
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
OF THE SECURITIES EXCHANGE ACT OF 1934**

DATED: August 8, 2019

Commission File No. 001-33811

NAVIOS MARITIME PARTNERS L.P.

**7 Avenue de Grande Bretagne, Office 11B2
Monte Carlo, MC 98000 Monaco
(Address of Principal Executive Offices)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

NAVIOS MARITIME PARTNERS L.P.

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This Report on Form 6-K is hereby incorporated by reference into the Navios Maritime Partners L.P. Registration Statement on Form F-3, File No. 333-215529.

Operating and Financial Review and Prospects

The following is a discussion of the financial condition and results of operations for the three and six month periods ended June 30, 2019 and 2018 of Navios Maritime Partners L.P. (referred to herein as “we”, “us”, “Company” or “Navios Partners”). All of the financial statements have been stated in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). You should read this section together with the consolidated financial statements and the accompanying notes included in Navios Partners’ 2018 Annual Report filed on Form 20-F with the U.S. Securities and Exchange Commission (the “SEC”) on April 9, 2019.

This Report contains forward-looking statements (as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events including Navios Partners’ 2019 cash flow generation, future contracted revenues, future distributions and its ability to have any distributions going forward, opportunities to reinvest cash accretively in a fleet renewal program or otherwise, potential capital gains, our ability to take advantage of dislocation in the market and Navios Partners’ growth strategy and measures to implement such strategy; including expected vessel acquisitions and entering into further time charters. Words such as “may”, “expects”, “intends”, “plans”, “believes”, “anticipates”, “hopes”, “estimates”, and variations of such words and similar expressions are intended to identify forward-looking statements. Such statements include comments regarding expected revenue and time charters. These forward-looking statements are based on the information available to, and the expectations and assumptions deemed reasonable by Navios Partners at the time these statements were made. Although Navios Partners believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. These statements involve risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of Navios Partners. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, uncertainty relating to global trade, including prices of seaborne commodities and continuing issues related to seaborne volume and ton miles, our continued ability to enter into long-term time charters, our ability to maximize the use of our vessels, expected demand in the dry cargo shipping sector in general and the demand for our Panamax, Capesize, Ultra-Handymax and Containerships in particular, fluctuations in charter rates for dry cargo carriers and containerships, the aging of our fleet and resultant increases in operations costs, the loss of any customer or charter or vessel, the financial condition of our customers, changes in the availability and costs of funding due to conditions in the bank market, capital markets and other factors, increases in costs and expenses, including but not limited to: crew, insurance, provisions, port expenses, lube oil, bunkers, repairs, maintenance and general and administrative expenses, 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, general domestic and international political conditions, competitive factors in the market in which Navios Partners operates; risks associated with operations outside the United States; and other factors listed from time to time in Navios Partners’ filings with the U.S. Securities and Exchange Commission, including its reports on Form 20-F and reports on Form 6-K. Navios Partners expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Navios Partners’ expectations with respect thereto or any change in events, conditions or circumstances on which any statement is based. Navios Partners makes no prediction or statement about the performance of its common units.

Recent Developments

Cash Distribution

The Board of Directors of Navios Partners declared a cash distribution for the second quarter of 2019 of \$0.30 per unit. The cash distribution is payable on August 9, 2019 to all unitholders of record as of August 6, 2019.

Financing Arrangements

On July 12, 2019, Navios Partners agreed to enter into a new credit facility with a commercial bank, for a total amount of up to \$140.0 million for refinancing eight drybulk vessels and five containerships. The credit facility has an amortization profile of 6.5 years, matures in August 2021 and bears interest at LIBOR plus 320 basis points (“bps”) per annum. The above facility is subject to signing of definitive documentation.

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On July 24, 2019, Navios Partners completed a \$22.0 million sale and leaseback transaction with unrelated third parties, for a 2011-built Capesize vessel. The sale and leaseback transaction has a duration of 11 years and an implied fixed interest rate of 6.3%. Navios Partners has the option to buy the vessel starting at the end of year five de-escalating to a \$6.3 million obligation at maturity.

On June 28, 2019, Navios Partners completed a \$7.5 million sale and leaseback transaction with unrelated third parties, for a 2006-built Panamax vessel. The sale and leaseback transaction has a duration of three years and an implied fixed interest rate of 6.1%. Navios Partners has the option to buy the vessel at the end of year three for a \$2.0 million obligation at maturity.

There are no financial covenants or loan-to-value requirements in connection with the sale and leaseback transactions.

Since January 1, 2019, Navios Partners has repaid \$113.2 million to the Term Loan B Facility.

Fleet Developments

On July 24, 2019, Navios Partners took delivery of the Navios Libra, a 2019-built Kamsarmax vessel of 82,011 dwt, for a 10-year bareboat charter-in agreement. Navios Partners has the option to acquire the vessel after the end of the fourth year.

Overview

Navios Partners is an international owner and operator of dry cargo vessels, formed on August 7, 2007 under the laws of the Republic of the Marshall Islands by Navios Maritime Holdings Inc. (“Navios Holdings”), a vertically integrated seaborne shipping and logistics company with over 60 years of operating history in the dry cargo shipping industry. Navios GP L.L.C. (the “General Partner”), a wholly owned subsidiary of Navios Holdings, was also formed on that date to act as the general partner of Navios Partners and received a 2.0% general partner interest in Navios Partners.

As of August 7, 2019, there were outstanding 10,983,710 common units and 230,524 general partnership units. Navios Holdings currently owns a 20.5% interest in Navios Partners, which includes the 2.1% general partner interest.

Fleet

Navios Partners’ fleet consists of 15 Panamax vessels, 14 Capesize vessels, three Ultra-Handymax vessels and five Containerships, including one Panamax charter-in vessel, delivered on July 24, 2019.

We generate revenues by charging our customers for the use of our vessels to transport their dry cargos. In general, the vessels in our fleet are chartered-out under time charters, which range in length up to twelve years at inception. From time to time, we operate vessels in the spot market until the vessels have been chartered under longer-term charters.

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The following table provides summary information about our fleet as of August 7, 2019:

<u>Owned Drybulk Vessels</u>	<u>Type</u>	<u>Built</u>	<u>Capacity (DWT)</u>	<u>Charter-Out Rate(1)</u>	<u>Profit Share(2)</u>	<u>Expiration Date(3)</u>
Navios Soleil	Ultra-Handymax	2009	57,337	\$ 11,970	No	September 2019
Navios La Paix	Ultra-Handymax	2014	61,485	\$ 10,809	No	September 2019
Navios Christine B	Ultra-Handymax	2009	58,058	—	111% average BSI 58 10TC	June 2020
Navios Hyperion	Panamax	2004	75,707	\$ 11,069	100% average BSI 58 10TC	January 2020
Navios Alegria	Panamax	2004	76,466	—	No	September 2019
Navios Orbiter	Panamax	2004	76,602	\$ 10,780	100% average BPI 4TC	October 2021
Navios Helios	Panamax	2005	77,075	\$ 10,876	99.5% average BPI 4TC	April 2020
Navios Sun	Panamax	2005	76,619	\$ 10,780	No	September 2019
Navios Hope	Panamax	2005	75,397	\$ 10,780	100% average BPI 4TC	February 2020
Navios Sagittarius	Panamax	2006	75,756	\$ 10,450	No	September 2019
Navios Harmony	Panamax	2006	82,790	\$ 10,925	No	October 2019
Navios Prosperity I	Panamax	2007	75,527	\$ 9,833	No	April 2020
Navios Libertas	Panamax	2007	75,511	\$ 10,450	No	January 2020
Navios Altair I	Panamax	2006	74,475	\$ 10,118	No	February 2020
Navios Symmetry	Panamax	2006	74,381	\$ 9,500	No	October 2019
Navios Apollon I	Panamax	2005	87,052	—	113% average BPI 4TC	October 2019
Navios Sphera	Panamax	2016	84,872	—	120% average BPI 4TC	April 2020
Navios Beaufiks	Capesize	2004	180,310	\$ 17,338	No	March 2021
Navios Symphony	Capesize	2010	178,132	—	102% average BCI 5TC	February 2020
Navios Fantastiks	Capesize	2005	180,265	\$ 18,911	No	August 2019
Navios Aurora II	Capesize	2009	169,031	—	100% average BCI 5TC	March 2023
Navios Pollux	Capesize	2009	180,727	—	99.05% average BCI C5	October 2019
Navios Sol	Capesize	2009	180,274	—	100% of pool earnings	October 2019
Navios Fulvia	Capesize	2010	179,263	—	108% average BCI 5TC	January 2020
Navios Buena Ventura	Capesize	2010	179,259	—	100.25% average BCI 5TC	January 2020
Navios Melodia	Capesize	2010	179,132	\$ 29,356	101% average BCI 5TC Profit sharing 50% above \$37,500/day based on Baltic Exchange Capesize TC Average	September 2022
Navios Luz	Capesize	2010	179,144	—	100% average BCI 5TC	January 2020
Navios Ace	Capesize	2011	179,016	—	107% average BCI 5TC	January 2020
Navios Aster	Capesize	2010	179,314	\$ 20,710	No	November 2019
Navios Joy	Capesize	2013	181,389	\$ 16,958	No	February 2020
Navios Mars	Capesize	2016	181,259	\$ 22,610	No	February 2022
<u>Chartered-in vessel</u>	<u>Type</u>	<u>Built</u>	<u>Capacity (DWT)</u>	<u>Charter-Out Rate(1)</u>	<u>Profit Share(2)</u>	<u>Expiration Date(3)</u>
Navios Libra	Panamax	2019	82,011	\$ 12,431	No	July 2020
				—	125% average BPI 4TC	July 2021

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Owned Containerhips	Type	Built	TEU	Charter-Out Rate(1)	Profit Share(2)	Expiration Date(3)(4)
Hyundai Hongkong	Containership	2006	6,800	\$ 24,095	No	December 2019
				\$ 30,119	No	December 2023
Hyundai Singapore	Containership	2006	6,800	\$ 24,095	No	December 2019
				\$ 30,119	No	December 2023
Hyundai Tokyo	Containership	2006	6,800	\$ 24,095	No	December 2019
				\$ 30,119	No	December 2023
Hyundai Shanghai	Containership	2006	6,800	\$ 24,095	No	December 2019
				\$ 30,119	No	December 2023
Hyundai Busan	Containership	2006	6,800	\$ 24,095	No	December 2019
				\$ 30,119	No	December 2023

- (1) Daily charter-out rate per day, net of commissions.
- (2) Index rates exclude commissions.
- (3) Expected redelivery basis midpoint of full redelivery period, excluding Navios Partners' extension options, not declared yet.
- (4) Upon acquisition, the vessels are fixed on ten/twelve year charters with Navios Partners' option to terminate after year seven.

Our Charters

We provide or will provide seaborne shipping services under long-term time charters with customers that we believe are creditworthy. For the six month period ended June 30, 2019, Hyundai Merchant Marine Co., Ltd. ("HMM"), Cargill International S.A. ("Cargill") and Swissmarine Asia Pte. Ltd. ("Swissmarine") represented approximately 29.9%, 10.8% and 10.3%, respectively, of total revenues. For the six month period ended June 30, 2018, two customers, HMM and Yang Ming Marine Transport Corporation ("Yang Ming") represented approximately 25.3% and 11.3%, respectively, of total revenues. No other customers accounted for 10% or more of total revenues for any of the periods presented.

