Capital Product Partners L.P.
Form 20-F
April 04, 2008

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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2007

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

OR

o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report:

Commission file number: 1-33373

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

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

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

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act: None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None
Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

13,512,500 Common Units
8,805,522 Subordinated Units
455,470 General Partner Units

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES o NO x
If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
YES o NO x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES x NO o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definitions of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer x

Indicate by check mark which financial statements item the registrant has elected to follow.
ITEM 17 o ITEM 18 x
If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x

CAPITAL PRODUCT PARTNERS L.P.

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FORWARD-LOOKING STATEMENTS

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

Statements included in this Annual Report which are not historical facts (including statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto) are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements which are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, financial condition and the markets in which we operate, and involve risks and uncertainties. In some cases, you can identify the forward-looking statements by the use of words such as “may,” “could,” “should,” “would,” “expect,” “plan,” “anticipate,” “intend,” “forecast,” “believe,” “est “propose,” “potential,” “continue” or the negative of these terms or other comparable terminology. Forward-looking statements appear in a number of places and include statements with respect to, among other things:

- anticipated future acquisition of vessels from Capital Maritime, and in particular the expected acquisition of the M/T Aristofanis in the second quarter of 2008;
- our anticipated growth strategies;
- future charter hire rates and vessel values;
- our ability to make cash distributions on the units;
- our future financial condition or results of operations and our future revenues and expenses, including revenues from profit sharing arrangements;
- the repayment of debt and settling of interest rate swaps;
- our ability to access debt and equity markets;
- future refined product and crude oil prices and production;
- planned capital expenditures and availability of capital resources to fund capital expenditures;
- future supply of, and demand for, refined products and crude oil;
- increases in domestic oil consumption;
- changes in interest rates;
- our ability to maintain long-term relationships with major refined product importers and exporters, major crude oil companies, and major commodity traders;
- our ability to leverage to our advantage Capital Maritime & Trading Corp.’s (“Capital Maritime”) relationships and reputation in the shipping industry;
- our continued ability to enter into long-term, fixed-rate time charters with our tanker charterers;

- obtaining tanker projects that we or Capital Maritime bid on;
- our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term time charter;
- timely purchases and deliveries of newbuilding vessels;
- our ability to compete successfully for future chartering and newbuilding opportunities;
- the expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards, as well as standard regulations imposed by our charterers applicable to our business;
- our anticipated general and administrative expenses and our expenses under the management agreement and the administrative services agreement with Capital Ship Management Corp., a subsidiary of Capital Maritime ("Capital Ship Management"), and for reimbursement for fees and costs of our general partner;
- the expected impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;
- the anticipated taxation of our partnership and distributions to our unitholders;

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- estimated future maintenance and replacement capital expenditures;
- expected demand in the refined product shipping sector in general and the demand for our medium range vessels in particular;
- our ability to retain key employees;
- customers' increasing emphasis on environmental and safety concerns;
- future sales of our common units in the public market; and
- our business strategy and other plans and objectives for future operations.

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

We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward- looking statement. You should carefully review and consider the various disclosures included in this Annual Report and in our other filings made with the SEC that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

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PART I

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

Not Applicable.

Item 2. Offer Statistics and Expected Timetable.

Not Applicable.

Item 3. Key Information.

Selected Financial Data

We have derived the following selected historical financial and other data for the three years ending December 31, 2007 from our audited consolidated and predecessor combined financial statements for the years ended December 31, 2007, 2006, 2005 respectively, appearing elsewhere in this Annual Report. The historical financial and other data presented for the period from August 27, 2003 (inception) to December 31, 2004 have been derived from audited financial statements not required to be included in this Annual Report and are provided for comparison purposes. August 27, 2003 refers to the incorporation date of the vessel-owning subsidiary of the M/T Aktoras and is the earliest incorporation date of any of our vessel-owning subsidiaries.

Consolidated Financial Statements. Financial statements presented reflecting our balance sheet as of December 31, 2007 and results of operations and cash flows from April 4, 2007 (completion of our initial public offering) to December 31, 2007 are referred to herein as our "consolidated financial statements" and include operations of the five vessels which had been delivered as of December 31, 2006 and the M/T Attikos and operations of the remaining seven vessels in our fleet which were delivered between January and September 2007 as of their respective delivery dates.

