Capital Product Partners L.P.
Form 20-F
February 13, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

OR

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

OR

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

Commission file number: 1-33373

CAPITAL PRODUCT PARTNERS L.P.

(Exact name of Registrant as specified in its charter)

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

3 Iassonos Street, Piraeus, 18537 Greece

+30 210 458 4950
(Address and telephone number of principal executive offices and company contact person)

Ioannis E. Lazaridis, i.lazaridis@capitalpplp.com
(Name and Email of company contact person)

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

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

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

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

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

69,372,077 Common Units

1,415,757 General Partner Units

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ¨ NO x

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. YES ¨ NO x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) YES x NO ¨

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

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

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

U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statements item the registrant has elected to follow. ITEM 17 ¨ ITEM 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

CAPITAL PRODUCT PARTNERS L.P.

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FORWARD-LOOKING STATEMENTS

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

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 , estimate , project , predict , 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:

- *expectations of our ability to make cash distributions on our units;*
- *our future financial condition or results of operations and our future revenues and expenses, including revenues from profit sharing arrangements and required levels of reserves;*
- *future levels of operating surplus and levels of distributions as well as our future cash distribution policy;*
- *tanker market and dry cargo market conditions and fundamentals, including the balance of supply and demand in the markets in which we operate;*
- *future charter hire rates and vessel values;*
- *anticipated future acquisition of vessels from Capital Maritime & Trading Corp. (Capital Maritime) or from third parties;*
- *anticipated chartering arrangements with Capital Maritime or third parties in the future;*
- *our anticipated growth strategies;*
- *our ability to access debt, credit and equity markets;*
- *our ability to refinance our debt and achieve the postponement of any amortization of our debt under the current terms of our credit facilities;*
- *changes in the availability and costs of funding due to conditions in the bank market, capital markets and other factors;*
- *planned capital expenditures and availability of capital resources to fund capital expenditures;*

the ability of our customers to meet their obligations under the terms of our charter agreements, including the timely payment of the rates under the agreements;

the financial viability and sustainability of our customers;

the repayment of debt and settling of interest rate swaps, if any;

the effectiveness of our risk management policies and procedures and the ability of counterparties to our derivative contracts to fulfill their contractual obligations;

future refined product and crude oil prices and production;

future supply of, and demand for, refined products and crude oil;

increases in domestic or worldwide oil consumption;

drybulk shipping industry trends, including charter rates and factors affecting vessel supply and demand;

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 maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term time charter;

our ability to leverage to our advantage Capital Maritime s relationships and reputation in the shipping industry;

our continued ability to enter into long-term, fixed-rate time charters with our charterers and to recharter our vessels as their existing charters expire;

changes in the supply of tanker vessels, including newbuildings or lower than anticipated scrapping of older vessels;

our ability to compete successfully for future chartering and newbuilding opportunities;

the changes to the regulatory requirements applicable to the oil transportation industry, including, without limitation, requirements adopted by international organizations such as the International Maritime Organization (the IMO) and the European Union, or by individual countries or charterers and actions taken by regulatory authorities and governing such areas as safety and environmental compliance;

the expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards, 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 agreements and the administrative services agreement with our manager, Capital Ship Management Corp., a subsidiary of Capital Maritime (Capital Ship Management), and for reimbursement for fees and costs of Capital GP L.L.C., our general partner;

the impact of the fee structure under the floating fee management agreement we have recently entered into for certain of our vessels and the anticipated costs and expenses under this management agreement;

the ability of our manager to qualify for charter business short- or long-term with oil major charters;

increases in costs and expenses under our management agreement following expiration and/or renewal of such agreement in connection with certain of our vessels;

increases in costs and expenses including but not limited to: crew wages, insurance, provisions, lube oil, bunkers, repairs, maintenance and general and administrative expenses;

the adequacy of our insurance arrangements;

the impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;

the anticipated taxation of our partnership and distributions to our unitholders;

estimated future maintenance and replacement capital expenditures;

expected demand in the shipping sectors in which we operate in general and the demand for our medium range vessels in particular;

the expected lifespan of our vessels;

our ability to employ and retain key employees;

the effects of increasing emphasis on environmental and safety concerns by customers, governments and others;

expected financial flexibility to pursue acquisitions and other expansion opportunities;

anticipated funds for liquidity needs and the sufficiency of cash flows;

our ability to increase our distributions over time;

future sales of our 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.