Our revenues are driven primarily by the number of vessels in the fleet, the number of days during which such vessels operate and our charter hire rates, which, in turn, are affected by a number of factors, including:

- the duration of the charters;
- the level of spot and long-term market rates at the time of charters;
- decisions relating to vessel acquisitions and disposals;
- the amount of time spent positioning vessels;
- the amount of time that vessels spend in dry dock undergoing repairs and upgrades;
- the age, condition and specifications of the vessels; and
- the aggregate level of supply and demand in the dry cargo shipping industry.

Time charters are available for varying periods, ranging from a single trip (spot charter) to long-term which may be many years. In general, a long-term time charter assures the vessel owner of a consistent stream of revenue. Operating the vessel in the spot market affords the owner greater spot market opportunity, which may result in high rates when vessels are in high demand or low rates when vessel availability exceeds demand. We intend to operate our vessels in the long-term charter market. Vessel charter rates are affected by world economics, international events, weather conditions, strikes, governmental policies, supply and demand and many other factors that might be beyond our control. Please read "Risk Factors" in our 2018 Annual Report on Form 20-F for a discussion of certain risks inherent in our business.

We could lose a customer or the benefits of a charter if:

- the customer fails to make charter payments because of its financial inability, disagreements with us or otherwise;
- the customer exercises certain rights to terminate the charter of the vessel;

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- the customer terminates the charter because we fail to deliver the vessel within a fixed period of time, 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; or
- a prolonged force majeure event affecting the customer, including damage to or destruction of relevant production facilities, war or political unrest prevents us from performing services for that customer.

Under some of our time charters, either party may terminate the charter contract in the event of war in specified countries or in locations that would significantly disrupt the free trade of the vessel. Some of the time charters covering our vessels require us to return to the charterer, upon the loss of the vessel, all advances paid by the charterer but not earned by us.

Trends and Factors Affecting Our Future Results of Operations

We believe the principal factors that will affect our future results of operations are the economic, regulatory, political and governmental conditions that affect the shipping industry generally and that affect conditions in countries and markets in which our vessels engage in business. Please read “Risk Factors” in our 2018 Annual Report on Form 20-F for a discussion of certain risks inherent in our business.

Results of Operations

Overview

The financial condition and the results of operations presented for the three and six month periods ended June 30, 2019 and 2018 of Navios Partners presented discussed below include the following entities:

Company name	Vessel name	Country of incorporation	Statements of Operations	
			2019	2018
Libra Shipping Enterprises Corporation ⁽⁵⁾	Navios Libra II	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Alegria Shipping Corporation	Navios Alegria	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Felicity Shipping Corporation ⁽⁶⁾	Navios Felicity	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Gemini Shipping Corporation ⁽¹⁾	Navios Gemini S	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Galaxy Shipping Corporation ⁽⁸⁾	Navios Galaxy I	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Aurora Shipping Enterprises Ltd.	Navios Hope	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Palermo Shipping S.A. ⁽²⁾	Navios Apollon	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Fantastiks Shipping Corporation	Navios Fantastiks	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Sagittarius Shipping Corporation	Navios Sagittarius	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Hyperion Enterprises Inc.	Navios Hyperion	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Chilali Corp.	Navios Aurora II	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Surf Maritime Co.	Navios Pollux	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Pandora Marine Inc.	Navios Melodia	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Customized Development S.A.	Navios Fulvia	Liberia	1/01 – 6/30	1/01 – 6/30
Kohylia Shipmanagement S.A.	Navios Luz	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Orbiter Shipping Corp.	Navios Orbiter	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Floral Marine Ltd.	Navios Buena Ventura	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Golem Navigation Limited	Navios Soleil	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Kymata Shipping Co.	Navios Helios	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Joy Shipping Corporation	Navios Joy	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Micaela Shipping Corporation	Navios Harmony	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Pearl Shipping Corporation	Navios Sun	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Velvet Shipping Corporation	Navios La Paix	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Perigiali Navigation Limited	Navios Beaufiks	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Finian Navigation Co.	Navios Ace	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Ammos Shipping Corp.	Navios Prosperity I	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Wave Shipping Corp.	Navios Libertas	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Casual Shipholding Co.	Navios Sol	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Avery Shipping Company	Navios Symphony	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Coasters Ventures Ltd.	Navios Christine B	Marshall Is.	1/01 – 6/30	1/01 – 6/30

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Company name	Vessel name	Country of incorporation	Statements of Operations	
			2019	2018
Ianthe Maritime S.A.	Navios Aster	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Rubina Shipping Corporation	Hyundai Hongkong	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Topaz Shipping Corporation	Hyundai Singapore	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Beryl Shipping Corporation	Hyundai Tokyo	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Cheryl Shipping Corporation	Hyundai Shanghai	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Christal Shipping Corporation	Hyundai Busan	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Fairy Shipping Corporation ⁽³⁾	YM Utmost	Marshall Is.	—	1/01 – 6/30
Limestone Shipping Corporation ⁽³⁾	YM Unity	Marshall Is.	—	1/01 – 6/30
Dune Shipping Corp. ⁽⁴⁾	MSC Cristina	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Citrine Shipping Corporation	—	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Cavalli Navigation Inc.	—	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Seymour Trading Limited	Navios Altair I	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Goldie Services Company	Navios Symmetry	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Andromeda Shiptrade Limited	Navios Apollon I	Marshall Is.	1/01 – 6/30	1/29 – 6/30
Esmeralda Shipping Corporation	Navios Sphera	Marshall Is.	1/01 – 6/30	—
Triangle Shipping Corporation	Navios Mars	Marshall Is.	1/01 – 6/30	—
Chartered-in vessels				
Cavos Navigation Co. ⁽⁹⁾	Navios Libra	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Other				
Prosperity Shipping Corporation	—	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Aldebaran Shipping Corporation	—	Marshall Is.	1/01 – 6/30	1/01 – 6/30
JTC Shipping and Trading Ltd. ⁽⁷⁾	Holding Company	Malta	1/01 – 6/30	1/01 – 6/30
Navios Maritime Partners L.P.	N/A	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Navios Maritime Operating LLC.	N/A	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Navios Partners Finance (US) Inc.	Co-Borrower	Delaware	1/01 – 6/30	1/01 – 6/30
Navios Partners Europe Finance Inc.	Sub-Holding Company	Marshall Is.	1/01 – 6/30	1/01 – 6/30

- (1) The vessel was sold on December 21, 2017.
- (2) The vessel was sold on April 21, 2017.
- (3) The vessels were sold on July 2, 2018 (see Note 4 – Vessels, net).
- (4) The vessel was sold on January 12, 2017.
- (5) The vessel was sold on December 14, 2018 (see Note 4 – Vessels, net).
- (6) The vessel was sold on December 4, 2018 (see Note 4 – Vessels, net).
- (7) Not a vessel-owning subsidiary and only holds right to charter-in contracts.
- (8) The vessel was sold on April 23, 2019 (see Note 4 – Vessels, net).
- (9) The vessel was delivered on July 24, 2019 (see Note 18 – Subsequent Events).

The accompanying interim condensed consolidated financial statements of Navios Partners are unaudited, but, in the opinion of management, contain all adjustments necessary to present a fair statement of results, in all material respects, of Navios Partners' condensed consolidated financial position as of June 30, 2019 and the condensed consolidated results of operations for the three and six month periods ended June 30, 2019 and 2018. The footnotes are condensed as permitted by the requirements for interim financial statements and, accordingly, do not include information and disclosures required under U.S. GAAP for complete financial statements. All such adjustments are deemed to be of a normal, recurring nature. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in Navios Partners' Annual Report on Form 20-F for the year ended December 31, 2018.

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Fleet Employment Profile

The following table reflects certain key indicators of Navios Partners' core fleet performance for the three and six month periods ended June 30, 2019 and 2018.

	Three Month Period Ended June 30, 2019 (unaudited)	Three Month Period Ended June 30, 2018 (unaudited)	Six Month Period Ended June 30, 2019 (unaudited)	Six Month Period Ended June 30, 2018 (unaudited)
Available Days ⁽¹⁾	3,203	3,366	6,480	6,552
Operating Days ⁽²⁾	3,184	3,343	6,397	6,486
Fleet Utilization ⁽³⁾	99.40%	99.34%	98.71%	98.99%
Time Charter Equivalent Combined (per day) ⁽⁴⁾	\$ 14,130	\$ 16,472	\$ 13,664	\$ 16,295
Time Charter Equivalent Drybulk (per day) ⁽⁴⁾	\$ 11,389	\$ 12,898	\$ 10,917	\$ 12,592
Time Charter Equivalent Containers (per day) ⁽⁴⁾	\$ 30,684	\$ 31,779	\$ 30,593	\$ 31,740
Vessels operating at end of periods	36	39	36	39

- Available days:** Available days for the fleet represent total calendar days the vessels were in Navios Partners' possession for the relevant period after subtracting off-hire days associated with scheduled repairs, dry dockings or special surveys and ballast days relating to voyages. The shipping industry uses available days to measure the number of days in a relevant period during which a vessel is capable of generating revenues.
- Operating days:** Operating days are the number of available days in the relevant period less the aggregate number of days that the vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a relevant period during which vessels actually generate revenues.
- Fleet utilization:** Fleet utilization is the percentage of time that Navios Partners' vessels were available for revenue generating available days, and is determined by dividing the number of operating days during a relevant period by the number of available days during that period. The shipping industry uses fleet utilization to measure efficiency in finding employment for vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs, dry dockings or special surveys.
- TCE rate:** Time Charter Equivalent rate per day ("TCE") is defined as voyage and time charter revenues less voyage expenses during a period divided by the number of available days during the period. The TCE rate per day is a standard shipping industry performance measure used primarily to present the actual daily earnings generated by vessels on various types of charter contracts for the number of available days of the fleet.

FINANCIAL HIGHLIGHTS

The following table presents consolidated revenue and expense information for the three and six month periods ended June 30, 2019 and 2018.

	Three Month Period Ended June 30, 2019 (\$ '000) (unaudited)	Three Month Period Ended June 30, 2018 (\$ '000) (unaudited)	Six Month Period Ended June 30, 2019 (\$ '000) (unaudited)	Six Month Period Ended June 30, 2018 (\$ '000) (unaudited)
Time charter and voyage revenues	\$ 47,745	\$ 58,196	\$ 94,563	\$ 111,248
Time charter and voyage expenses	(2,484)	(2,758)	(6,013)	(4,488)
Direct vessel expenses	(1,530)	(1,544)	(3,113)	(3,169)
Management fees (entirely through related parties transactions)	(16,496)	(17,381)	(33,106)	(34,072)
General and administrative expenses	(6,515)	(5,513)	(10,528)	(9,044)
Depreciation and amortization	(13,240)	(14,355)	(26,732)	(29,272)
Vessel impairment losses	—	(37,860)	(7,345)	(37,860)
Interest expense and finance cost, net	(12,246)	(10,794)	(23,760)	(20,647)
Interest income	1,791	985	3,534	1,947
Other income	374	146	591	720
Other expense	(4,090)	(269)	(4,322)	(2,072)
Equity in net earnings of affiliated companies	168	1,614	185	2,654
Net loss	\$ (6,523)	\$ (29,533)	\$ (16,046)	\$ (24,055)
EBITDA (1)	\$ 18,699	\$ (3,825)	\$ 34,012	\$ 27,086
Adjusted EBITDA (1)	\$ 22,337	\$ 34,656	\$ 44,995	\$ 66,181
Operating Surplus (1)	\$ 6,207	\$ 19,783	\$ 11,909	\$ 37,243

- EBITDA, Adjusted EBITDA and Operating Surplus are non-GAAP financial measures. See "Reconciliation of EBITDA and Adjusted EBITDA to Net Cash from Operating Activities, EBITDA, Operating Surplus and Available Cash for Distribution" for a description of EBITDA, Adjusted EBITDA and Operating Surplus and a reconciliation of EBITDA, Adjusted EBITDA and Operating Surplus to the most comparable measure under U.S. GAAP.

