B Convertible Preferred Units to a group of investors including Kayne Anderson Advisors L.P., Swank Capital LLC, Salient Partners, Spring Creek Capital LLC, Mason Street Advisors LLC and CMTC for net proceeds of \$136,400,000. The Partnership used the net proceeds to prepay part of its debt (Note 7). The holders of the Class B Convertible Preferred Units have the right to convert a portion of such Class B Convertible Preferred Units at any time into Common Units at the conversion price of \$9 per Class B Convertible Preferred Unit. The conversion rate of one Common Unit per one Class B Convertible Preferred Unit. The Conversion Ratio and the Conversion Price shall be adjusted upon the occurrence of certain events as described to the Agreement.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****13. Partners Capital Continued**

Commencing on May 23, 2015, in the event the 30-day volume-weighted average trading price (VWAP) and the daily VWAP of the Common Units listed on the National Securities Exchange on which the Common Units are listed or admitted to trading exceeds 130% of the then applicable Conversion Price for at least 10 Trading Days out of the 30 consecutive Trading Day period used to calculate the 30-day VWAP (the Partnership Mandatory Conversion Event) the Partnership, acting pursuant to direction and approval of the Conflicts Committee (following consultation with the full board of directors), shall have the right to convert the Class B Convertible Preferred Units then outstanding in whole or in part into Common Units at the then-applicable Conversion Ratio.

The holders of the outstanding Class B Convertible Preferred Units as of an applicable record date shall be entitled to receive, when, as and if authorized by the Partnership's board of directors or any duly authorized committee, out of legally available funds for such purpose, (a) first, the minimum quarterly Class B Convertible Preferred Unit Distribution Rate on each Class B Convertible Preferred Unit and (b) second, any cumulative Class B Convertible Preferred Unit Distribution Rate Arrearage then outstanding, prior to any other distributions made in respect of any other Partnership Interests pursuant to this Agreement in cash. The minimum quarterly Class B Convertible Preferred Unit Distribution Rate shall be payable quarterly which is generally expected to be February 10, May 10, August 10, or November 10, or, if any such date is not a business day, the next succeeding business day.

Any distribution payable on the Class B Convertible Preferred Units for any partial quarter (other than the initial distribution payable on the Class B Convertible Preferred Units for the period from May 22, 2012 through June 30, 2012 that equals to \$0.26736 for each Class B Convertible Preferred Unit) shall equal the product of the minimum quarterly Class B Convertible Preferred Unit distribution rate of \$0.21375 (equals to a 9.5% annual distribution rate, subject to adjustments in the cases where clause of change of control, and/or clause of cross default provisions of the Agreement applies).

No distribution on the Class B Convertible Preferred Units shall be authorized by the board of directors or declared or paid or set apart for payment by the Partnership at such time as the terms and provisions of any agreement of the Partnership, including any agreement relating to its indebtedness, prohibiting such authorization, declaration, payment or setting apart for payment or provides that such authorization, declaration, payment or setting apart for payment shall constitute a breach thereof, or a default thereunder, or if such authorization, declaration, payment or setting apart for payment shall be restricted or prohibited by law. The foregoing, distributions with respect to the Class B Convertible Preferred Units shall accumulate as of the Class B Convertible Preferred Unit distribution payment date on which they first become payable whether or not any of the foregoing restrictions in above exist, whether or not there is sufficient Available Cash for the payment thereof and whether or not such distributions are authorized. A cumulative Class B Convertible Preferred Unit arrearage shall not bear interest. The holders of the Class B Convertible Preferred Units shall not be entitled to any distributions, whether payable in cash, property or Partnership Interests, in respect of the then cumulative Class B Convertible Preferred Unit arrearage plus the minimum quarterly Class B Convertible Preferred Unit distribution rate for such period.