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

PART I

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

Not Applicable.

Item 2. Offer Statistics and Expected Timetable.

Not Applicable.

Item 3. Key Information.

A. Selected Financial Data

We have derived the following selected historical financial and other data for the three years ending December 31, 2011, from our audited consolidated financial statements as of and for the years ended December 31, 2011, 2010 and for the year ended December 31, 2009 (the Financial Statements) respectively, appearing elsewhere in this Annual Report. The historical financial data presented as of December 31, 2009, 2008 and 2007 and for the years ended December 31, 2008 and 2007 have been derived from audited financial statements not included in this Annual Report and are provided for comparison purposes only. Our historical results are not necessarily indicative of the results that may be expected in the future. Different factors affect our results of operations, including amongst others, the number of vessels in our fleet, prevailing charter rates, management and administrative services fees as well as financing and interest swap arrangements we enter into. Consequently, the below table should be read together with, and is qualified in its entirety by reference to, the Financial Statements and the accompanying notes included elsewhere in this Annual Report. The table should also be read together with Item 5A: Management s Discussion and Analysis of Financial Condition and Results of Operations .

Our Financial Statements are prepared in accordance with United States generally accepted accounting principles as described in Note 1 (Basis of Presentation and General Information) to the Financial Statements included herein. All numbers are in thousands of U.S. Dollars, except numbers of units and earnings per unit.

	Year Ended Dec. 31, 2011 (1)	Year Ended Dec. 31, 2010 (1)	Year Ended Dec. 31, 2009 (1)	Year Ended Dec. 31, 2008 (1)	Year Ended Dec. 31, 2007 (1)
Income Statement Data:					
Revenues	$ 98,517	$ 113,562	$ 134,519	$ 147,617	$ 98,730
Revenues related party	31,799	11,030			
Total revenues	130,316	124,592	134,519	147,617	98,730
Expenses:					
Voyage expenses (2)	11,565	7,009	3,993	5,981	6,238
Voyage expenses related party(2)	165				
Vessel operating expenses related party(3)	30,516	30,261	30,830	26,193	12,958
Vessel operating expenses (3)	4,949	1,034	2,204	5,682	7,894
General and administrative expenses	10,609	3,506	2,876	2,817	1,477
Depreciation and amortization	37,214	31,464	30,685	26,581	16,759
Total operating expenses	95,018	73,274	70,588	67,254	45,326
Operating income	35,298	51,318	63,931	80,363	53,404
Gain from bargain purchase	82,453				
Interest expense and finance costs	(33,820)	(33,259)	(32,675)	(26,631)	(14,792)
Gain/(Loss) on interest rate swap agreement	2,310				(3,763)
Interest and other income	879	860	1,460	1,254	711
Foreign currency gain/(loss), net					(56)
Net income	$ 87,120	$ 18,919	$ 32,716	$ 54,986	$ 35,504
Less:					
Net income attributable to CMTC operations:		983	3,491	4,219	13,933
Partnership s net income	**87,120**	**17,936**	**29,225**	**50,767**	**21,571**
General partner s interest in our net income	1,742	359	584	13,485	431
Limited partners interest in our net income	85,378	17,577	28,641	37,282	21,140
Net income allocable to limited partner per (4):					
Common unit (basic and diluted)	1.78	0.54	1.15	1.56	1.11
Subordinated unit (basic and diluted)			1.17	1.50	0.70
Total unit (basic and diluted)	1.78	0.54	1.15	1.54	0.95
Weighted average units outstanding (basic and diluted):					
Common units	47,138,336	32,437,314	23,755,663	15,379,212	13,512,500
Subordinated units			1,061,488	8,805,522	8,805,522
Total units	47,138,336	32,437,314	24,817,151	24,184,734	22,318,022
Balance Sheet Data (at end of period)**:**					
Vessels, net and under construction	$ 1,073,986	$ 707,339	$ 703,707	$ 750,815	$ 569,223
Total assets	1,196,289	758,252	760,928	821,907	608,627
Total partners capital / stockholders equity(6)(7) (8)	517,326	239,760	188,352	214,126	209,274
Number of units	70,787,834	38,720,594	25,323,623	25,323,623	22,773,492
Common units	69,372,077	37,946,183	24,817,151	16,011,629	13,512,500
Subordinated units (5)				8,805,522	8,805,522
General Partner units	1,415,757	774,411	506,472	506,472	455,470
Dividends declared per unit	$ 0.93	$ 1.09	$ 2.27	$ 1.62	$ 0.75
Cash Flow Data:					
Net cash provided by operating activities	56,539	50,051	72,562	76,956	55,475
Net cash used in investing activities	(16,656)	(79,202)	(55,770)	(270,003)	(335,696)
Net cash (used in) / provided by financing activities	(18,984)	58,070	(56,389)	216,277	298,901