Predecessor Combined Financial Statements. Financial statements presented reflecting the historical carrying costs of certain vessel-owning companies under the common control of Capital Maritime which were contributed to us by Capital Maritime at the time of our initial public offering or which were purchased by us from Capital Maritime are collectively referred to herein as our "predecessor combined financial statements". These include the balance sheet as of December 31, 2006 and the results of operations and cash flows of the eight vessels that comprised our fleet at the time of our initial public offering (the "initial vessels") from their respective delivery dates in 2006 to April 3, 2007, the date they were transferred to us, and of the M/T Attikos from January 20, 2005, the date it was delivered to Capital Maritime, to September 23, 2007, the date it was acquired by us. Construction costs incurred by Capital Maritime in connection with the M/T Attikos during the period from August 27, 2003 (inception) to December 31, 2004 are included in the historical financial data for the period presented below.

Our historical results are not necessarily indicative of the results that may be expected in the future. Specifically, our audited consolidated and predecessor combined financial statements are not comparable, as our initial public offering and certain other transactions that occurred during 2007, including the delivery of four newbuildings, the acquisition of the M/T Attikos, the agreement we entered into with Capital Ship Management for the provision of management and administrative services to our fleet for a fixed fee and the new financing arrangements we entered into, have affected our results of operations. Furthermore, for the year ended December 31, 2006, only six of the vessels in our current fleet had been delivered to Capital Maritime. Five of these vessels were delivered between April and November 2006 and were in operation for only a portion of the year. The M/T Attikos was delivered on January 20,

2005 and is the only vessel in our fleet which had been delivered to Capital Maritime during the year ended December 31, 2005. Consequently, the following table should be read together with, and is qualified in its entirety by reference to, the historical audited consolidated and predecessor combined financial statements and the accompanying notes included elsewhere in this Annual Report. The table should also be read together with "Item 5: —Management's Discussion and Analysis of Financial Condition and Results of Operations".

Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles. All numbers are in thousands of U.S. Dollars, except numbers of units and earnings per unit.

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	Period from Aug. 27, 2003 (inception) to Dec. 31, 2004*	Year Ended Dec. 31, 2005*	Year Ended Dec. 31, 2006*	Year Ended Dec. 31, 2007
Income Statement Data:				
Revenues	$ -	$ 4,377	$ 19,913	$ 72,543
Expenses:				
Voyage expenses(1)	-	520	373	770
Vessel operating expenses—related party	-	216	890	12,283
Vessel operating expenses(2)	40	1,932	4,043	3,196
General and administrative expenses	-	-	-	1,477
Depreciation and amortization	-	360	3,370	13,109
Total operating expenses	40	3,028	8,676	30,835
Operating income (expense)	(40)	1,349	11,237	41,708
Interest expense and finance costs	-	(389)	(4,584)	(10,809)
Loss on interest rate swap agreement	-	-	-	(3,763)
Interest income	-	1	13	710
Foreign currency gain/(loss), net	-	9	(56)	(19)
Net income (loss)	(40)	$ 970	$ 6,610	$ 27,827
Less:				
Net income attributable to predecessor operations:				
Initial vessels' net income from January 1, 2007 to April 3, 2007	-	-	-	$ (5,328)
Attikos' net income from January 1, 2007 to September 23, 2007	-	-	-	(928)
Partnership's net income for the period from April 4 to December 31, 2007	-	-	-	21,571
General partner's interest in our net income	-	-	-	431
Limited partners' interest in our net income	-	-	-	21,140
Net income per limited partner unit, basic and diluted:				
Common units	-	-	-	1.11
Subordinated units	-	-	-	0.70
Total units	-	-	-	0.95
Weighted-average units outstanding (basic and diluted):				
Common units	-	-	-	13,512,500

Subordinated units	-	-	-	8,805,522
Total units	-	-	-	22,318,022
Balance Sheet Data (at end of period):				
Vessels, net and under construction	$ 25,152	$ 49,351	$ 208,028	$ 429,171
Total assets	25,165	50,553	216,124	454,914
Total partners'/stockholders' equity	19,658	24,840	49,397	161,939
Number of shares/units	3,700	3,700	3,700	22,773,492
Common units	-	-	-	13,512,500
Subordinated units	-	-	-	8,805,522
General Partner units	-	-	-	455,470
Dividends declared per unit	-	-	-	$ 0.75