With respect to Class B Convertible Preferred Units that are converted into Common Units, the holder thereof shall not be entitled to a Class B Convertible Preferred Unit distribution and a Common Unit distribution with respect to the same period, but shall be entitled only to the distribution to be paid based on the class of Units held as of the close of business on the record date for the distribution in respect of such period; provided, however, that the holder of a converted Class B Convertible Preferred Unit shall remain entitled to receive any accrued but unpaid distributions due with respect to such Unit on or as of the prior Class B Convertible Preferred Unit distribution payment date; and provided, further, that if the Partnership exercises the Partnership Mandatory Conversion Event to convert the Class B Convertible Preferred Units pursuant to this Agreement then the holders' rights with respect to the distribution for the Quarter in which the Partnership Mandatory Conversion Notice is received is as set forth in this Agreement.

As of December 31, 2013 and 2012 our partners' capital included the following units:

	As of December 31, 2013	As of December 31, 2012
Common units	88,440,710	69,372,077
General partner units	1,765,457	1,415,757
Preferred units	18,922,221	15,555,554

Total partnership units	109,128,388	86,343,388
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During the years ended December 31, 2013, 2012 and 2011, the Partnership declared and paid dividends amounting to \$88,241, \$73,316 and \$45,116, resp

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****14. Omnibus Incentive Compensation Plan****a. Partnership's Omnibus Incentive Compensation Plan**

On April 29, 2008, the board of directors approved the Partnership's Omnibus Incentive Compensation Plan (the Plan) according to which the Partnership awarded a limited number of awards, not to exceed 500,000 units. The Plan was amended on July 22, 2010 increasing the aggregate number of restricted units under the Plan to 800,000. The Plan is administered by the General Partner as authorized by the board of directors. The persons eligible to receive awards under the Plan are officers, directors, and executive, managerial, administrative and professional employees of the Manager, or CMTC, or other eligible persons (collectively, key persons) as the General Partner, in its sole discretion, shall select based upon such factors as it deems relevant. Members of the board of directors are considered to be employees of the Partnership (Employees) for the purposes of recognition of equity compensation expense, while employees of the CMTC and other eligible persons under the plan are not considered to be employees of the Partnership (Non-Employees). Awards may be made under the form of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, unrestricted stock, restricted stock units and performance shares.

On August 25 and 31, 2010 CGP awarded 448,000 and 347,200 unvested units to Employees and Non-Employees, respectively. Awards granted to Employees vest in three equal annual installments. The remaining awards vested on August 31, 2013.

All unvested units were conditional upon the grantee's continued service as Employee and/or Non-Employee until the applicable vesting date.

The unvested units accrued distributions as declared and paid which were retained by the custodian of the Plan until the vesting date at which were payable to the grantee. As unvested unit grantees accrued distributions on awards that were expected to vest, such distributions were charged to Partner's capital.

b. Crude's Equity Incentive Plan

On March 1, 2010 Crude adopted an equity incentive plan according to which Crude issued 399,400 shares out of 400,000 restricted shares that were awarded to Employees. Members of the board of directors were considered to be employees of Crude (Employees), while employees of Crude's affiliates and other eligible persons under this plan were not considered to be employees of Crude (Non-Employees). Awards granted to certain Employees vest in three equal annual installments. The remaining awards vested on August 31, 2013.

All unvested units were conditional upon the grantee's continued service as Employee and/or Non-Employee until the applicable vesting date.

The unvested units accrued distributions as declared and paid which were retained by the custodian of the Plan until the vesting date at which were payable to the grantee. As unvested shares grantees accrued dividends on awards that were expected to vest, such dividends were charged to Stockholders' equity prior to the acquisition and were charged to the Partner's capital subsequently to the acquisition.

c. Acquisition of Crude by the Partnership

Upon the completion of the acquisition of Crude by the Partnership on September 30, 2011, the Crude's Equity Incentive Plan existing that date was incorporated into the Partnership's Plan at a ratio of 1.56 common Partnership's unit for each Crude share. The 205,000 unvested shares of Crude's Employee award converted to 319,800 Partnership's unvested units and the 194,400 unvested shares of Crude's Non-Employee award converted to 303,264 Partnership's unvested units. The terms and conditions of both plans are significantly the same and remained unchanged after the acquisition, with the exception of 20,000 Crude shares, which were converted to 31,200 Partnership's units upon the completion of the acquisition. These Crude shares were held by those members of the Crude's Independent Compensation Committee who were not designated by Crude to serve as a member of the Partnership board of directors and were vested in full immediately upon consummation of the acquisition on September 30, 2011.