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

a) the period from January 1, 2007 to April 3, 2007 for the vessels in our fleet at the time of our initial public offering on the Nasdaq Global Market on April 3, 2007 (the IPO),

b) the period from January 1, 2007 to September 23, 2007, March 26, 2008 and April 29, 2008 for the M/T Attikos, the M/T Amore Mio II and the M/T Aristofanis, respectively,

c) the years ended December 31, 2007 and 2008 and the period from January 1, 2009 to April 6, 2009 and April 12, 2009 for the M/T Agamemnon II, and M/T Ayrton II respectively,

d) the years ended December 31, 2007, 2008 and 2009 and for the period from January 1, 2010 to June 29, 2010 for the M/T Alkiviadis, and

e) the period from April 13, 2009 to December 31, 2009 and from January 1, 2010 to February 28, 2010 for the M/T Atrotos.

Additionally, we do not believe that a presentation of earnings per unit for periods prior to our IPO would be meaningful to our investors as the vessels comprising our current fleet were either under construction or operated as part of Capital Maritime s fleet with different terms and conditions than those in place after their acquisition by us.

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

(3) Our vessel operating expenses have consisted of management fees payable to Capital Ship Management, our manager, pursuant to the terms of our three separate management agreements and actual operating expenses such as crewing, repairs and maintenance, insurance, stores, spares, lubricants and other operating expenses incurred by our vessels.

(4) On January 1, 2009, we adopted accounting guidance newly available at the time relating to the Application of the Two-Class Method and its application to Master Limited Partnerships which considers whether the incentive distributions of a master limited partnership represent a participating security when considered in the calculation of earnings per unit under the Two-Class Method. This guidance also considers whether the partnership agreement contains any contractual limitations concerning distributions to the incentive distribution rights that would impact the amount of earnings to allocate to the incentive distribution rights for each reporting period. According to the two class method, the portion of net income allocated to nonvested shares reduces the net income available to common unitholders.

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

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

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

(8) On June 9, 2011, we completed the acquisition of Patroklos Marine Corp., the vessel owning company of the M/V Cape Agamemnon, from Capital Maritime. The acquisition was funded through $1.5 million from available cash and the incurrence of $25.0 million of debt under a new credit facility and the remainder through the issuance of 6,958,000 common units to Capital Maritime. On September 30, 2011 we completed a merger with Crude Carriers Corp., a company incorporated in 2009 under the laws of the Marshall Islands, (Crude Carriers or Crude) in a unit-for-share transaction. The exchange ratio was 1.56 of our common units for each Crude Carriers share. Please read Item 4B: History and Development of the Partnership 2011 Developments and Note 3 (Acquisitions) to our Financial Statements

included herein for additional information.

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors

Some of the following risks relate principally to the countries and the industry in which we operate and the nature of our business in general. Although many of our business risks are comparable to those of a corporation engaged in a similar business would face, limited partner interests are inherently different from the capital stock of a corporation. In particular, if any of the following risks actually occurs, our business, financial condition or operating results could be materially adversely affected. In that case, we might not be able to pay distributions on our common units, the trading price of our common units could decline, and you could lose all or part of your investment.