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	Period from Aug. 27, 2003 (inception) to Dec. 31, 2004*	Year Ended Dec. 31, 2005*	Year Ended Dec. 31, 2006*	Year Ended Dec. 31, 2007
Cash Flow Data:				
Net cash provided by operating activities	29	1,468	9,497	50,582
Net cash used in investing activities	(25,152)	(24,559)	(162,047)	(246,938)
Net cash provided by financing activities	25,134	23,087	153,782	215,034

(1) Vessel voyage expenses primarily consist of commissions, port expenses, canal dues and bunkers. Since April 4, 2007 our only voyage expenses have been commissions.

(2) Since April 4, 2007 our vessel operating expenses have consisted primarily of management fees payable to our manager, who provides commercial and technical services such as crewing, repairs and maintenance, insurance, stores, spares and lubricants, as well as administrative services pursuant to management and administrative services agreements. Vessel operating expenses presented in the predecessor combined financial statements consist of all expenses relating to the operation of the vessels including crewing, repairs and maintenance, insurances, stores and lubricants, management fees and miscellaneous expenses.

* The amount of historical earnings per unit for the period from August 27, 2003 (inception) to December 31, 2004, for the years ended December 31, 2005 and 2006 and for the period from January 1, 2007 to April 3, 2007, giving retroactive impact to the number of common and subordinated units (and the 2% general partner interest) that were issued upon the completion of our initial public offering on April 3, 2007 is not presented in our selected historical financial data. We do not believe that a presentation of earnings per unit for these periods would not be meaningful to our investors as the vessels comprising our initial fleet and the M/T Attikos were under construction during the period from August 27, 2003 (inception) to December 31, 2004 and during the year ended December 31, 2005 the vessel-owning subsidiaries included herein, with the exception of the one which owns the M/T Attikos which was delivered in January 2005 to Capital Maritime, were in the start-up phase. In addition, during the year ended December 31, 2006 only six of the 13 vessels we owned as of December 31, 2007 had been delivered to us and only the M/T Attikos was in operation for the full year ended December 31, 2006, while the other five vessels were in operation for only part of the period (the vessels were delivered in April, May, July, August and November 2006, respectively) and a portion of the revenues generated during 2006 was derived from charters with different terms and conditions from those in the charters in place during 2007. Earnings per unit for these periods are not reflective of our anticipated earnings and operations going forward.

Please note that our audited consolidated and predecessor combined financial statements for the years ended December 31, 2007, 2006 and 2005 and for the period from August 27, 2003 (inception) to December 31, 2004 have been retroactively adjusted to reflect the results of operations and initial construction costs of the M/T Attikos, which was delivered in January 2005 to an entity under common control and acquired by us in September 2007.

Risk Factors

Some of the following risks relate principally to the countries and the industry in which we operate and the nature of our business in general. Although many of our business risks are comparable to those of a corporation engaged in a similar business would face, limited partner interests are inherently different from the capital stock of a corporation. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. In particular, if any of the following risks actually occurs, our business, financial condition or

operating results could be materially adversely affected. In that case, we might not be able to pay distributions on our common units, the trading price of our common units could decline, and you could lose all or part of your investment.

Risks Inherent in Our Business

We may not have sufficient cash from operations to enable us to pay the quarterly distribution on our common units following the establishment of cash reserves and payment of fees and expenses.

We may not have sufficient cash available each quarter to pay the declared quarterly distribution per common unit following establishment of cash reserves and payment of fees and expenses. The amount of cash we can distribute on our common units principally depends upon the amount of cash we generate from our operations, which may fluctuate based on numerous factors generally described under this "Risk Factors" heading, including, among other things:

- the rates we obtain from our charters;
- the level of additional revenues we generate from our profit-sharing arrangements, if any;

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- the level of our operating costs, such as the cost of crews and insurance, following the expiration of our management agreement pursuant to which we pay a fixed daily fee for an initial term of approximately five years from the time we take delivery of each vessel, which includes the expenses for its next scheduled special or intermediate survey, as applicable, and related drydocking;
- the number of unscheduled off-hire days for our fleet and the timing of, and number of days required for, scheduled drydocking of our vessels;
- delays in the delivery of newbuildings and the beginning of payments under charters relating to those vessels;
- demand for seaborne transportation of refined oil products and crude oil;
- supply of product and crude oil tankers and specifically the number of newbuildings entering the world tanker fleet each year;
- prevailing global and regional economic and political conditions; and
- the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of our business.