Unvested Units	Employee equity compensation		Non-Employee equity compensation	
	Units	Grant-date fair value	Units	Award-value
Unvested on January 1, 2013	338,135	\$ 2,521	650,464	\$
Vested	338,135	2,521	650,464	
Unvested on December 31, 2013		\$		\$

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****14. Omnibus Incentive Compensation Plan Continued**

For the year ended December 31, 2013, 2012, and 2011 the equity compensation expense that has been charged in the consolidated statements of comprehensive income / (loss) was \$1,216, \$1,834 and \$1,358 for the Employee awards and \$2,312, \$1,992 and \$1,097 for the Non-Employee awards, respectively. This has been included in general and administrative expenses for each respective year.

The Partnership has used the straight-line method to recognize the cost of the awards.

15. Net Income / (Loss) Per Unit

The general partner's, common unit holders' and subordinated unitholders' interests in net income are calculated as if all net income for periods since April 4, 2007, were distributed according to the terms of the Partnership's Agreement, regardless of whether those earnings would or could be distributed under 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 established 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 the incentive distributions of a master limited partnership represent a participating security when considered in the calculation of earnings per unit under the Two-Class Method.

This guidance also considers whether the partnership agreement contains any contractual limitations concerning distributions to the incentive distribution rights that would impact the amount of earnings to allocate to the incentive distribution rights for each reporting period.

Under the Partnership Agreement, the holder of the incentive distribution rights in the Partnership, which is currently the CGP, assuming that there are no cumulative arrearages on common unit distributions, has the right to receive an increasing percentage of cash distributions after the minimum quarterly distribution (Note 13).

Excluding the non-cash gain from bargain purchase for the years ended December 31, 2013 and 2011 and vessels' impairment charge for the year ended December 31, 2012, as these were not distributed to the Partnership's unit holders the Partnership's net income for the respective years did not exceed the 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 net income.

All common unit equivalents were antidilutive for the year ended December 31, 2012 because the limited partners were allocated a net loss in this period. The Partnership excluded the dilutive effect of 1,187,130 non-vested unit awards in calculating dilutive EPU for its common unitholders as of December 31, 2012, as they were anti-dilutive. The non-vested units are participating securities because they received distributions from the Partnership and these distributions have to be returned to the Partnership if the non-vested units were forfeited by the grantee.

BASIC	2013	2012	2011
Numerators			
Partnership's net income	\$ 99,481	\$ (21,189)	\$ -
Less:			
Partnership's net income available to preferred unit holders	18,805	10,809	
General Partner's interest in Partnership's net income	1,598	(640)	
Partnership's net income allocable to unvested units	678	-	
Partnership's net income available to common unit holders	\$ 78,400	\$ (31,358)	\$ -

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Denominators

Weighted average number of common units outstanding, basic

75,645,207

68,256,072

47,1

Net income per common unit:

Basic

\$ 1.04

\$ (0.46)

\$

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****15. Net Income / (Loss) Per Unit - Continued**

DILUTED	2013	2012	2011
Numerators			
Partnership's net income available to common unit holders	\$ 99,481	\$ (21,189)	\$ 1,000
Less:			
General Partner's interest in Partnership's net income	1,574	(640)	-
Partnership's net income available to preferred unit holders	18,805	10,809	-
Partnership's net income allocable to unvested units	678	-	-
Add:			
Partnership's net income available to preferred unit holders	18,805	-	-
Partnership's net income allocable to unvested units	678	-	-
	\$ 97,907	\$ (31,358)	\$ 1,000
Denominators			
Weighted average number of common units outstanding, basic	75,645,207	68,256,072	47,100,000
Dilutive effect of preferred units	21,069,664	-	-
Dilutive effect of unvested shares	654,265	-	-
Weighted average number of common units outstanding, diluted	97,369,136	68,256,072	47,100,000
Net income per common unit:			
Diluted	\$ 1.01	\$ (0.46)	\$ 0.02