Period over Period Comparisons

For the Three Month Period ended June 30, 2019 compared to the Three Month Period ended June 30, 2018

Time charter and voyage revenues: Time charter and voyage revenues for the three month period ended June 30, 2019 decreased by \$10.5 million, or 18.0%, to \$47.7 million, as compared to \$58.2 million for the same period in 2018. The decrease in time charter and voyage revenues was mainly attributable to: (i) the decrease in revenue due to the sales of the YM Unity and the YM Utmost in July 2018, the Navios Felicity and the Navios Libra II in December 2018 and the Navios Galaxy I in April 2019; and (ii) the decrease in the TCE rate, to \$14,130 per day for the three month period ended June 30, 2019, from \$16,472 per day for the three month period ended June 30, 2018. That decrease was partially mitigated by the increase in revenue following the acquisition of the Navios Mars and the Navios Sphera in August 2018. The available days of the fleet decreased to 3,203 days for the three month period ended June 30, 2019, as compared to 3,366 days for the three month period ended June 30, 2018, mainly due to the decrease of the fleet.

Time charter and voyage expenses: Time charter and voyage expenses for the three month period ended June 30, 2019 amounted to \$2.5 million, as compared to \$2.8 million for the three month period ended June 30, 2018. The decrease was mainly attributable to a: (i) \$0.2 million decrease in brokers' commissions; and (ii) \$0.1 million decrease in bunkers expenses.

Direct vessel expenses: Direct vessel expenses, comprising of the amortization of dry dock and special survey costs of certain vessels in our fleet amounted to \$1.5 million for each of the three month periods ended June 30, 2019 and 2018.

Management fees: Management fees for the three month period ended June 30, 2019, decreased by \$0.9 million, or 5.1%, to \$16.5 million, as compared to \$17.4 million for the same period in 2018. The decrease was mainly attributable to a: (i) \$1.3 million decrease in management fees due to the sale of the YM Unity and the YM Utmost in July 2018; and (ii) \$1.1 million decrease in management fees due to the sale of the Navios Felicity and the Navios Libra II in December 2018 and the Navios Galaxy I in April 2019. The above decrease was partially mitigated by a \$1.5 million increase in management fees paid to the Manager mainly due to the delivery of five vessels in the second and third quarters of 2018.

General and administrative expenses: General and administrative expenses increased by \$1.0 million to \$6.5 million for the three month period ended June 30, 2019, as compared to \$5.5 million for the three month period ended June 30, 2018. The increase was mainly due to a: (i) \$0.6 million net increase in legal and professional fees, as well as audit fees and other administrative expenses; (ii) \$0.2 million increase in administrative fees paid to the Manager; and (iii) \$0.3 million increase in compensation to the directors and/ or officers of the Company. The above increase was partially mitigated by a \$0.1 million decrease in equity compensation expense.

Depreciation and amortization: Depreciation and amortization amounted to \$13.2 million for the three month period ended June 30, 2019, as compared to \$14.4 million for the three month period ended June 30, 2018. The decrease of \$1.1 million was mainly attributable to a: (i) \$1.1 million decrease in depreciation expense due to the sale of the Navios Libra II and the Navios Felicity in December 2018 and the Navios Galaxy I in April 2019; (ii) \$0.7 million decrease in amortization of the Navios Sagittarius favorable lease intangible which was fully amortized during the fourth quarter of 2018; and (iii) \$0.3 million decrease in depreciation expense due to the sale of the YM Unity and the YM Utmost in July 2018. The above decrease was partially mitigated by a \$1.0 million increase in depreciation expense due to the delivery of five vessels in 2018. Depreciation of vessels is calculated using an estimated useful life of 25 and 30 years for drybulk vessels and containerships, respectively, from the date the vessel was originally delivered from the shipyard. Intangible assets are amortized over the contract periods, which range from one to twelve years, at inception.

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Vessel impairment losses: There was no impairment loss for the three month period ended June 30, 2019. As of June 30, 2018, an impairment loss of \$37.9 million was recorded in relation to the YM Unity and the YM Utmost in the condensed Consolidated Statements of Operations. The vessels were sold on July 2, 2018 (see Note 4 — Vessels, net).

Interest expense and finance cost, net: Interest expense and finance cost, net for the three month period ended June 30, 2019 increased by \$1.5 million or 13.5% to \$12.2 million, as compared to \$10.8 million for the three month period ended June 30, 2018. The increase was mainly due to: (i) an increase of the weighted average interest rate for the three month period ended June 30, 2019 to 7.13% from 6.87% for the same period in 2018; and (ii) a \$1.5 million write-off of the deferred finance fees and debt discount following the \$73.5 million prepayments of the Term Loan B Facility in the second quarter 2019. Navios Partners' average loan balance of \$491.9 million for the three month period ended June 30, 2019 as compared to \$506.7 million for the same period of 2018.

Interest income: Interest income increased by \$0.8 million to \$1.8 million for the three month period ended June 30, 2019, as compared to \$1.0 million for the three month period ended June 30, 2018. The increase of \$0.8 million was mainly attributable to an increase of the interest income accrued under the loans granted to Navios Europe Inc. ("Navios Europe I") and Navios Europe II Inc. ("Navios Europe II").

Other income: Other income for the three month period ended June 30, 2019 amounted to \$0.4 million, as compared to \$0.1 million for the three month period ended June 30, 2018.

Other expense: Other expense for the three month period ended June 30, 2019 amounted to \$4.1 million as compared to \$0.3 million for the three month period ended June 30, 2018. The increase of \$3.8 million was mainly attributable to a: (i) \$3.6 million change in estimate of the guarantee claim receivable; and (ii) \$0.2 million net increase in other miscellaneous expenses.

Equity in net earnings of affiliated companies: Equity in net earnings of affiliated companies for the three month period ended June 30, 2019 amounted to \$0.2 million as compared to \$1.6 million for the three month period ended June 30, 2018. The amounts consisted of the income related to the investment in Navios Maritime Containers L.P. ("Navios Containers").

Net loss: Net loss for the three month period ended June 30, 2019 amounted to \$6.5 million as compared to \$29.5 million net loss for the three month period ended June 30, 2018. The decrease in net loss of \$23.0 million was due to the factors discussed above.

Operating surplus: Navios Partners generated Operating Surplus for the three month period ended June 30, 2019 of \$6.2 million, as compared to \$19.8 million for the three month period ended June 30, 2018. Operating Surplus is a non-GAAP financial measure used by certain investors to assist in evaluating a partnership's ability to make quarterly cash distributions (See "Reconciliation of EBITDA and Adjusted EBITDA to Net Cash from Operating Activities, EBITDA, Operating Surplus and Available Cash for Distribution" contained herein).

For the Six Month Period ended June 30, 2019 compared to the Six Month Period ended June 30, 2018

Time charter and voyage revenues: Time charter and voyage revenues for the six month period ended June 30, 2019 decreased by \$16.7 million, or 15.0%, to \$94.6 million, as compared to \$111.2 million for the same period in 2018. The decrease in time charter and voyage revenues was mainly attributable to: (i) the decrease in revenue due to the sales of the YM Unity and the YM Utmost in July 2018, the Navios Felicity and the Navios Libra II in December 2018 and the Navios Galaxy I in April 2019; and (ii) the decrease in the TCE rate, to \$13,664 per day for the six month period ended June 30, 2019, from \$16,295 per day for the six month period ended June 30, 2018. That decrease was partially mitigated by the increase in revenue following the acquisition of the Navios Mars and the Navios Sphera in August 2018. The available days of the fleet decreased to 6,480 days for the six month period ended June 30, 2019, as compared to 6,552 days for the six period ended June 30, 2018, mainly due to the decrease of the fleet.

Time charter and voyage expenses: Time charter and voyage expenses for the six month period ended June 30, 2019 increased by \$1.5 million to \$6.0 million, as compared to \$4.5 million for the six month period ended June 30, 2018. The increase was mainly attributable to a: (i) \$1.2 million increase in bunkers expenses; (ii) \$0.2 million increase in port expenses related to the freight voyages; and (iii) \$0.2 million net increase in other voyage expenses.

Direct vessel expenses: Direct vessel expenses, comprising of the amortization of dry dock and special survey costs of certain vessels in our fleet, amounted to \$3.1 million for the six month period ended June 30, 2019, as compared to \$3.2 million for the six month period ended June 30, 2018.

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Management fees: Management fees for the six month period ended June 30, 2019, decreased by \$1.0 million or 2.8% to \$33.1 million, as compared to \$34.1 million for the same period in 2018. The decrease was mainly attributable to a: (i) \$2.7 million decrease in management fees due to the sale of the YM Unity and the YM Utmost in July 2018; and (ii) \$1.9 million decrease in management fees due to the sale of the Navios Felicity and the Navios Libra II in December 2018 and the Navios Galaxy I in April 2019. The above decrease was partially mitigated by a \$3.6 million increase in management fees paid to the Manager mainly due to the delivery of five vessels in the second and third quarters of 2018.

General and administrative expenses: General and administrative expenses increased by \$1.5 million or 16.4% to \$10.5 million for the six month period ended June 30, 2019, as compared to \$9.0 million for the six month period ended June 30, 2018. The increase was mainly due to a: (i) \$0.3 million increase in compensation to the directors and/ or officers of the Company; (ii) \$0.8 million net increase in legal and professional fees, as well as audit fees and other administrative expenses; and (iii) \$0.5 million increase in administrative fees paid to the Manager. The above increase was partially mitigated by a \$0.2 million decrease in equity compensation expense.

Depreciation and amortization: Depreciation and amortization amounted to \$26.7 million for the six month period ended June 30, 2019, as compared to \$29.3 million for the six month period ended June 30, 2018. The decrease of \$2.5 million was mainly attributable to a: (i) \$1.9 million decrease in depreciation expense due to the sale of the Navios Libra II and the Navios Felicity in December 2018 and the Navios Galaxy I in April 2019; (ii) \$1.4 million decrease in depreciation expense due to the sale of the YM Unity and the YM Utmost in July 2018; and (iii) \$1.4 million decrease in amortization of the Navios Sagittarius favorable lease intangible which was fully amortized during the fourth quarter of 2018. The above decrease was partially mitigated by a \$2.2 million increase in depreciation expense due to the delivery of five vessels in 2018. Depreciation of vessels is calculated using an estimated useful life of 25 and 30 years for drybulk vessels and containerships, respectively, from the date the vessel was originally delivered from the shipyard. Intangible assets are amortized over the contract periods, which range from one to twelve years, at inception.

Vessel impairment losses: As of March 31, 2019, the Company had a current expectation that, more likely than not, the Navios Galaxy I would be sold before the end of its previously estimated useful life, and as a result performed an impairment test of the specific asset group and recorded an impairment loss of \$7.3 million. The vessel was sold on April 23, 2019. As of June 30, 2018, an impairment loss of \$37.9 million was recorded in relation to the YM Unity and the YM Utmost in the condensed Consolidated Statements of Operations. The vessels were sold on July 2, 2018 (see Note 4 — Vessels, net).

Interest expense and finance cost, net: Interest expense and finance cost, net for the six month period ended June 30, 2019 increased by \$3.1 million, or 15.1%, to \$23.8 million, as compared to \$20.6 million for the six month period ended June 30, 2018. The increase was mainly due to: (i) an increase of the weighted average interest rate for the six month period ended June 30, 2019 to 7.29% from 6.63% for the same period in 2018; and (ii) a \$1.5 million write-off of the deferred finance fees and debt discount following the \$73.5 million prepayments of the Term Loan B Facility in the second quarter 2019. Navios Partners' average loan balance of \$504.7 million for the six month period ended June 30, 2019 as compared to \$507.9 million for the same period of 2018.