The actual amount of cash we will have available for distribution also will depend on other factors, some of which are beyond our control, such as:

- the level of capital expenditures we make, including for maintaining vessels, building new vessels, acquiring existing vessels and complying with regulations;
- our debt service requirements and restrictions on distributions contained in our debt instruments;
- interest rate fluctuations;
- the cost of acquisitions, if any;
- fluctuations in our working capital needs;
- our ability to make working capital borrowings, including to pay distributions to unitholders; and
- the amount of any cash reserves, including reserves for future maintenance and replacement capital expenditures, working capital and other matters, established by our board of directors in its discretion.

The amount of cash we generate from our operations may differ materially from our profit or loss for the period, which will be affected by non-cash items. As a result of this and the other factors mentioned above, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

The shipping industry is cyclical, which may lead to lower charter hire rates and lower vessel values, resulting in decreased distributions to our common unitholders.

The shipping industry is cyclical, which may result in volatility in charter hire rates and vessel values. We may not be able to successfully charter our vessels in the future or renew existing charters at the same or similar rates. If we are required to enter into a charter when charter hire rates are low, our results of operations and our ability to make cash distributions to our common unitholders could be adversely affected.

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

- prevailing economic conditions in the market in which the vessel trades;
- regulatory change;
- lower levels of demand for the seaborne transportation of refined products and crude oil;
- increases in the supply of vessel capacity; and
- the cost of retrofitting or modifying existing ships, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

We have entered into an agreement with Capital Maritime to purchase, among others, its interests in the subsidiaries that own two newbuildings, expected to be delivered during 2008, at pre-determined purchase prices. We will purchase from Capital Maritime its interests in each subsidiary that owns the newbuildings upon delivery of the vessel to the applicable subsidiary. Even if the market value of similar vessels declines between the time we entered into the agreement and the time the newbuildings are actually delivered, we will still be required to purchase the interests in those subsidiaries at the prices specified in the agreement with Capital Maritime. As a result, we may pay substantially more for those vessels than we would pay if we were to purchase those vessels from unaffiliated third parties. For more information on our agreement to purchase the two newbuildings from Capital Maritime, please read "Item 4: Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Purchase of Vessels Following the Offering" and "Item 7B: Related Party Transactions—Share Purchase Agreement."

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If we sell a vessel at a time when the market value of our vessels has fallen, the sale may be at less than the vessel's carrying amount, resulting in a loss. A decline in the market value of our vessels could also lead to a default under any prospective credit facility to which we become a party, affect our ability to refinance our existing credit facilities and/or limit our ability to obtain additional financing.

We have a limited operating history, which makes it more difficult to accurately forecast our future results and may make it difficult for investors to evaluate our business and our future prospects, both of which will increase the risk of your investment.

We were formed as an independent limited partnership on January 16, 2007. Only five of the vessels in our current fleet had been delivered to the relevant vessel-owning subsidiaries as of December 31, 2006 and were in operation during a portion of the period then ended. Moreover, as these vessels were operated as part of Capital Maritime's fleet during the reporting period, the vessels were operated in a different manner than they are currently operated, and thus their historical results may not be indicative of their future results. Because of our limited operating history, we lack extended historical financial and operational data, making it more difficult for an investor to evaluate our business, forecast our future revenues and other operating results, and assess the merits and risks of an investment in our common units. This lack of information will increase the risk of your investment. Moreover, you should consider and evaluate our prospects in light of the risks and uncertainties frequently encountered by companies with a limited operating history. These risks and difficulties include challenges in accurate financial planning as a result of limited historical data and the uncertainties resulting from having had a relatively limited time period in which to implement and evaluate our business strategies as compared to older companies with longer operating histories. Our failure to address these risks and difficulties successfully could materially harm our business and operating results.