RISKS RELATING TO THE TANKER INDUSTRY

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

Oil has been one of the world s primary energy sources for a number of decades. The global economic growth of previous years had a significant impact on the demand for oil and subsequently on the oil trade and shipping demand. However, the past four years were marked by a major economic slowdown which has had, and continues to have, a significant impact on world trade, including the oil trade, and the prospects for recovery, especially in the OECD countries, remain uncertain. Demand for oil and refined petroleum products remains weak as a result of the global economic slowdown, which in combination with the diminished availability of trade credit, deteriorating international liquidity conditions and declining financial markets, led to decreased demand for tanker vessels, creating downward pressure on charter rates. This economic downturn has also affected vessel values overall. Despite global oil demand growth remaining marginally positive in 2011, charter rates for product and crude tankers remained at historically depressed levels. Continuing positive oil demand growth is expected to come primarily from emerging markets which have been historically volatile, such as China and India, and a slowdown in these countries economies may severely affect global oil demand growth, and may result in protracted, reduced consumption of oil products and a decreased demand for our vessels and lower charter rates, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to make cash distributions. However, global economic conditions remain fragile with significant uncertainty remaining with respect to recovery prospects, levels of recovery and long term effects. In particular, the uncertainty surrounding the future of the Euro zone, the economic prospects of the United States and the future economic growth of China and India are all expected to affect oil demand growth and demand for product and crude tankers going forward. See also Item 4B: Business Overview The International Shipping Industry . If these global economic conditions persist we may not be able to operate our vessels profitably or employ our vessels at favorable charter rates as they come up for rechartering. In the long term, oil demand may also be reduced by an increased reliance on alternative energy sources and/or a drive for increased efficiency in the use of oil as a result of environmental concerns or high oil prices. Furthermore, a significant decrease in the market value of our vessels may cause us to recognize losses if any of our vessels are sold or if their values are impaired, and may affect our ability to comply with our loan covenants. A deterioration of the current economic and market conditions or a negative change in global economic conditions or the product tanker market is expected to have a material adverse effect on our business, financial position, results of operations and ability to make cash distributions and comply with our loan covenants, as well as our future prospects and ability to grow our fleet.

The shipping industry is cyclical, which may lead to lower charter hire rates, defaults of our charterers and lower vessel values, resulting in decreased distributions to our unitholders. Charter hires are currently near historically low levels and may further decrease in the future, which may adversely affect our earnings as we may not be able to recharter our vessels for period charters at competitive rates or at all.

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. We currently charter three vessels in the spot charter market and the period charters of a number of our vessels are scheduled to expire during 2012. Even if we manage to successfully charter our vessels in the future, our charterers may go bankrupt or fail to perform their obligations under the charter agreements, they may delay payments or suspend payments altogether, they may terminate the charter agreements prior to the agreed upon expiration date or they may attempt to re-negotiate the terms of the charters. If we are required to enter into a charter when charter hire rates are low, our results of operations and our ability to make cash distributions to our unitholders could be adversely affected.

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

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

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

- the supply for oil and oil products which is influenced by, amongst others:
  - international economic activity;
  - geographic changes in oil production, processing and consumption;
  - oil price levels;
  - inventory policies of the major oil and oil trading companies;
  - competition from alternative sources of energy; and
  - strategic inventory policies of countries such as the United States, China and India.
- the demand for oil and oil products;
- regional availability of refining capacity;
- prevailing economic conditions in the market in which the vessel trades;
- availability of credit to charterers and traders in order to finance expenses associated with the relevant trades;
- regulatory change;
- lower levels of demand for the seaborne transportation of refined products and crude oil;

- increases in the supply of vessel capacity; and

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

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

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

The market supply of tankers is affected by a number of factors such as demand for energy resources and primarily oil and petroleum products, level of charter hire rates, asset and newbuilding prices, availability of financing as well as strong overall economic growth in parts of the world economy, including Asia, and has been increasing as a result of the delivery of substantial newbuilding orders over the last few years. Newbuildings were delivered in significant numbers starting at the beginning of 2006 and continued to be delivered in significant numbers through to 2010 and 2011. In addition, it is estimated by Clarkson Research Services Limited that the newbuilding order book, which extends to 2014 equals approximately 18.3% of the existing world tanker fleet and the order book may increase further in proportion to the existing fleet. If the capacity of new ships delivered exceeds the capacity of tankers being scrapped and lost, tanker capacity will increase. If the supply of tanker capacity increases and if the demand for tanker capacity does not increase correspondingly, charter rates and asset values could materially decline. If such a reduction occurs, we may only be able to recharter our vessels at reduced or unprofitable rates as their current charters expire, or we may not be able to charter these vessels at all. A reduction in charter rates and the value of our vessels may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to make cash distributions.