Interest income: Interest income increased by \$1.6 million to \$3.5 million for the six month period ended June 30, 2019, as compared to \$1.9 million for the six month period ended June 30, 2018. The increase of \$1.6 million was mainly attributable to an increase of the interest income accrued under the loans granted to Navios Europe I and Navios Europe II.

Other income: Other income for the six month period ended June 30, 2019 amounted to \$0.6 million as compared to \$0.7 million for the six month period ended June 30, 2018.

Other expense: Other expense for the six month period ended June 30, 2019 amounted to \$4.3 million as compared to \$2.1 million for the six month period ended June 30, 2018. The increase of \$2.2 million was mainly attributable to a \$3.6 million change in estimate of the guarantee claim receivable. The above increase was partially mitigated by a \$1.4 million net decrease in other miscellaneous expenses.

Equity in net earnings of affiliated companies: Equity in net earnings of affiliated companies for the six month period ended June 30, 2019 amounted to \$0.2 million as compared to \$2.7 million for the six month period ended June 30, 2018. The amounts consisted of the income related to the investment in Navios Containers.

Net loss: Net loss for the six month period ended June 30, 2019 amounted to \$16.0 million as compared to \$24.1 million net loss for the six month period ended June 30, 2018. The decrease in net loss of \$8.0 million was due to the factors discussed above.

Operating surplus: Navios Partners generated Operating Surplus for the six month period ended June 30, 2019 of \$11.9 million, as compared to \$37.2 million for the six month period ended June 30, 2018. Operating Surplus is a non-GAAP financial measure used by certain investors to assist in evaluating a partnership's ability to make quarterly cash distributions (See "Reconciliation of EBITDA and Adjusted EBITDA to Net Cash from Operating Activities, EBITDA, Operating Surplus and Available Cash for Distribution" contained herein).

Liquidity and Capital Resources

In addition to distributions on our units, our primary short-term liquidity needs are to fund general working capital requirements, cash reserve requirements including those under our credit facilities and debt service, while our long-term liquidity needs primarily relate to expansion and investment capital expenditures and other maintenance capital expenditures and debt repayment. Expansion capital expenditures are primarily for the purchase or construction of vessels to the extent the expenditures increase the operating capacity of or revenue generated by our fleet, while maintenance capital expenditures primarily consist of drydocking expenditures and expenditures to replace vessels in order to maintain the operating capacity of or revenue generated by our fleet. Investment capital expenditures are those capital expenditures that are neither maintenance capital expenditures nor expansion capital expenditures. We anticipate that our primary sources of funds for our short-term liquidity needs will be cash flows from our equity offerings, operations, proceeds from asset sales, long-term bank borrowings and other debt raisings. As of June 30, 2019, Navios Partners' current assets totaled \$76.0 million, while current liabilities totaled \$32.2 million, resulting in a positive working capital position of \$43.9 million. Generally, our long-term sources of funds derive from cash from operations, long-term bank borrowings and other debt or equity financings to fund acquisitions and expansion and investment capital expenditures, including opportunities we may pursue under the Omnibus Agreement. We cannot assure you that we will be able to secure adequate financing or to obtain additional funds on favorable terms, to meet our liquidity needs.

Cash deposits and cash equivalents in excess of amounts covered by government provided insurance are exposed to loss in the event of non-performance by financial institutions. Navios Partners does maintain cash deposits and equivalents in excess of government provided insurance limits. Navios Partners also minimizes exposure to credit risk by dealing with a diversified group of major financial institutions.

Navios Partners' cash forecast indicates that it will generate sufficient cash to make the required principal and interest payments on its indebtedness, provide for the normal working capital requirements of the business and remain in a positive working capital position through twelve months from August 7, 2019.

Navios Partners may use funds to repurchase its outstanding common units and/or indebtedness from time to time. Repurchases may be made in the open market, or through privately negotiated transactions or otherwise, in compliance with applicable laws, rules and regulations, at prices and on terms Navios Partners deems appropriate and subject to its cash requirements for other purposes, compliance with the covenants under Navios Partners' credit facilities, and other factors management deems relevant.

In January 2019, the Board of Directors of Navios Partners authorized a common unit repurchase program for up to \$50.0 million of the Company's common units over a two year period. Common unit repurchases will be made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. The timing and amount of repurchases under the program will be determined by Navios Partners' management based upon market conditions and other factors. Repurchases may be made pursuant to a program adopted under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The program does not require any minimum repurchase or any specific number of common units and may be suspended or reinstated at any time in the Company's discretion and without notice. The Board of Directors will review the program periodically. Repurchases will be subject to restrictions under the Company's credit facilities. As of August 7, 2019, the Company has repurchased and cancelled 312,952 common units, on a split adjusted basis, at a total cost of approximately \$4.5 million.

Credit Facilities

Navios Partners' long-term borrowings are presented under the captions "Long-term financial liabilities, net", "Long-term debt, net", "Current portion of financial liabilities, net" and "Current portion of long-term debt, net". As of June 30, 2019 and December 31, 2018, total borrowings, net of deferred finance fees and debt discount amounted to \$485.1 million and \$507.5 million, respectively. The current portion of long-term borrowings, net amounted to \$11.7 million at June 30, 2019 and \$26.8 million at December 31, 2018.

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Term Loan B Facility: In June 2013, Navios Partners completed the issuance of the \$250.0 million Term Loan B Facility. On October 31, 2013 and November 1, 2013, Navios Partners completed the issuance of a \$189.5 million add-on to its existing Term Loan B Facility.

On March 14, 2017, Navios Partners completed the issuance of a new \$405.0 million Term Loan B Facility. The new Term Loan B Facility bears an interest rate of LIBOR plus 500 bps, it is set to mature on September 14, 2020 and is repayable in equal quarterly installments of 1.25% of the initial principal amount of the Term Loan B Facility. Navios Partners used the net proceeds of the new Term Loan B Facility to: (i) refinance the existing Term Loan B Facility; and (ii) pay fees and expenses related to the new Term Loan B Facility. Following the refinancing of the Term Loan B Facility, an amount of \$1.9 million and \$1.3 million, was written-off from the deferred finance fees and discount, respectively. On August 10, 2017, Navios Partners completed the issuance of a \$53.0 million add-on to its existing Term Loan B Facility. The add-on to the new Term Loan B Facility bore the same terms as the Term Loan B Facility. Navios Partners used the net proceeds to partially finance the acquisition of three vessels.

The Term Loan B Facility is secured by first priority mortgages covering certain vessels owned by subsidiaries of Navios Partners, in addition to other collateral and guaranteed by each subsidiary of Navios Partners.

The Term Loan B Facility requires maintenance of a loan to value ratio of 0.8 to 1.0, and other restrictive covenants customary for facilities of this type (subject to negotiated exceptions and baskets), including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The Term Loan B Facility also provides for customary events of default, prepayment and cure provisions.

During the year ended December 31, 2018, four drybulk vessels were released from security of the Term Loan B Facility and in exchange, five drybulk vessels and \$2.0 million in cash substituted the released vessels, as collateral to the Term Loan B Facility. In April and May 2019, Navios Partners prepaid \$73.5 million and released five vessels from the collateral package of the Term Loan B Facility. Following these prepayments, an amount of \$0.5 million and \$1.0 million was written-off from the deferred finance fees and discount, respectively. As of June 30, 2019, the outstanding balance of the Term Loan B Facility was \$335.5 million, net of discount of \$3.8 million. In July 2019, Navios Partners prepaid an additional \$34.0 million and two drybulk vessels were released from the collateral package of the Term Loan B Facility. Following these prepayments, there are no installments due and the outstanding balance of \$305.3 million is fully repayable on the final maturity date. The final maturity date is September 14, 2020.

BNP Credit Facility: On June 26, 2017, Navios Partners entered into a new credit facility with BNP PARIBAS (the “BNP Credit Facility”) of up to \$32.0 million (divided into two tranches) in order to partially finance the acquisition of the Navios Ace and the Navios Sol. On June 28, 2017, the first tranche of BNP Credit Facility of \$17.0 million was drawn. On July 18, 2017, the second tranche of BNP Credit Facility of \$15.0 million was drawn. On December 13, 2018, Navios Partners repaid the outstanding balance of the first tranche in the amount of \$15.1 million. Following this repayment, an amount of \$0.1 million was written-off from the deferred finance fees. On April 9, 2019, Navios Partners amended the existing BNP Credit Facility, in order to refinance two vessels and replace the existing collateral under the BNP Credit Facility. As of June 30, 2019, the outstanding balance of the BNP Credit Facility was \$11.9 million and is repayable in nine equal consecutive quarterly installments of \$0.6 million each, with a final balloon payment of \$6.8 million to be repaid on the last repayment date. The facility matures in the third quarter of 2021 and bears interest at LIBOR plus 300 bps per annum.

DVB Credit Facilities: On June 28, 2017, Navios Partners entered into a new credit facility with DVB Bank S.E. (the “DVB Credit Facility”) of up to \$39.0 million (divided into four tranches) in order to refinance the Commerzbank/DVB Credit Facility dated July 2012 and an additional amount of \$7.0 million to partially finance the acquisition of the Navios Prosperity I. The amounts of \$7.0 million and \$32.0 million were drawn on June 30, 2017 and November 3, 2017, respectively. On July 2, 2018, Navios Partners repaid the outstanding balance of the three tranches in the amount of \$20.2 million. Following this repayment, an amount of \$0.2 million was written-off from the deferred finance fees. On April 15, 2019, Navios Partners fully repaid the outstanding balance of \$12.3 million. Following this repayment, an amount of \$0.1 million was written-off from the deferred finance fees.

On July 31, 2018, Navios Partners entered into a new credit facility with DVB Bank S.E. (the “DVB \$44m Credit Facility”) of up to \$44.0 million (divided into two tranches) in order to finance the acquisition of the Navios Sphera and the Navios Mars. The amounts of \$26.5 million and \$17.5 million were drawn on August 30, 2018. As of June 30, 2019, the outstanding balance of the DVB \$44m Credit Facility was \$41.6 million and is repayable in 17 equal consecutive quarterly installments of \$0.8 million each, with a final balloon payment of \$28.1 million to be repaid on the last repayment date. The facility matures in the third quarter of 2023 and bears interest at LIBOR plus 290 bps per annum.

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On February 12, 2019, Navios Partners entered into a new credit facility with DVB Bank S.E. (the “February 2019 Credit Facility”) of up to \$66.0 million (divided into four tranches) in order to refinance the DVB Credit Facility dated June 28, 2017 and three Capesize vessels previously included in the Term Loan B collateral package. On April 15, 2019, Navios Partners drew the two tranches of \$15.7 million each. As of June 30, 2019, the outstanding balance of the DVB Credit Facility was \$31.4 million and is repayable in eight quarterly installments of \$1.1 million each and 12 quarterly installments of \$0.9 million each, with a final balloon payment of \$11.4 million each, to be repaid on the last repayment date. The facility matures in the first quarter of 2024 and bears interest at LIBOR plus 260 bps per annum.