16. Gain on sale of claim

On November 14, 2012, OSG and certain of its subsidiaries made a voluntary filing for relief under Chapter 11 of the U.S. Bankruptcy Code in the Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Partnership had three IMO II/III Chemical/Product tankers (M/T Alexander Aristotelis II and M/T Aris II) or (the "Vessels"), all built in 2008 by STX Offshore & Shipbuilding Co. Ltd. with long term bareboat charters to subsidiaries ("Original Charter Contracts" or "Rejected Charters").

After discussions with OSG, the Partnership agreed to enter into new charter contracts ("New Charter Contracts") with OSG on substantially the same terms as the Original Charter Contracts, but at a bareboat rate of \$6.3 per day per vessel instead of \$13.0 per day per vessel as per the Original Charter Contracts. The New Charter Contracts were approved by the Bankruptcy Court on March 21, 2013 and were effective as of March 1, 2013. On the same date, the Bankruptcy Court also rejected the Original Charter Contracts as of March 1, 2013. Rejection of each charter constitutes a material breach of such charter. On May 24, 2013, the Partnership filed claims (the "Claims") against each of the charterers and their respective guarantors for damages resulting from the rejection of each of the Original Charter Contracts, including, among other things, the difference between the reduced amount of the New Charter Contracts and the amount due under each of the Rejected Original Charter Contracts. The total claim amount of the three claims stood at \$54,096 ("Total Claim Amount").

The Partnership unconditionally and irrevocably sold, transferred and assigned to Deutsche Bank, 100% of its right, title, interest, claims and causes of action and to arising in connection with all three of the claims that the vessel-owning subsidiaries have against OSG, via Assignment Agreements signed on July 2, 2013, thus releasing the Partnership of any payments or distributions of money or property in respect of the claim to be delivered or made to Deutsche Bank in connection with the Assignment Agreements, on July 2, 2013, Deutsche Bank filed with the Bankruptcy Court six separate Evidences of Transfer of Claims pertaining to the Partnership's vessel-owning subsidiaries' claims against each charterer party to the original three charter agreements and each respective guarantor thereof.

On June 26, 2013 pursuant to the Assignment Agreements, the Partnership received from Deutsche Bank an amount of \$32,000 as part payment for the assignment of the three claims. On December 18, 2013 the Partnership and Deutsche Bank entered into a Settlement Notice and Refund Modification Agreement according to which the maximum amount to be refunded to Deutsche Bank will be \$644 which is presented under "Accrued liabilities" in the Partnership's consolidated financial statements. See Note 16 in the Partnership's consolidated financial statements for more information.

Consequently, the Partnership has recorded the amount of \$31,356 which represents the difference between the proceeds of \$32,000 the Partnership received from Deutsche Bank and the maximum amount to be refunded to Deutsche Bank of \$644, as "Gain on sale of claim" in its consolidated statement of comprehensive income / (loss).

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****17. Commitments and Contingencies**

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Partnership. The Partnership is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

The Partnership accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, the Partnership is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the consolidated financial statements.

An estimated loss from a contingency should be accrued by a charge to expense and a liability recorded only if all of the following conditions are met:

Information available prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statements.

The amount of the loss can be reasonably estimated.

(a) **Lease Commitments:** The vessel-owning subsidiaries of the Partnership have entered into time and bareboat charter agreements, which as of December 31, 2013 are summarized as follows:

<u>Vessel Name</u>	<u>Time</u>	<u>Commencement</u>	<u>Charterer</u>	<u>Profit</u>	<u>Gross Daily</u>
	<u>Charter (TC)/ Bare Boat Charter (BC)</u>	<u>of</u> <u>Charter</u>		<u>Sharing (1)</u>	<u>Rate</u> <u>(Without I</u> <u>Sharin</u>
	<u>(Years)</u>				
M/V Archimidis (4)	3+2+1+1	11/2012	Maersk.		\$34.0
M/V Agamemnon (4)	TC 3+2+1+1	06/2012	Maersk		\$34.0
M/T Amoureux	TC 1 TC	1/2014	CMTC (6)	50/50(6)	\$24.0
M/T Aias	1 TC	12/2013	CMTC (6)	50/50(6)	\$24.0
M/T Atlantas (M/T British Ensign) (8)	5+3+2+1	04/2006	BP		\$15.2 (5)

