Capital Product Partners L.P.
Form 20-F
February 26, 2015
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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, 2014

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)

Petros Christodoulou, p.christodoulou@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 Select Market**

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

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

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

104,079,960 Common Units

2,124,081 General Partner Units

14,223,737 Class B Convertible Preferred Units

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

YES x **NO** ¨

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

YES ¨ **NO** 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 x **Accelerated filer** ¨ **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

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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.

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

- expectations regarding our ability to make distributions on our common units and our Class B Convertible Preferred Units (the Class B Units), which rank senior to our common units and receive distributions prior to any distributions on our common units;
- our ability to increase our distributions over time;
- global economic outlook and growth;
- shipping conditions and fundamentals, including the balance of supply and demand in the tanker, drybulk and container markets in which we operate, as well as trends and conditions in the newbuilding markets and scrapping of older vessels;
- increases or decreases in domestic or worldwide oil consumption;
- future supply of, and demand for, refined products and crude oil;
- future refined product and crude oil prices and production;

our ability to operate in various new markets, including the tanker, drybulk and container carrier markets;

tanker, drybulk and container carrier industry trends, including charter rates and factors affecting the chartering of vessels;

our future financial condition or results of operations and our future revenues and expenses, including revenues from any profit sharing arrangements, and required levels of reserves;

future levels of operating surplus and levels of distributions, as well as our future cash distribution policy;

future charter hire rates and vessel values;

anticipated future acquisitions of vessels from Capital Maritime & Trading Corp. (Capital Maritime or CMTC) and from third parties, including the acquisition of three newbuild Daewoo 9,160 TEU eco-flex containerships (collectively, the Dropdown Containerships) and two newbuild Samsung eco medium range product tankers (collectively, the Dropdown Tankers and, together with the Dropdown Containerships, the Dropdown Vessels) and in respect of our rights of first refusal over six newbuild Samsung eco medium range product tankers being purchased by Capital Maritime;

anticipated future chartering arrangements with Capital Maritime and third parties;

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

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

our current and future business and growth strategies and other plans and objectives for future operations;

our ability to access debt, credit and equity markets;

changes in the availability and costs of funding due to conditions in the bank market, capital markets and other factors;

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our ability to refinance our debt and/or achieve further postponement of any amortization of our debt if necessary under the current terms of our credit facilities;

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;

changes in interest rates and any interest rate hedging practices in which we may engage;

the debt amortization payments and repayment of debt and settling of interest rate swaps we may make, 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;

planned capital expenditures and availability of capital resources to fund capital expenditures;

our ability to maintain long-term relationships with major refined product importers and exporters, major crude oil companies and major commodity traders, operators and liner companies;

the ability of our manager, Capital Ship Management Corp., a subsidiary of Capital Maritime (Capital Ship Management or the Manager), to qualify for short- and long-term charter business with oil major charterers and oil traders, and drybulk operators and liner companies;

our ability to maximize the use of our vessels, including the redeployment or disposition of vessels no longer under long-term time charter;

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

the changes to the regulatory requirements applicable to the oil transportation industry, including, without limitation, stricter requirements adopted by international organizations, such as the International Maritime Organization 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, including with new environmental regulations and standards being introduced, as well as with standard regulations imposed by our charterers applicable to our business;

the impact of heightened regulations and the actions of regulators and other government authorities, including anti-corruption laws and regulations, as well as sanctions and other governmental actions;

our anticipated general and administrative expenses and our costs and expenses under the management agreements and the administrative services agreement with our Manager, and for reimbursement for fees and costs of Capital GP L.L.C., our general partner;

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

the adequacy of our insurance arrangements and our ability to obtain insurance and required certifications;

the impact on operating expenses of the floating fee structure under which an increasing number of our vessels are managed;

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

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

the anticipated taxation of our partnership and distributions to our common and Class B unitholders;

estimated future maintenance and replacement capital expenditures;

expected demand in the shipping sectors in which we operate in general and the demand for our crude oil and product tankers, container and drybulk vessels in particular;

the expected lifespan and condition of our vessels;

our ability to employ and retain key employees;

our track record, and past and future performance, in safety, environmental and regulatory matters;

potential liability and costs due to environmental, safety and other incidents involving our vessels;

the effects of increasing emphasis on environmental and safety concerns by customers, governments and others, as well as changes in maritime regulations and standards;

expected financial flexibility to pursue acquisitions and other expansion opportunities;

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

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our transition in leadership following Mr. Petros Christodoulou s appointment as Chief Executive Officer and Chief Financial Officer;

Capital Maritime s willingness and ability to fulfill its payment obligations in respect of the Dropdown Vessels to the respective shipyards;

the ability of each Dropdown Vessel s respective shipyard to deliver on time and on specification the respective Dropdown Vessel;

the performance and expected cost savings of the Dropdown Vessels and any new technologies incorporated into their construction, at least some of which may not have yet been tested; and

future sales of our units in the public market.

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

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

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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.