Nordea/Skandinaviska Enskilda/NIBC Credit Facility: On March 26, 2018, Navios Partners entered into a new credit facility with Nordea Bank AB, Skandinaviska Enskilda Banken AB and NIBC Bank N.V. (the “March 2018 Credit Facility”) of up to \$14.3 million (divided into two tranches) in order to partially finance the acquisition of the Navios Altair I and the Navios Symmetry. On May 18, 2018, the first tranche of the March 2018 Credit Facility of \$7.15 million was drawn. On June 1, 2018 the second tranche of the March 2018 Credit Facility of \$7.15 million was drawn. On December 13, 2018, Navios Partners repaid the outstanding balance of the second tranche in the amount of \$6.6 million. Following this repayment, an amount of \$0.1 million was written-off from the deferred finance fees. As of June 30, 2019, the outstanding balance of the March 2018 Credit Facility was \$6.0 million and is repayable in 16 equal consecutive quarterly installments of \$0.3 million each, with a final balloon payment of \$1.2 million to be repaid on the last repayment date. The facility matures in the second quarter of 2023 and bears interest at LIBOR plus 300 bps per annum.

NIBC Credit Facility: On December 28, 2018, Navios Partners entered into a new credit facility with NIBC Bank N.V. (the “December 2018 Credit Facility”) of up to \$28.5 million (divided into three tranches) in order to refinance three Ultra-Handymax vessels. On May 8, 2019, the first tranche of the December 2018 Credit Facility of approximately \$11.9 million was drawn. As of June 30, 2019, the outstanding balance of the December 2018 Credit Facility was \$11.9 million and is repayable in 18 equal consecutive quarterly installments of \$0.25 million each, with a final balloon payment of \$7.4 million to be repaid on the last repayment date. The facility matures in the fourth quarter of 2023 and bears interest at LIBOR plus 275 bps over annum.

DNB Credit Facility: On April 5, 2019, Navios Partners entered into a new credit facility with DNB Bank ASA (the “April 2019 Credit Facility”) of up to \$40.0 million (divided into two tranches) in order to refinance two Capesize vessels. The credit facility has a term of approximately five years and bears interest at LIBOR plus 275 bps per annum. As of the filing of this Report, no amount had been drawn under this facility.

CACIB Credit Facility: On July 4, 2019, Navios Partners entered into a new credit facility with Credit Agricole Corporate and Investment Bank (“CACIB”), (the “July 2019 Credit Facility”) of up to \$52.8 million (divided into four tranches) in order to refinance three Capesize vessels and one Panamax vessel. The credit facility has a term of approximately six years and bears interest at LIBOR plus 275 bps per annum. As of the filing of this Report, no amount had been drawn under this facility.

Amounts drawn under the credit facilities are secured by first preferred mortgages on certain Navios Partners’ vessels and other collateral and are guaranteed by the respective vessel-owning subsidiaries. The credit facilities contain a number of restrictive covenants that prohibit or limit Navios Partners from, among other things: incurring or guaranteeing indebtedness; entering into affiliate transactions; charging, pledging or encumbering the vessels; changing the flag, class, management or ownership of Navios Partners’ vessels; changing the commercial and technical management of Navios Partners’ vessels; selling or changing the beneficial ownership or control of Navios Partners’ vessels; not maintaining Navios Holdings’ (or its affiliates) ownership in Navios Partners of at least 15.0%; and subordinating the obligations under the credit facilities to any general and administrative costs relating to the vessels, including the fixed daily fee payable under the management agreement.

The credit facilities require compliance with a number of financial covenants, including: (i) maintain a required security amount ranging over 120% to 135%; (ii) minimum free consolidated liquidity in an amount equal to at least \$0.5 million to \$0.7 million per owned vessel; (iii) maintain a ratio of EBITDA to interest expense of at least 2.00:1.00; (iv) maintain a ratio of total liabilities or total debt to total assets (as defined in our credit facilities) ranging of less than 0.75; and (v) maintain a minimum net worth to \$135.0 million.

It is an event of default under the credit facilities if such covenants are not complied with in accordance with the terms and subject to the prepayments or cure provisions of the facilities.

As of June 30, 2019, Navios Partners was in compliance with the financial covenants and/or the prepayments and/or the cure provisions, as applicable, in each of its credit facilities.

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Financial Liabilities: In December 2018, the Company entered into two sale and leaseback agreements of \$25.0 million in total, with unrelated third parties for the Navios Fantastiks and the Navios Beaufiks. Navios Partners has a purchase obligation to acquire the vessels at the end of the lease term and under ASC 842-40, the transfer of the vessels was determined to be a failed sale. In accordance with ASC 842-40, the Company did not derecognize the respective vessels from its balance sheet and accounted for the amounts received under the sale and leaseback agreements as a financial liability. Navios Partners is obligated to make 69 and 60 consecutive monthly payments of approximately \$0.16 million each, commencing as of December 2018. As of June 30, 2019, the outstanding balance under the sale and leaseback agreements of the Navios Fantastiks and the Navios Beaufiks was \$23.9 million in total. The agreements mature in the third quarter of 2024 and fourth quarter of 2023, respectively, with a purchase obligation of \$6.3 million per vessel on the last repayment date.

On April 5, 2019, the Company entered into a new sale and leaseback agreement of \$20.0 million, with unrelated third parties for the Navios Sol, a 2009-built Capesize vessel of 180,274 dwt. Navios Partners has a purchase obligation to acquire the vessel at the end of the lease term and under ASC 842-40, the transfer of the vessel was determined to be a failed sale. Navios Partners is obligated to make 120 consecutive monthly payments of approximately \$0.19 million each, commencing as of April 2019. On April 11, 2019, the amount of \$20.0 million was drawn. As of June 30, 2019, the outstanding balance under the sale and leaseback agreement of the Navios Sol was \$19.7 million in total. The agreement matures in the second quarter of 2029, with a purchase obligation of \$6.3 million on the last repayment date.

On June 7, 2019, the Company entered into a new sale and leaseback agreement of \$7.5 million, with unrelated third parties for the Navios Sagittarius, a 2006-built Panamax vessel of 75,756 dwt. Navios Partners has a purchase obligation to acquire the vessel at the end of the lease term and under ASC 842-40, the transfer of the vessel was determined to be a failed sale. Navios Partners is obligated to make 36 consecutive monthly payments of approximately \$0.18 million each, commencing as of June 2019. On June 28, 2019, the amount of \$7.5 million was drawn. As of June 30, 2019, the outstanding balance under the sale and leaseback agreement of the Navios Sagittarius was \$7.4 million in total. The agreement matures in the second quarter of 2022, with a purchase obligation of \$2.0 million on the last repayment date.

On July 2, 2019, the Company entered into a new sale and leaseback agreement of \$22.0 million, with unrelated third parties for the Navios Ace, a 2011-built Capesize vessel of 179,016 dwt. Navios Partners has a purchase obligation to acquire the vessel at the end of the lease term and under ASC 842-40, the transfer of the vessel was determined to be a failed sale. Navios Partners is obligated to make 132 consecutive monthly payments of approximately \$0.2 million each, commencing as of July 2019. On July 24, 2019, the amount of \$22.0 million was drawn. The agreement matures in the second quarter of 2030 with a purchase obligation of \$6.3 million on the last repayment date.

The following table presents cash flow information derived from the unaudited condensed consolidated statements of cash flows of Navios Partners for the six month periods ended June 30, 2019 and 2018.

	Six Month Period Ended June 30, 2019 (\$ '000) (unaudited)	Six Month Period Ended June 30, 2018 (\$ '000) (unaudited)
Net cash provided by operating activities	\$ 14,426	\$ 31,254
Net cash used in investing activities	(1,636)	(48,401)
Net cash (used in)/provided by financing activities	(39,025)	28,193
(Decrease)/ increase in cash, cash equivalents and restricted cash	\$ (26,235)	\$ 11,046

Cash provided by operating activities for the six month period ended June 30, 2019 as compared to the cash provided by operating activities for the six month period ended June 30, 2018

Net cash provided by operating activities decreased by \$16.8 million to \$14.4 million of cash provided by the operating activities for the six month period ended June 30, 2019, as compared to \$31.3 million of cash provided by the operating activities for the same period in 2018. In determining net cash provided by operating activities, net loss is adjusted for the effects of certain non-cash items as discussed below.

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The aggregate adjustments to reconcile net loss to net cash provided by operating activities was a \$36.2 million non-cash gain for the six month period ended June 30, 2019, which consisted mainly of the following adjustments: \$26.7 million depreciation and amortization, \$7.3 million impairment loss in relation to the sale of the Navios Galaxy I, \$6.3 million non-cash accrued interest income and amortization of deferred revenue, \$0.1 million non-cash accrued interest income from receivable from affiliates, \$4.6 million amortization and write-off of deferred finance costs and discount, \$3.1 million amortization of deferred dry dock and special survey costs, \$0.2 million equity in net earnings of affiliated companies and \$1.0 million equity compensation expense.

The net cash outflow resulting from the change in operating assets and liabilities of \$5.7 million for the six month period ended June 30, 2019 resulted from a \$5.8 million increase in prepaid expenses and other assets, a \$0.8 million decrease in accounts payable and \$5.4 million in payments for dry dock and special survey costs. This was partially mitigated by a \$4.0 million decrease in accounts receivable, a \$0.6 million increase in accrued expenses, a \$0.3 million increase in deferred revenue and a \$1.2 million decrease in amounts due from related parties, consisting of management fees and drydocking expenses including amounts needed for compliance with IMO regulations prepaid to Navios Holdings in accordance with the Management and Administrative Service agreements and the Navios Holdings Guarantee.

The aggregate adjustments to reconcile net loss to net cash provided by operating activities was a \$66.2 million non-cash gain for the six month period ended June 30, 2018, which consisted mainly of the following adjustments: \$29.3 million depreciation and amortization, \$37.9 million impairment loss in relation to the sale of the YM Unity and the YM Utmost, \$6.2 million non-cash accrued interest income and amortization of deferred revenue, \$0.1 million non-cash interest income from receivable from affiliates, \$3.6 million amortization and write-off of deferred finance costs and discount, \$3.2 million amortization of deferred dry dock and special survey costs, \$2.7 million equity in net earnings of affiliated companies and \$1.2 million equity compensation expense. The net cash outflow resulting from the change in operating assets and liabilities of \$9.8 million for the six month period ended June 30, 2018 resulted from a \$1.5 million increase in prepaid expenses and other assets, a \$1.9 million decrease in accrued expenses, a \$10.4 million increase in amounts due from related parties, consisting of management fees and drydocking expenses including amounts needed for compliance with IMO regulations prepaid to Navios Holdings in accordance with the Management and Administrative Service agreements and the Navios Holdings Guarantee and \$1.0 million in payments for drydock and special survey costs. This was partially mitigated by a \$3.1 million decrease in accounts receivable and a \$0.8 million increase in deferred revenue.

Cash used in investing activities for the six month period ended June 30, 2019 as compared to the cash used in investing activities for the six month period ended June 30, 2018

Net cash used in investing activities decreased by \$46.8 million to \$1.6 million outflow for the six month period ended June 30, 2019, as compared to \$48.4 million outflow for the same period in 2018.

Cash used in investing activities of \$1.6 million for the six month period ended June 30, 2019 was mainly due to a: (i) \$6.0 million payments relating to capitalized expenses of our fleet; and (ii) \$4.0 million loan granted to Navios Europe I. This was partially mitigated by a \$6.0 million of proceeds from the sale of the Navios Galaxy I and \$2.3 million of proceeds from the note receivable related to the sale of the MSC Cristina.

Cash used in investing activities of \$48.4 million for the six month period ended June 30, 2018 was mainly due to: (i) \$36.3 million paid for the acquisition of the Navios Apollon I, the Navios Symmetry and the Navios Altair I, delivered within the second quarter of 2018; and (ii) \$14.5 million investment in Navios Containers on March 13, 2018. The above decrease was partially mitigated by \$2.3 million of proceeds from the note receivable related to the sale of the MSC Cristina.