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	BC				\$13.5 (3)
M/T Aktoras (M/T British Envoy) (8)	5+3+1.5+1	07/2006	BP		\$6.8 (2) \$15.2 (5)
	BC				\$13.5 (3)
M/V Cape Agamemnon	10 TC	07/2010	COSCO Bulk		\$7.0 (1.5) \$42.2 (10)
M/T Agisilaos	1 TC	09/2013	CMTC	50/50(3)	\$14.3 (3)
M/T Arionas	1 TC	11/2013	CMTC	50/50(3)	\$14.3 (3)
M/T Aiolos	5+3+2+1	03/2007	BP		\$15.2 (5)
(M/T British Emissary) (8)	BC				\$13.5 (3)
M/T Avax	1+1 TC	10/2013	BP (7)	50/50(3)	\$7.0 (2) \$14.8 (3)
M/T Axios	1 TC	06/2013	CMTC	50/50(3)	\$14.8 (3)
M/T Alkiviadis	1 TC	07/2013	CMTC	50/50(3)	\$14.3 (3)
M/T Assos (M/T Insurgentes)	5 BC	04/2009	Arrendadora Ocean Mexicana, S.A. de C.V renamed to Blue Marine Cargo S.A. de C.V. (Blue Marine). (5)		\$16.8 (5)

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****17. Commitments and Contingencies Continued***(a) Lease Commitments Continued*

M/T Atrotos (M/T El Pipila)	5 BC	04/2009	Blue Marine (5)	sss	\$16.8
M/T Akeraios	1.5 TC	07/2013	CMTC	50/50(3)	\$15.0
M/T Anemos I	1.2 TC	12/2013	CMTC	50/50(3)	\$14.9
M/T Apostolos	1.2 TC	10/2013	CMTC	50/50(3)	\$14.9
M/T Alexandros II (8)	5 BC	01/2008	OSG (2)		\$13.0
(M/T Overseas Serifos)	5 BC	05/2013			\$6.3
M/T Aristotelis II (8)	5 BC	06/2008	OSG (2)		\$13.0
(M/T Overseas Sifnos)	5 BC	03/2013			\$6.3
M/T Aris II (8)	5 BC	08/2008	OSG (2)		\$13.0
(M/T Overseas Kimolos)	5 BC	3/2013			\$6.3
M/T Aristotelis	1.5 TC	12/2013	CMTC	50/50(3)	\$17.0
M/T Ayrton II	1+1 TC	04/2012	BP	50/50(3)	\$14.0 (1y)+\$17.0
M/T Amore Mio II	1 TC	12/2013	CMTC		\$17.0
M/T Miltiadis M II	2 TC	09/2012	Subtec, S.A. de C.V.		\$23.2
M/T Hyundai Prestige	12 TC	02/2013	HMM		\$29.4
M/T Hyundai Premium	12 TC	03/2013	HMM		\$29.4
M/T Hyundai Paramount	12 TC	04/2013	HMM		\$29.4
M/T Hyundai Privilege	12 TC	05/2013	HMM		\$29.4
M/T Hyundai Platinum	12 TC	06/2013	HMM		\$29.4