RISKS INHERENT IN THE DRYBULK TRADE

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

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

The loss of this customer could result in a significant loss of revenues, cash flow and our ability to maintain or improve distributions longer term. We could lose this customer or the benefits of the charter entered into with it if, among other things:

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

In the event we lose the benefit of the charter with Cosco prior to its expiration date, we would have to recharter the vessel at the then prevailing charter rates. In such event, we may not be able to obtain competitive, or profitable, rates for this vessel and our earnings and ability to make cash distributions may be adversely affected.

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

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

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

The market supply of drybulk vessels has been increasing, and the number of drybulk vessels on order as of December 31, 2011, was estimated by market sources to be approximately 35.2% of the then-existing global drybulk fleet in terms of dwt, with deliveries expected mainly during the succeeding 24 months, although available data with regard to cancellations of existing newbuild orders or delays of newbuild deliveries are not always accurate.

Despite increased demolition of older drybulk vessels in 2011, the drybulk fleet continues to grow at a rapid pace. An oversupply of drybulk vessel capacity will likely result in a reduction of charter hire rates. Upon the expiration of its current period time charter in June 2020, if we cannot enter into a new period time charter for the M/V Cape Agamemnon on acceptable terms, we may have to secure charters in the spot market, where charter rates are more volatile and revenues are, therefore, less predictable, or we may not be able to charter the vessel at all.

The international drybulk shipping industry is highly competitive, and as a new entrant in this industry with only one drybulk vessel in its fleet, we may not be able to compete successfully for charters with established companies or other new entrants with greater resources, and we may not be able to successfully operate the vessel.

We have historically owned tanker vessels and have been active in the tanker market only. We employ the M/V Cape Agamemnon in the highly competitive drybulk market in which we have no prior experience. The drybulk market is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of which have substantially greater resources than we have or will have. Competition for the transportation of drybulk cargo by sea is intense and depends on price, customer relationships, operating expertise, professional reputation and size, age, location and condition of the vessel. In this highly fragmented market, established companies operating larger fleets as well as additional competitors with greater resources may be able to offer lower charter rates than we are able to offer, which could have a material adverse effect on our ability to utilize the M/V Cape Agamemnon and, accordingly, its profitability.

The operation of drybulk vessels has certain unique operational risks, and failure to adequately maintain the M/V Cape Agamemnon could have a material adverse effect on our business, financial condition and results of operations.

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

RISKS RELATING TO OUR BUSINESS

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

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

- capitalize on opportunities in the crude and product tanker market by fixing period charters for our vessels at attractive rates;
- identify businesses engaged in managing, operating or owning vessels for acquisitions or joint ventures;
- identify vessels and/or shipping companies for acquisitions;
- access financing and obtain required financing for existing and new operations, including refinancing of existing indebtedness;
- integrate any acquired businesses or vessels successfully with existing operations;
- hire, train and retain qualified personnel to manage, maintain and operate its growing business and fleet;

- identify additional new markets;
- improve operating and financial systems and controls; and
- complete accretive transactions in the future.

Our ability to grow is in part dependent on our ability to expand our fleet through acquisitions of suitable vessels. We may not be able to acquire newbuildings or product and crude tankers on favorable terms, which could impede our growth and negatively impact our financial condition and ability to pay distributions. We may not be able to contract for newbuildings or locate suitable vessels or negotiate acceptable construction or purchase contracts with shipyards and owners, or obtain financing for such acquisitions on economically acceptable terms, or at all.

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

Fees and cost reimbursements paid by us to Capital Maritime for services provided to us and certain of our subsidiaries are substantial, fluctuate, cannot be easily predicted and may reduce our cash available for distribution to our unitholders.