A. Selected Financial Data

We have derived the following selected historical financial data for the three years ended December 31, 2014, and as of December 31, 2014 and 2013, from our audited consolidated financial statements (the Financial Statements) respectively, appearing elsewhere in this Annual Report. The historical financial data presented as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2011 and 2010 have been derived from audited financial statements not included in this Annual Report and are provided for comparison purposes only. Our historical results are not necessarily indicative of the results that may be expected in the future. Different factors affect our results of operations, including among others, the number of vessels in our fleet, prevailing charter rates, management and administrative services fees, as well as financing 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 (U.S. GAAP) 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 December 31,				
	2014	2013	2012	2011	2010[1]
Income Statement Data:					
Revenues	$ 119,907	$ 116,520	$ 84,012	$ 98,517	$ 113,562
Revenues related party	72,870	54,974	69,938	31,799	11,030
Total revenues	192,777	171,494	153,950	130,316	124,592
Expenses:					
Voyage expenses [2]	5,907	5,776	5,114	11,565	7,009
Voyage expenses related party[2]	338	314	554	165	
Vessel operating expenses [3]	48,714	38,284	22,126	4,949	1,034
Vessel operating expenses related party [3]	13,315	17,039	23,634	30,516	30,261

General and administrative expenses	6,316	9,477	9,159	10,609	3,506
Loss / (gain) on sale of vessels to third parties		7,073	(1,296)		
Depreciation and amortization	57,476	52,208	48,235	37,214	31,464
Vessels impairment charge(9)			43,178		
Total operating expenses	132,066	130,171	150,704	95,018	73,274
Operating income	60,711	41,323	3,246	35,298	51,318
Gain from bargain purchase		42,256		82,453	
Gain on sale of claim		31,356			
Interest expense and finance costs	(19,225)	(15,991)	(26,658)	(33,820)	(33,259)
Gain on interest rate swap agreement		4	1,448	2,310	

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	Year ended December 31, 2014	2013	2012	2011	2010[1]
Other income	2,526	533	775	879	860
Partnership s net income / (loss)	$ 44,012	$ 99,481	$ (21,189)	$ 87,120	$ 18,919
Class B unit holders interest in our net income	14,042	18,805	10,809		
General partner s interest in our net income / (loss)	593	1,598	(640)	1,742	359
Limited and subordinated unit holders interest in our net income / (loss)	29,377	79,078	(31,358)	85,378	17,577
Net income / (loss) allocable to limited partner per:					
Common unit basic	0.31	1.04	(0.46)	1.78	0.54
Common unit diluted	0.31	1.01	(0.46)	1.78	0.54
Weighted average units outstanding basic					
Common units	93,353,168	75,645,207	68,256,072	47,138,336	32,437,314
Weighted average units outstanding diluted					
Common units	93,353,168	97,369,136	68,256,072	47,138,336	32,437,314
Balance Sheet Data (at end of period)**:**					
Fixed assets [8][9][14]	$ 1,186,711	$ 1,176,819	$ 959,550	$ 1,073,986	$ 707,339
Total assets	1,493,095	1,401,772	1,070,128	1,196,289	758,252
Total partners capital / stockholders equity [4][5][6][7][10][11][12][13][15][16][17][18]	872,561	781,426	573,828	517,326	239,760
Number of units	120,427,778	109,128,388	86,343,388	70,787,834	38,720,594
Common units	104,079,960	88,440,710	69,372,077	69,372,077	37,946,183
Class B units	14,223,737	18,922,221	15,555,554		
General Partner units	2,124,081	1,765,457	1,415,757	1,415,757	774,411
Dividends declared per common unit	$ 0.93	$ 0.93	$ 0.93	$ 0.93	$ 1.09
Dividends declared per class B unit	0.86	0.86	0.48		
Cash Flow Data:					
Net cash provided by operating activities	125,277	129,576	84,798	56,539	50,051
Net cash (used in) / provided by investing activities	(30,327)	(335,346)	15,935	(16,656)	(79,202)
Net cash provided by / (used in) financing activities	5,277	226,191	(110,552)	(18,984)	58,070

(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, 2010 to June 29, 2010 for the M/T Alkiviadis; and

b) the period from January 1, 2010 to February 28, 2010 for the M/T Atrotos.

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

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

(4) 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.

(5) 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 13 (Omnibus Incentive Compensation Plan) to our Financial Statements included herein for additional information.

(6) 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

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incurrence of $25.0 million of debt under a new credit facility entered into in 2011 (as amended, the 2011 credit facility) and the remainder through the issuance of 6,958,000 common units to Capital Maritime. In connection with this transaction, we issued an additional 142,000 common units, which were converted into general partner units and delivered to our general partner in order for it to maintain its 2% interest in us. On September 30, 2011 we completed a merger with Crude Carriers Corp., a corporation 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.

(7) In accordance with certain subscription agreements entered into on May 11 and June 6, 2012, we issued a total of 15,555,554 Class B units to a group of investors, including Capital Maritime, and received net proceeds of $136.4 million, which, together with an amount of $13.2 million from our available cash, were used to prepay bank debt of $149.6 million.

(8) During the first half of 2012, we sold the M/T Attikos and the M/T Aristofanis, the two small tankers in our fleet, to unrelated third parties. The proceeds from these sales plus cash were used to repay bank debt of $20.5 million.

(9) On December 22, 2012, we acquired all of Capital Maritime s interest in its wholly owned subsidiaries that owned the two 7,943 twenty foot equivalent (TEU) container carrier vessels M/V Archimidis and M/V Agamemnon, in exchange for all of our interest in our wholly owned subsidiaries that ow