Cash used in financing activities for the six month period ended June 30, 2019 as compared to cash provided by financing activities for the six month period ended June 30, 2018

Net cash used in financing activities increased by \$67.2 million to \$39.0 million outflow for the six month period ended June 30, 2019, as compared to \$28.2 million inflow for the same period in 2018.

Cash used in financing activities of \$39.0 million for the six month period ended June 30, 2019 was due to: (i) payment of a total cash distribution of \$6.8 million; (ii) loans and financial liabilities repayments of \$96.7 million; (iii) a payment of \$1.7 million of deferred finance fees relating to the new credit facilities and sale and leaseback agreements; and (iv) a payment of \$4.5 million for acquisition of treasury stock. This was partially offset by \$70.8 million of proceeds from the December 2018 Credit Facility, the February 2019 Credit Facility and the financial liabilities of the Navios Sol and the Navios Sagittarius.

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Cash provided by financing activities of \$28.2 million for the six month period ended June 30, 2018 was due to: (i) \$34.2 million of proceeds from the issuance of 1,228,133 common units and 25,064 additional general partner units, on a split adjusted basis, net of offering costs, related to the public offering in February 21, 2018; and (ii) \$14.3 million of proceeds from the March 2018 Credit Facility. This was partially offset by: (i) loan repayments of \$16.7 million; (ii) payment of a total cash distribution of \$3.4 million; and (iii) a payment of \$0.2 million of deferred finance fees relating to the March 2018 Credit Facility.

Reconciliation of EBITDA and Adjusted EBITDA to Net Cash from Operating Activities, EBITDA, Operating Surplus and Available Cash for Distribution

	Three Month Period Ended June 30, 2019 (\$ '000) (unaudited)	Three Month Period Ended June 30, 2018 (\$ '000) (unaudited)	Six Month Period Ended June 30, 2019 (\$ '000) (unaudited)	Six Month Period Ended June 30, 2018 (\$ '000) (unaudited)
Net cash provided by operating activities	\$ 3,943	\$ 24,827	\$ 14,426	\$ 31,254
Net increase/ (decrease) in operating assets	7,538	(1,953)	5,902	9,803
Net (increase)/ decrease in operating liabilities	(3,119)	(908)	(180)	1,061
Net interest cost	10,455	9,809	20,226	18,700
Amortization and write-off of deferred financing cost	(2,970)	(1,921)	(4,633)	(3,631)
Non cash accrued interest income and amortization of deferred revenue	3,132	3,121	6,303	6,208
Equity compensation expense	(519)	(621)	(1,013)	(1,235)
Vessels impairment loss	—	(37,860)	(7,345)	(37,860)
Non cash accrued interest income from receivable from affiliates	71	67	141	132
Equity in earnings of affiliates, net of dividends received	168	1,614	185	2,654
EBITDA⁽¹⁾	\$ 18,699	\$ (3,825)	\$ 34,012	\$ 27,086
Change in estimate of guarantee claim receivable	3,638	—	3,638	—
Equity compensation expense	—	621	—	1,235
Vessels impairment loss	—	37,860	7,345	37,860
Adjusted EBITDA	\$ 22,337	\$ 34,656	\$ 44,995	\$ 66,181
Cash interest income	156	213	372	331
Cash interest paid	(9,026)	(8,729)	(18,724)	(16,850)
Maintenance and replacement capital expenditures	(7,260)	(6,357)	(14,734)	(12,419)
Operating Surplus	\$ 6,207	\$ 19,783	\$ 11,909	\$ 37,243
Cash distribution paid relating to the first quarter	—	—	(3,364)	(3,420)
Cash reserves	(2,843)	(16,363)	(5,181)	(30,403)
Available cash for distribution	\$ 3,364	\$ 3,420	\$ 3,364	\$ 3,420

(1)

	Three Month Period Ended June 30, 2019 (\$ '000) (unaudited)	Three Month Period Ended June 30, 2018 (\$ '000) (unaudited)	Six Month Period Ended June 30, 2019 (\$ '000) (unaudited)	Six Month Period Ended June 30, 2018 (\$ '000) (unaudited)
Net cash provided by operating activities	\$ 3,943	\$ 24,827	\$ 14,426	\$ 31,254
Net cash provided by/ (used in) investing activities	\$ 3,739	\$ (34,766)	\$ (1,636)	\$ (48,401)
Net cash (used in)/ provided by financing activities	\$ (22,814)	\$ 2,257	\$ (39,025)	\$ 28,193

EBITDA and Adjusted EBITDA

EBITDA represents net (loss)/ income attributable to Navios Partners' unitholders before interest and finance costs, before depreciation and amortization (including intangible accelerated amortization) and income taxes. Adjusted EBITDA represents EBITDA before vessel impairment losses and change in estimate of the guarantee claim receivable. Navios Partners uses Adjusted EBITDA as a liquidity measure and reconcile EBITDA and Adjusted EBITDA to net cash provided by operating activities, the most comparable U.S. GAAP liquidity measure. EBITDA in this document is calculated as follows: net cash provided by operating activities adding back, when applicable and as the case may be, the effect of: (i) net increase/ (decrease) in operating assets; (ii) net (increase)/ decrease in operating liabilities; (iii) net interest cost; (iv) amortization and write-off of deferred financing cost; (v) equity in net earnings of affiliated companies; (vi) impairment charges; (vii) non-cash accrued interest income and amortization of deferred revenue; (viii) equity compensation expense; and (ix) non-cash accrued interest income from receivable from affiliates. Navios Partners believes that EBITDA and Adjusted EBITDA are each the basis upon which liquidity can be assessed and presents useful information to investors regarding Navios Partners' ability to service and/or incur indebtedness, pay capital expenditures, meet working capital requirements and make cash distributions. Navios Partners also believes that EBITDA and Adjusted EBITDA are used: (i) by potential lenders to evaluate potential transactions; (ii) to evaluate and price potential acquisition candidates; and (iii) by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

EBITDA and Adjusted EBITDA have limitations as an analytical tool, and should not be considered in isolation or as a substitute for the analysis of Navios Partners' results as reported under U.S. GAAP. Some of these limitations are: (i) EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, working capital needs; and (ii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future. EBITDA and Adjusted EBITDA do not reflect any cash requirements for such capital expenditures. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as a principal indicator of Navios Partners' performance. Furthermore, our calculation of EBITDA and Adjusted EBITDA may not be comparable to that reported by other companies due to differences in methods of calculation.

EBITDA for the three month period ended June 30, 2019 was negatively affected by the accounting effect of a \$3.6 million change in estimate of the guarantee claim receivable. EBITDA for the three month period ended June 30, 2018 was negatively affected by the accounting effect of a: (i) \$37.9 million impairment loss on the sale of the YM Unity and the YM Utmost; and (ii) \$0.6 million equity compensation expense. Excluding these items, Adjusted EBITDA decreased by \$12.3 million to \$22.3 million for the three month period ended June 30, 2019, as compared to \$34.7 million for the same period in 2018. The decrease in Adjusted EBITDA was primarily due to a: (i) \$10.5 million decrease in revenue; (ii) \$1.6 million increase in general and administrative expenses; (iii) \$0.2 million increase in other expenses; and (iv) \$1.4 million decrease in equity in net earnings of affiliated companies. The above decrease was partially mitigated by a: (i) \$0.3 million decrease in time charter and voyage expenses; (ii) \$0.9 million decrease in management fees; and (iii) \$0.2 million increase in other income.

EBITDA for the six month period ended June 30, 2019 was negatively affected by the accounting effect of a: (i) \$7.3 million impairment loss on the sale of the Navios Galaxy I; and (ii) \$3.6 million revision of the estimated guarantee claim receivable. EBITDA for the six month period ended June 30, 2018 was negatively affected by the accounting effect of a: (i) \$37.9 million impairment loss on the sale of the YM Unity and the YM Utmost; and (ii) \$1.2 million equity compensation expense. Excluding these items, Adjusted EBITDA decreased by \$21.2 million to \$45.0 million for the six month period ended June 30, 2019, as compared to \$66.2 million for the same period in 2018. The decrease in Adjusted EBITDA was primarily due to a: (i) \$16.7 million decrease in revenue; (ii) \$1.5 million increase in time charter and voyage expenses; (iii) \$2.7 million increase in general and administrative expenses; (iv) \$0.1 million decrease in other income; and (vi) \$2.5 million decrease in equity in net earnings of affiliated companies. The above decrease was partially mitigated by a: (i) \$1.0 million decrease in management fees; and (ii) \$1.4 million decrease in other expenses.

Operating Surplus

Operating Surplus represents net income adjusted for depreciation and amortization expense, non-cash interest expense, non-cash interest income, equity compensation expense, estimated maintenance and replacement capital expenditures and one-off items. Maintenance and replacement capital expenditures are those capital expenditures required to maintain over the long term the operating capacity of, or the revenue generated by, Navios Partners' capital assets.

Operating Surplus is a quantitative measure used in the publicly-traded partnership investment community to assist in evaluating a partnership's ability to make quarterly cash distributions. Operating Surplus is not required by accounting principles generally accepted in the United States and should not be considered a substitute for net income, cash flow from operating activities and other operations or cash flow statement data prepared in accordance with accounting principles generally accepted in the United States or as a measure of profitability or liquidity.

Available Cash

Available Cash generally means, for each fiscal quarter, all cash on hand at the end of the quarter:

- less the amount of cash reserves established by the Board of Directors to:
- provide for the proper conduct of Navios Partners' business (including reserve for maintenance and replacement capital expenditures);
- comply with applicable law, any of Navios Partners' debt instruments, or other agreements; or
- provide funds for distributions to the unitholders and to the general partner for any one or more of the next four quarters;
- plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Working capital borrowings are generally borrowings that are made under any revolving credit or similar agreement used solely for working capital purposes or to pay distributions to partners.

Available Cash is a quantitative measure used in the publicly traded partnership investment community to assist in evaluating a partnership's ability to make quarterly cash distributions. Available Cash is not required by U.S. GAAP and should not be considered as an alternative to net income or any other indicator of Navios Partners' performance required by U.S. GAAP.

Borrowings

Navios Partners' long-term borrowings are presented under the captions "Long-term financial liabilities, net", "Long-term debt, net", "Current portion of financial liabilities, net" and "Current portion of long-term debt, net". As of June 30, 2019 and December 31, 2018, total borrowings, net of deferred finance fees and discount amounted to \$485.1 million and \$507.5 million, respectively. The current portion of long-term borrowings, net amounted to \$11.7 million at June 30, 2019 and \$26.8 million at December 31, 2018.

Capital Expenditures

Navios Partners finances its capital expenditures with cash flow from operations, equity raisings, long-term bank borrowings and other debt raisings. Capital expenditures for each of the six month periods ended June 30, 2019 and 2018 amounted to \$6.0 million and \$36.3 million, respectively. The reserves for estimated maintenance and replacement capital expenditures for the three and six month periods ended June 30, 2019 were \$7.3 million and \$14.7 million, respectively. The reserves for estimated maintenance and replacement capital expenditures for the three and six month periods ended June 30, 2018 were \$6.4 million and \$12.4 million, respectively.

Maintenance for our vessels and expenses related to drydocking expenses are reimbursed at cost by Navios Partners to our manager under the amended management agreement. Our manager is Navios Shipmanagement Inc., a subsidiary of Navios Holdings (the "Manager"). In October 2011, Navios Partners extended the duration of its existing Management Agreement with the Manager until December 31, 2017. In November 2017, Navios Partners extended the duration of its existing Management Agreement with the Manager until December 31, 2022 and the fixed rate for ship management services of its owned fleet through December 31, 2019, effective from January 1, 2018. The management fees, excluding drydocking expenses are: (a) \$4,225 daily rate per Ultra-Handymax vessel; (b) \$4,325 daily rate per Panamax vessel; (c) \$5,250 daily rate per Capesize vessel; (d) \$6,700 daily rate per Containership of TEU 6,800; (e) \$7,400 daily rate per Containership of more than TEU 8,000; and (f) \$8,750 daily rate per very large Containership of more than TEU 13,000.