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

The expenses incurred under our three management agreements depend upon a variety of factors, many of which are beyond our or our manager s control. Some of these costs, primarily relating to crewing, insurance and enhanced security measures have been increasing and may increase in the future. Increases in any of these costs would decrease our earnings, cash flows and the amount of cash available for distribution to our unitholders. In addition, our manager has the right to terminate the Crude Carriers management agreement and, under certain circumstances, could receive substantial sums in connection with such termination. This termination fee was initially set at $9.0 million in March 2010 and increases on each one-year anniversary during which the management agreement remains in effect (on a compounding basis) in accordance with the total percentage increase, if any, in the Consumer Price Index over the immediately preceding twelve months. As of March 2011 this termination fee had been adjusted to $9.2 million.

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

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

We 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 currently observe a cash dividend and cash distribution policy implemented by our board of directors. The actual declaration of future cash distributions, and the establishment of record and payment dates, is subject to final determination by our board of directors each quarter after its review of financial performance. Our distribution policy may be changed at any time, and from time to time, by our board of directors.

Our ability to pay distributions in any period will depend upon factors including but not limited to financial condition, results of operations, prospects and applicable provisions of Marshall Islands law. 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;
- our ability to recharter our vessels at competitive rates as their current charters expire;
- the ability of our customers to meet their obligations under the terms of the charter agreements, including the timely payment of the rates under the agreements;

the continued sustainability of our customers;

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

- 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;

- the amount of extraordinary costs incurred by our manager while managing our vessels not covered under our fixed fee arrangement which we may have to reimburse our manager for;

- delays in the delivery of any newbuildings we may contract to acquire 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;

- force majeure events;

- 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 amounts of cash we will have available for distribution will also 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, including our obligation to pay increased interest costs in certain circumstances, and restrictions on distributions contained in our debt instruments;

- our ability to comply with covenants under our credit facilities, including our ability to comply with certain collateral maintenance requirements;

- our ability to service our debt and, when the non-amortizing period expires in as early as June 2012, to refinance our existing indebtedness or, in the event such indebtedness is not refinanced, our obligation to make principal payments under our credit facilities starting in September 2012;

- 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.

Under Marshall Islands law, a limited partnership shall not make a distribution to a partner to the extent that at the time of the distribution, after giving effect to the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specified property of the limited partnership, exceed the fair value of the assets of the limited partnership, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds that liability.

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

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

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

- the value of the vessels in our fleet;

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

The amount of estimated capital expenditures deducted from operating surplus is subject to review and change by our board of directors at least once a year, provided that any change must be approved by the conflicts committee of our board of directors. In years when estimated capital expenditures are higher than actual capital expenditures, the amount of cash available for distribution to unitholders will be lower than if actual capital expenditures were deducted from operating surplus. If our board of directors underestimates the appropriate level of estimated replacement capital expenditures, we may have less cash available for distribution in future periods when actual capital expenditures exceed our previous estimates.

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

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

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

During 2012, a number of vessels managed under our fixed fee management agreement are scheduled for their next special or intermediate survey and associated drydocking. Once a vessel is put into drydock, it is automatically considered to be off-hire in connection with such special or intermediate survey and associated drydocking, which means that for such period of time this vessel will not be earning any revenues. In addition, during the drydocking of our vessels, we may incur certain costs, the levels of which are not possible to predict, are not covered under this management agreement, which we will have to reimburse to our manager. Consequently, as our vessels scheduled drydocking approaches, the number of offhire days of our fleet and operating expenses will increase, which may materially affect our cash available for distribution to our unitholders.

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

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

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover in full. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located to our vessels positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss that could negatively impact our business, financial condition, results of operations, cash flows and ability to pay dividends.

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

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

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

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

Acts of piracy on ocean-going vessels have recently increased in frequency, which could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia. Over the last several years, the frequency of piracy incidents has increased significantly, particularly in the Gulf of Aden off the coast of Somalia and towards the Mozambique Canal in the North Indian Ocean. For example, on January 15, 2011, the M/V Samho Jewelry, a tanker vessel not affiliated with us, was pirated off the coast of Oman and was released following military action on January 21, 2011. According to the International Chamber of Commerce International Maritime Bureau s January 2012 global piracy report pirate attacks against vessels in East and West Africa accounted for the majority or world attacks in 2011, signaling a rising trend, with 275 of the 439 attacks reported in 2011 taking place off the coasts of Africa. During 2011, there were reportedly 45 vessels hijacked and 802 crew members taken hostage, a slight decrease in overall numbers from the previous year.

If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as war risk&