We must make substantial capital expenditures to maintain the operating capacity of our fleet, which will reduce our cash available for distribution. In addition, each quarter our board of directors is required to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available to unitholders than if actual maintenance and replacement capital expenditures were deducted.

We must make substantial capital expenditures to maintain, over the long-term, the operating capacity of our fleet. These maintenance and replacement capital expenditures include capital expenditures associated with drydocking a vessel, modifying an existing vessel or acquiring a new vessel to the extent these expenditures are incurred to maintain the operating capacity of our fleet. These expenditures could increase as a result of changes in:

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

Our significant maintenance and replacement capital expenditures will reduce the amount of cash we have available for distribution to our unitholders. Any costs associated with scheduled drydocking are included in a fixed daily fee of $5,500 per time chartered vessel ($8,500 for the M/T Amore Mio II), that we pay Capital Ship Management under a management agreement, for an initial term of approximately five years from the time we take delivery of each vessel, which includes the expenses for its next scheduled special or intermediate survey, as applicable, and related drydocking. In the event our management agreement is not renewed, we will separately deduct estimated capital expenditures associated with drydocking from our operating surplus in addition to estimated replacement capital expenditures.

Our partnership agreement requires our board of directors to deduct estimated, rather than actual, maintenance and replacement capital expenditures from operating surplus each quarter in an effort to reduce fluctuations in operating surplus. The amount of estimated capital expenditures deducted from operating surplus is subject to review and change by the conflicts committee at least once a year. In years when estimated capital expenditures are higher than actual capital expenditures, the amount of cash available for distribution to unitholders will be lower than if actual capital expenditures were deducted from operating surplus. If our board of directors underestimates the appropriate level of estimated maintenance and replacement capital expenditures, we may have less cash available for distribution in future periods when actual capital expenditures exceed our previous estimates.

If Capital Maritime or any third party seller we may contract with in the future for the purchase of newbuildings fails to make construction payments for such vessels, the shipyard may rescind the purchase contract and we may lose access to such vessels or need to finance such vessels before they begin operating, which could harm our business and our ability to make cash distributions.

To date, all the newbuildings we have acquired and agreed to acquire have been contracted directly by Capital Maritime and all costs for the construction and delivery of such vessels have been, or are being, incurred by Capital Maritime. Since our initial public offering in April 2007 we have taken delivery of five newbuildings from Capital Maritime, with an additional two expected for delivery in 2008. In the future, we may enter into similar arrangements with Capital Maritime or other third parties for the acquisition of newbuildings. If Capital Maritime or any third party sellers we contract with in the future fail to make construction payments for the newbuildings after receiving notice by the shipbuilder following nonpayment on any installment due date, the shipbuilder could rescind the newbuilding purchase contract. As a result of such default, Capital Maritime or the third party seller could lose all or part of the installment payments made prior to such default, and we could either lose access to the remaining newbuildings or any future vessels we contract to acquire or may need to finance such vessels before they begin operating and generating voyage revenues, which could harm our business and reduce our ability to make cash distributions.

If we finance the purchase of any additional vessels we acquire in the future or the purchase of the contracted newbuildings to be delivered in 2008 through cash from operations or by issuing debt or equity securities, our ability to make cash distributions may be diminished, our financial leverage could increase or our unitholders could be diluted. In addition, if we expand the size of our fleet by directly contracting newbuildings in the future, we generally will be required to make significant installment payments for such acquisitions prior to their delivery and generation of revenue.

The actual cost of a new product or crude oil tanker varies significantly depending on the market price charged by shipyards, the size and specifications of the vessel, governmental regulations and maritime self-regulatory organization standards. The total delivered cost of a vessel will be higher and include financing, construction supervision, vessel start-up and other costs.

To date, all the newbuildings we have acquired and agreed to acquire were contracted directly by Capital Maritime and all costs for the construction and delivery of these vessels have been, or are being, incurred by Capital Maritime. As of March 31, 2008, we had taken delivery of five newbuildings and purchased two additional vessels from Capital Maritime. We have financed the purchase of these vessels, and intend to finance the purchase of the remaining newbuildings to be delivered in 2008 and any other vessel we contract to acquire from Capital Maritime, either with debt, or partly with debt and partly by issuing additional equity securities. If we issue additional common units or other equity securities your ownership interest in us will be diluted. Please read "—We may issue additional equity securities without your approval, which would dilute your ownership interest" below.