Maintenance and Replacement Capital Expenditures Reserve

We estimate that our annual replacement reserve for the year ending December 31, 2019 will be approximately \$29.0 million, for replacing our vessels at the end of their useful lives.

The amount for estimated replacement capital expenditures attributable to future vessel replacement was based on the following assumptions: (i) current market price to purchase a five year old vessel of similar size and specifications; (ii) a 25-year useful life for drybulk vessels and a 30-year useful life for containerships; and (iii) a relative net investment rate.

The amount for estimated maintenance capital expenditures attributable to future vessel drydocking and special survey was based on certain assumptions including the remaining useful life of the owned vessels of our fleet, market costs of drydocking and special survey and a relative net investment rate.

Our Board of Directors, with the approval of the Conflicts Committee, may determine that one or more of our assumptions should be revised, which could cause our Board of Directors to increase or decrease the amount of estimated maintenance and replacement capital expenditures. The actual cost of replacing the vessels in our fleet will depend on a number of factors, including prevailing market conditions, charter hire rates and the availability and cost of financing at the time of replacement. We may elect to finance some or all of our maintenance and replacement capital expenditures through the issuance of additional common units, which could be dilutive to existing unitholders.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations and Contingencies

The following table summarizes our long-term contractual obligations as of June 30, 2019.

	Payments due by period (Unaudited)				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
	(In thousands of U.S. dollars)				
Loan obligations ⁽¹⁾⁽²⁾	\$ 16,977	\$ 380,474	\$ 75,428	\$ 20,204	\$ 493,083
Operating Lease Obligations (Time Charters) for vessel to be delivered ⁽³⁾	\$ 2,041	\$ 4,344	\$ 4,172	\$ 10,260	\$ 20,817
Total contractual obligations	\$ 19,018	\$ 384,818	\$ 79,600	\$ 30,464	\$ 513,900

(1) Represents principal payments and repayments on amounts drawn on our credit facilities that bear interest at applicable fixed interest rates ranging from 2.6% to 5.0% plus LIBOR per annum and on our financial liabilities that bear interest at applicable fixed interest rates ranging from 6.1% to 7.6%. The amounts in the table exclude expected interest payments of \$33.6 million (less than 1 year), \$19.0 million (1-3 years), \$7.9 million (3-5 years) and \$3.3 million (more than 5 years). Expected interest payments are based on outstanding principal amounts, applicable currently effective interest rates and margins as of June 30, 2019, timing of scheduled payments and the term of the debt obligations.

(2) Does not include the undrawn amounts as of June 30, 2019 of the new credit facilities with NIBC N.V. of up to \$28.5 million dated on December 28, 2018, DVB Bank S.E. of up to \$66.0 million dated on February 12, 2019, DNB Bank ASA of up to \$40.0 million dated on April 5, 2019 (see Note 6 — Borrowings).

(3) In November 2017, Navios Partners agreed to charter-in, under a ten-year bareboat contract, from an unrelated third party, a newbuilding Panamax vessel of 82,011 dwt, delivered on July 24, 2019. Navios Partners has agreed to pay in total \$5.54 million, representing a deposit for the option to acquire the vessel after the end of the fourth year, of which the first half of \$2.77 million was paid during the year ended December 31, 2017 and the second half of \$2.77 million was paid during the year ended December 31, 2018, both presented under the caption “Other long-term assets” in the condensed Consolidated Balance Sheets as of June 30, 2019.

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Navios Holdings, Navios Maritime Acquisition Corporation (“Navios Acquisition”) and Navios Partners have made available to Navios Europe I revolving loans of up to \$24.1 million to fund working capital requirements (collectively, the “Navios Revolving Loans I”). In December 2018, the amount of funds available under the Navios Revolving Loans I was increased by \$30.0 million. As of June 30, 2019, the amount undrawn under the Navios Revolving Loans I was \$2.0 million, of which Navios Partners may be required to fund an amount ranging from \$0 to \$2.0 million (see Note 12 — Transactions with related parties and affiliates).

Navios Holdings, Navios Acquisition and Navios Partners have made available to Navios Europe II revolving loans of up to \$43.5 million to fund working capital requirements (collectively, the “Navios Revolving Loans II”). In March 2017, the amount of funds available under the Navios Revolving Loans II was increased by \$14.0 million. As of June 30, 2019, the amounts undrawn from the Navios Revolving Loans II were \$4.5 million, of which Navios Partners may be required to fund an amount ranging from \$0 to \$4.5 million (see Note 12 — Transactions with related parties and affiliates).

Navios Partners leases office space in Monaco pursuant to a five year lease agreement dated July 1, 2018 that expires in June 2023, for a monthly rent of approximately \$0.01 million.

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

There is no guarantee that unitholders will receive quarterly distributions from us and beginning with the quarter ending December 31, 2015, our Board of Directors elected to suspend distributions on our common units in order to preserve cash and improve our liquidity. In March 2018, the Company’s Board of Directors announced a new distribution policy under which it intends to pay quarterly cash distribution in the amount of \$0.30 per unit, or \$1.20 annually. On July 25, 2019, the Company announced the quarterly distribution of \$0.30 per unit for the second quarter of 2019. The distribution is payable on August 9, 2019 to all unitholders of common and general partner units of record as of August 6, 2019.

Our distribution policy is subject to certain restrictions and may be changed at any time, including:

- Our unitholders have no contractual or other legal right to receive distributions other than the obligation under our partnership agreement to distribute available cash on a quarterly basis, which is subject to the broad discretion of our Board of Directors to establish reserves and other limitations.
- While our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including provisions requiring us to make cash distributions contained therein, may be amended. Although during the subordination period, with certain exceptions, our partnership agreement could not have been amended without the approval of non-affiliated common unitholders, however, our partnership agreement can be amended with the approval of a majority of the outstanding common units now that the subordination period has ended. Upon the closing of the initial public offering of our common units (the “IPO”), Navios Holdings did not own any of our outstanding common units and owned 100.0% of our outstanding subordinated units.
- Even if our cash distribution policy is not modified or revoked, the amount of distributions we pay under our cash distribution policy and the decision to make any distribution is determined by our Board of Directors, taking into consideration the terms of our partnership agreement.
- Under Section 51 of the Marshall Islands Limited Partnership Act, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets.
- We may lack sufficient cash to pay distributions to our unitholders due to decreases in net revenues or increases in operating expenses, principal and interest payments on outstanding debt, tax expenses, working capital requirements, maintenance and replacement capital expenditures or anticipated cash needs.
- Our distribution policy is affected by restrictions on distributions under our credit facilities that we entered into in connection with the closing of the IPO. Specifically, our credit facilities contain material financial tests that must be satisfied and we will not pay any distributions that will cause us to violate our credit facilities or other debt instruments. Should we be unable to satisfy these restrictions included in our credit facilities or if we are otherwise in default under our credit facilities, our ability to make cash distributions to unitholders, notwithstanding our cash distribution policy, would be materially adversely affected.
- If we make distributions out of capital surplus, as opposed to Operating Surplus, such distributions will constitute a return of capital and will result in a reduction in the minimum quarterly distribution and the target distribution levels. We do not anticipate that we will make any distributions from capital surplus.

Our ability to make distributions to our unitholders depends on the performance of our subsidiaries and their ability to distribute funds to us. The ability of our subsidiaries to make distributions to us may be restricted by, among other things, the provisions of existing and future indebtedness, applicable partnership and limited liability company laws and other laws and regulations.

Quarterly Distribution

There is no guarantee that we will pay the quarterly distribution on the common units in any quarter. The amount of distributions paid under our policy and the decision to make any distribution is determined by our board of directors, taking into consideration the terms of our partnership agreement. We are prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default exists, under our existing credit facilities.

Quarterly distributions were paid by the Company through September 2015. For the quarter ended December 31, 2015, the Company’s board of directors determined to suspend payment of the Company’s quarterly distributions in order to preserve cash and improve our liquidity. In March 2018, the Company’s board of directors announced a new distribution policy under which it intends to declare quarterly cash distributions in the amount of \$0.30 per unit, or \$1.20 annually.

In July 2019, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended June 30, 2019 of \$0.30 per unit. The distribution is payable on August 9, 2019 to all unitholders of common and general partner units of record as of August 6, 2019. The aggregate amount of the declared distribution will be \$3.4 million.

Incentive Distribution Rights

The following description of our incentive distribution rights reflects such rights in the event the distributions are reinstated and the indicated levels are achieved, of which there can be no assurance. Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from Operating Surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our general partner currently holds the incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in the partnership agreement.

The following table illustrates the percentage allocations of the additional available cash from Operating Surplus among the unitholders and our general partner up to the various target distribution levels. The amounts set forth under “Marginal Percentage Interest in Distributions” are the percentage interests of the unitholders and our general partner in any available cash from Operating Surplus we distribute up to and including the corresponding amount in the column “Total Quarterly Distribution Target Amount,” until available cash from Operating Surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders and our general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests shown for our general partner assume that our general partner maintains its 2.0% general partner interest and assume our general partner has not transferred the incentive distribution rights.

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions	
		Common Unitholders	General Partner
Minimum Quarterly Distribution	up to \$5.25	98%	2%
First Target Distribution	up to \$6.0375	98%	2%
Second Target Distribution	above \$6.0375 up to \$6.5625	85%	15%
Third Target Distribution	above \$6.5625 up to \$7.875	75%	25%
Thereafter	above \$ 7.875	50%	50%

Related Party Transactions

Management fees: Pursuant to the amended Management Agreement, in each of October 2013, August 2014, February 2015 and February 2016, the Manager, a wholly owned subsidiary of Navios Holdings, provides commercial and technical management services to Navios Partners’ vessels for a daily fee of: (a) \$4,100 daily rate per Ultra-Handymax vessel; (b) \$4,200 daily rate per Panamax vessel; (c) \$5,250 daily rate per Capesize vessel; (d) \$6,700 daily rate per Containership of TEU 6,800; (e) \$7,400 daily rate per Containership of more than TEU 8,000; and (f) \$8,750 daily rate per very large Containership of more than TEU 13,000 through December 31, 2017. On November 14, 2017, Navios Partners extended the duration of its existing Management Agreement with the Manager until December 31, 2022 and to fix the rate for shipmanagement services of its owned fleet through December 31, 2019, effective from January 1, 2018. The new management fees, excluding drydocking expenses which are reimbursed at cost by Navios Partners, are: (a) \$4,225 daily rate per Ultra-Handymax vessel; (b) \$4,325 daily rate per Panamax vessel; (c) \$5,250 daily rate per Capesize vessel; (d) \$6,700 daily rate per Containership of TEU 6,800; (e) \$7,400 daily rate per Containership of more than TEU

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8,000 and (f) \$8,750 daily rate per very large Containership of more than TEU 13,000. These fixed daily fees cover our vessels' operating expenses, other than certain extraordinary fees and costs. For the six month periods ended June 30, 2019 and 2018 certain extraordinary fees and costs related to regulatory requirements, under Company's management agreement amounted to \$5.8 million and \$0, respectively, and are presented under "Acquisition of/additions to vessels" in the condensed Consolidated Statements of Cash Flows. Drydocking expenses under this agreement are reimbursed by Navios Partners at cost at occurrence.