- (1) Profit sharing refers to an arrangement between vessel-owning companies and charterers to share a predetermined percentage voyage profit in excess of basic rate.
- (2) On November 14, 2012, OSG made a voluntary filing for relief under Chapter 11 of the U.S. Bankruptcy Code. After discussions with the Partner, OSG agreed to enter into new charter contracts on substantially the same terms as the prior charters but at a bareboat rate of \$6.3 per day. OSG has the option of extending the employment of each vessel following the completion of the bareboat charters for an additional two years on a time chartered basis at a rate of \$16.5 per day. OSG has an option to purchase each of the three STX vessels at the end of the eighth, ninth or tenth year of the charter, for a purchase price of \$35,500 and \$33,000, respectively, which option is exercisable six months before the date of completion of the eighth, ninth or tenth year of the charter. The expiration date above may therefore change depending on whether the charterer exercises its purchase option.
- (3) 50/50 profit share for breaching IWL (Institute Warranty Limits) applies to voyages to certain ports at certain periods of the year.
- (4) M/V Archimidis and the M/V Agamemnon are employed on time charters with Maersk at a gross day rate of US\$34.0 per day with earliest redelivery dates of October 2015 and July 2015, respectively. Maersk has the option to extend the charter of both vessels for an additional four years at a gross day rate of \$30.5 per day, respectively for the fourth and fifth year and \$32.0 per day for the final two years. If all options were to be exercised, the employment of the vessels would extend to July 2019 for the M/V Agamemnon and October 2019 for the M/V Archimidis.
- (5) Blue Marine has since delivered these vessels to the state-owned Mexican petroleum company Petroleos Mexicanos.
- (6)

The vessel owning companies of the M/T Amoureux and the M/T Aias have entered into a one year time charter with Capital Maritime at a gross \$24.0 per day for each vessel with profit share on actual earnings settled every six months. The charters were commenced in January 2014 and D 2013 respectively.

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Table of Contents**Capital Product Partners L.P.****Notes to the Consolidated Financial Statements****(In thousands of United States Dollars)****17. Commitments and Contingencies Continued***(a) Lease Commitments Continued*

(7) The vessel's actual earnings under its charter will be \$14.75 gross per day until May 2014 and \$14.8 gross per day between May and October 2014. The new daily charter rate includes compensation that CMTC will pay to the Partnership for the vessel's early redelivery in accordance with the time charter party agreement with CMTC. BP has the option to extend the charter for one year at a daily rate of \$15.6

(8) The M/T British Ensign will continue its bareboat charter with BP after the completion of its current charter in April 2014 for an additional 24 months at a bareboat rate of \$6.8 per day. BP has the option to extend the duration of the charter for up to a further 12 months either as bareboat charter at a bareboat rate of \$7.3 per day for the optional periods if declared or on time charter basis during the optional periods at a time charter rate of \$14.3 per day, if declared.

The M/T British Envoy will continue its bareboat charter with BP after the completion of the current charter in July 2014 for an additional 18 months at a bareboat rate of \$7.0 per day. BP has the option to extend the charter duration for up to a further 12 months either as a bareboat charter at a bareboat rate of \$7.3 per day for the optional periods, if declared or as a time charter at a time charter rate of \$14.3 per day, if declared.

The M/T British Emissary will continue its bareboat charter with BP after the completion of its current charters in March 2015 for an additional 24 months at a bareboat rate of \$7.0 per day. BP has the option to extend the duration of the charter for up to a further 12 months either as bareboat charter at a bareboat rate of \$7.3 per day for the optional periods if declared or on a time charter basis during all optional periods at a time charter rate of \$14.3 per day if declared.

Future minimum charter hire receipts, excluding any profit share revenue that may arise, based on non-cancelable long-term time and bareboat charter contracts as of December 31, 2013 were:

Year ended December 31,	Amount
2014	\$ 183,430
2015	104,139
2016	79,454
2017	76,038
2018	70,692
Thereafter	351,292
Total	\$ 865,045

18. Subsequent Events

(a) **Dividends:** On January 22, 2014, the board of directors of the Partnership declared a cash distribution of \$0.2325 per common unit for the fourth quarter of 2013. The fourth quarter common unit cash distribution was paid on February 14, 2014, to unit holders of record on February 7, 2014.

(b) **Dividends:** On January 22, 2014, the board of directors of the Partnership declared a cash distribution of \$0.21375 per Class B unit for the fourth quarter of 2013. The cash distribution was paid on February 10, 2014, to Class B unit holders of record on February 3, 2014.