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

To fund the remaining portion of the acquisition price of the two newbuildings expected to be delivered in 2008 or the acquisition price of any additional vessels we may contract to purchase from Capital Maritime or other third parties

and other related capital expenditures, we will be required to use cash from operations or incur borrowings or raise capital through the sale of debt or additional equity securities. Use of cash from operations will reduce cash available for distributions to unitholders. Even if we are successful in obtaining necessary funds, the terms of such financings could limit our ability to pay cash distributions to unitholders. Incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant unitholder dilution and would increase the aggregate amount of cash required to meet our quarterly distributions to unitholders, which could have a material adverse effect on our ability to make cash distributions.

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Our ability to obtain bank financing and/or to access the capital markets for future equity offerings may be limited by prevailing economic conditions. If we are unable to obtain funding or access the capital markets, we may be unable to complete any future purchases of vessels from Capital Maritime or from third parties.

Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions, weakness in the financial markets and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for necessary future capital expenditures could have a material adverse effect on our business, results of operations and financial condition and on our ability to make cash distributions. We expect to fund part of the purchase price of the vessels to be delivered in 2008 through drawdowns on our existing credit facility and the remainder through issuances of equity. If the prevailing equity market conditions at the time of delivery of the vessels are not favorable, we may be unable to complete the purchases, or we may have to complete them at terms not favorable to us or to our unitholders.

Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

As of March 31, 2008, we had drawn down $322.5 million under our existing credit facility and had $47.5 million available. In addition, we entered into a new $350.0 million credit facility on March 19, 2008 and, following the acquisition of the M/T Amore Mio II on March 27, 2008, had $304.0 million available. For more information regarding the terms of our existing revolving credit facilities, please read “Item 5:—Liquidity and Capital Resources—Revolving Credit Facilities.” Our level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired, or such financing may not be available on favorable terms;

- we will need a substantial portion of our cash flow to make interest payments and, following the end of the relevant non-amortizing periods, principal payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and distributions to unitholders;

- our debt level will make us more vulnerable to competitive pressures, or to a downturn in our business or in the economy in general, than our competitors with less debt; and

- our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

Our existing credit facilities contain, and we expect that any future credit facilities we may enter into will contain, restrictive covenants, which may limit our business and financing activities.

The operating and financial restrictions and covenants in our existing revolving credit facilities and in any future credit facility we enter into could adversely affect our ability to finance future operations or capital needs or to engage,

expand or pursue our business activities. For example, our existing revolving credit facilities require the consent of our lenders to, or limit our ability to, among other items:

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

Our credit facilities also require us to comply with the ISM Code and to maintain valid safety management certificates and documents of compliance at all times.

In addition, our existing credit facilities require us to:

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- maintain minimum free consolidated liquidity (50% of which may be in the form of undrawn commitments under the relevant credit facility) of at least $500,000 per financed vessel;

- maintain a ratio of EBITDA (as defined in each credit facility) to interest expense of at least 2.00 to 1.00 on a trailing four-quarter basis; and

- maintain a ratio of net Total Indebtedness to the aggregate Fair Market Value (as defined in each credit facility) of our total fleet, current or future, of no more than 0.725 to 1.00.

We will also be required to maintain an aggregate fair market value of our financed vessels equal to 125% of the aggregate amount outstanding under each credit facility.

Our ability to comply with the covenants and restrictions contained in our existing revolving credit facilities and any other debt instruments we may enter into in the future may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If 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 existing credit facility, especially if we trigger a cross-default currently contained in certain of our loan agreements, a significant portion of our obligations may become immediately due and payable, and our lenders' commitment to make further loans to us may terminate. We may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, obligations under our credit facilities are secured by our vessels, and if we are unable to repay debt under the credit facilities, the lenders could seek to foreclose on those assets.

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

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

Events of default under our credit facilities include:

- failure to pay principal or interest when due;

- breach of certain undertakings, negative covenants and financial covenants contained in the credit facility, any related security document or guarante