Total management fees for each of the three and six month periods ended June 30, 2019 amounted to \$16.5 million and \$33.1 million, respectively. Total management fees for the three and six month periods ended June 30, 2018 amounted to \$17.4 million and \$34.1 million, respectively.

General and administrative expenses: Pursuant to the Administrative Services Agreement, the Manager also provides administrative services to Navios Partners, which include bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other. The Manager is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Navios Partners extended the duration of its existing Administrative Services Agreement with the Manager, until December 31, 2022.

Total general and administrative expenses charged by Navios Holdings for each of the three and six month periods ended June 30, 2019 amounted to \$2.5 million and \$5.1 million, respectively. Total general and administrative expenses charged by Navios Holdings for the three and six month periods ended June 30, 2018 amounted to \$2.3 million and \$4.6 million, respectively.

Balance due from related parties (excluding Navios Europe I and Navios Europe II): Balance due from related parties as of June 30, 2019 and December 31, 2018 amounted to \$48.0 million and \$52.3 million, respectively, of which for the six month period ended June 30, 2019, the current receivable was \$10.0 million and the long-term receivable was \$38.1 million. The balance mainly consisted of management fees, drydocking, and extraordinary fees and costs related to regulatory requirements, including ballast water treatment system installation, prepaid to Navios Holdings in accordance with the Management service agreement and the Navios Holdings Guarantee. Net of the \$3.6 million change in estimate of the guarantee claim receivable recorded during the three month period ended June 30, 2019, the claim from the Navios Holdings Guarantee amounted to \$14.4 million as of June 30, 2019.

Balance due from Navios Europe I: Navios Holdings, Navios Acquisition and Navios Partners have made available to Navios Europe I revolving loans up to \$24.1 million to fund working capital requirements (collectively, the "Navios Revolving Loans I"). In December 2018, the amount of funds available under the Navios Revolving Loans I was increased by \$30.0 million (see Note 14 — Investment in Affiliates). The Navios Revolving Loans I and the Navios Term Loans I earn interest and an annual preferred return, respectively, at 12.7% per annum, on a quarterly compounding basis and are repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter.

As of June 30, 2019, Navios Partners' portion of the outstanding amount relating to portion of the investment in Navios Europe I (5.0% of the \$10.0 million) was \$0.5 million, under the caption "Investment in affiliates" and the outstanding amount relating to the Navios Revolving Loans I capital was \$15.2 million (December 31, 2018: \$11.2 million), under the caption "Loans receivable from affiliates". The accrued interest income earned under the Navios Revolving Loans I was \$1.7 million (December 31, 2018: \$0.7 million) under the caption "Balance due from related parties" and the accrued interest income earned under the Navios Term Loans I was \$0.5 million (December 31, 2018: \$0.4 million) under the caption "Loans receivable from affiliates". As of June 30, 2019, the amount undrawn under the Navios Revolving Loans I was \$2.0 million, of which Navios Partners may be required to fund an amount up to \$2.0 million.

Balance due from Navios Europe II: Navios Holdings, Navios Acquisition and Navios Partners have made available to Navios Europe II revolving loans up to \$43.5 million to fund working capital requirements (collectively, the "Navios Revolving Loans II"). In March 2017, the availability under the Navios Revolving Loans II was increased by \$14.0 million (see Note 14 — Investment in Affiliates). The Navios Revolving Loans II and the Navios Term Loans II each earn interest and an annual preferred return at 18% per annum, on a quarterly compounding basis and are repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter.

As of June 30, 2019, Navios Partners' portion of the outstanding amount relating to portion of the investment in Navios Europe II (5.0% of the \$14.0 million) was \$0.7 million, under the caption "Investment in affiliates" and the outstanding amount relating to the Navios Revolving Loans II capital was \$15.4 million (December 31, 2018: \$15.4 million), under the caption "Loans receivable from affiliates". The accrued interest income earned under the Navios Revolving Loans II was \$6.3 million (December 31, 2018: \$4.5

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million) under the caption “Balance due from related parties” and the accrued interest income earned under the Navios Term Loans II was \$0.7 million (December 31, 2018: \$0.6 million) under the caption “Loans receivable from affiliates”. As of June 30, 2019, the amount undrawn under the Navios Revolving Loans II was \$4.5 million, of which Navios Partners may be required to fund an amount up to \$4.5 million.

Note receivable from affiliates: On March 17, 2017, Navios Holdings transferred to Navios Partners its rights to the fixed 12.7% interest on the Navios Europe I Navios Term Loans I and Navios Revolving Loans I (including the respective accrued receivable interest) in the amount of \$33.5 million, which included a cash consideration of \$4.1 million and 871,795 newly issued common units of Navios Partners, on a split adjusted basis. At the date of this transaction, the Company recognized a receivable at the fair value of its newly issued common units totaling to \$29.4 million based on the closing price of \$33.75 per unit as of March 16, 2017 given as consideration. The receivable relating to the consideration settled with the issuance of 871,795 Navios Partners’ common units in the amount of \$29.4 million has been classified contra equity within the condensed consolidated Statements of Changes in Partners’ Capital as “Note receivable”. The receivable from Navios Holdings is payable on maturity in December 2023 and Navios Partners will receive approximately \$50.9 million. Interest will accrue through maturity and will be recognized within “Interest income” for the receivable relating to the cash consideration of \$4.1 million. As of June 30, 2019, the long-term note receivable from Navios Holdings amounted to \$4.7 million (including the non-cash interest income of \$0.6 million), presented under the caption “Note receivable from affiliates”. Navios Partners may require Navios Holdings, under certain conditions, to repurchase the loans after the third anniversary of the date of the transaction based on the then outstanding balance of the loans.

Others: Navios Partners has entered into an omnibus agreement with Navios Holdings (the “Partners Omnibus Agreement”) in connection with the closing of Navios Partners’ IPO governing, among other things, when Navios Holdings and Navios Partners may compete against each other as well as rights of first offer on certain drybulk carriers. Pursuant to the Partners Omnibus Agreement, Navios Partners generally agreed not to acquire or own Panamax or Capesize drybulk carriers under time charters of three or more years without the consent of an independent committee of Navios Partners. In addition, Navios Holdings has agreed to offer to Navios Partners the opportunity to purchase vessels from Navios Holdings when such vessels are fixed under time charters of three or more years.

Navios Partners entered into an omnibus agreement with Navios Acquisition and Navios Holdings (the “Acquisition Omnibus Agreement”) in connection with the closing of Navios Acquisition’s initial vessel acquisition, pursuant to which, among other things, Navios Holdings and Navios Partners agreed not to acquire, charter-in or own liquid shipment vessels, except for containerships and vessels that are primarily employed in operations in South America, without the consent of an independent committee of Navios Acquisition. In addition, Navios Acquisition, under the Acquisition Omnibus Agreement, agreed to cause its subsidiaries not to acquire, own, operate or charter drybulk carriers subject to specific exceptions. Under the Acquisition Omnibus Agreement, Navios Acquisition and its subsidiaries granted to Navios Holdings and Navios Partners, a right of first offer on any proposed sale, transfer or other disposition of any of its drybulk carriers and related charters owned or acquired by Navios Acquisition. Likewise, Navios Holdings and Navios Partners agreed to grant a similar right of first offer to Navios Acquisition for any liquid shipment vessels it might own. These rights of first offer will not apply to a (i) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any charter or other agreement with a counterparty, or (ii) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

In connection with the Navios Maritime Midstream Partners L.P. (“Navios Midstream”) initial public offering and effective November 18, 2014, Navios Partners entered into an omnibus agreement with Navios Midstream, Navios Acquisition and Navios Holdings pursuant to which Navios Acquisition, Navios Holdings and Navios Partners have agreed not to acquire or own any VLCCs, crude oil tankers, refined petroleum product tankers, LPG tankers or chemical tankers under time charters of five or more years and also providing rights of first offer on certain tanker vessels.

In connection with the Navios Containers private placement and listing on the Norwegian over-the-counter market effective June 8, 2017, Navios Partners entered into an omnibus agreement with Navios Containers, Navios Holdings, Navios Acquisition and Navios Midstream (the “Navios Containers Omnibus Agreement”), pursuant to which Navios Partners, Navios Holdings, Navios Acquisition and Navios Midstream have granted to Navios Containers a right of first refusal over any containerships to be sold or acquired in the future. The omnibus agreement contains significant exceptions that will allow Navios Partners, Navios Holdings, Navios Acquisition and Navios Midstream to compete with Navios Containers under specified circumstances.

On November 15, 2012 (as amended and supplemented in March 2014 and December 2017), Navios Holdings and Navios Partners entered into an agreement (the “Navios Holdings Guarantee”) by which Navios Holdings will provide supplemental credit default insurance with a maximum cash payment of \$20.0 million. Net of the \$3.6 million change in estimate of the guarantee claim

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receivable recorded during the three month period ended June 30, 2019, the claim amounted to \$14.4 million for the six month period ended June 30, 2019, presented under the captions “Amounts due from related parties-short term” and “Amounts due from related parties-long term” in the condensed Consolidated Balance Sheets. In July 2019, it was agreed that the claim will be repayable in three installments of \$4.3 million in the fourth quarter 2019, \$5.0 million in the third quarter 2020 and \$5.0 million in the first quarter 2021.

As of June 30, 2019, Navios Holdings held an 18.4% common unit interest in Navios Partners, represented by 2,070,215 common units and it also held a general partner interest of 2.1%.

Quantitative and Qualitative Disclosures about Market Risks

Foreign Exchange Risk

Our functional and reporting currency is the U.S. dollar. We engage in worldwide commerce with a variety of entities. Although our operations may expose us to certain levels of foreign currency risk, our transactions are predominantly U.S. dollar denominated. Transactions in currencies other than U.S. dollars are translated at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated, are recognized.

Interest Rate Risk

Borrowings under our credit facilities bear interest at rate based on a premium over U.S. \$ LIBOR. Therefore, we are exposed to the risk that our interest expense may increase if interest rates rise. For the six month period ended June 30, 2019 and 2018, we paid interest on our outstanding debt at a weighted average interest rate of 7.29% and 6.63%. An 1% increase in LIBOR would have increased our interest expense for the six month period ended June 30, 2019 and 2018 by \$2.5 million and \$2.6 million, respectively.

Concentration of Credit Risk

Financial instruments, which potentially subject us to significant concentrations of credit risk, consist principally of trade accounts receivable. We closely monitor our exposure to customers for credit risk. We have policies in place to ensure that we trade with customers with an appropriate credit history.

For the six month period ended June 30, 2019, HMM, Cargill and Swissmarine represented approximately 29.9%, 10.8% and 10.3%, respectively, of total revenues. For the six month period ended June 30, 2018, two customers, HMM and Yang Ming represented approximately 25.3% and 11.3%, respectively, of total revenues. No other customers accounted for 10% or more of total revenues for any of the periods presented.

Following the termination of the credit default insurance through its third party insurer, Navios Partners entered into the Navios Holdings Guarantee by which Navios Holdings will provide supplemental credit default insurance with a maximum cash payment of \$20.0 million. Net of the \$3.6 million change in estimate of the guarantee claim receivable recorded during the three month period ended June 30, 2019, the claim amounted to \$14.4 million for the six month period ended June 30, 2019, presented under the captions “Amounts due from related parties-short term” and “Amounts due from related parties-long term” in the condensed Consolidated Balance Sheets. In July 2019, it was agreed that the claim will be repayable in three installments of \$4.3 million in the fourth quarter 2019, \$5.0 million in the third quarter 2020 and \$5.0 million in the first quarter 2021.

If we lose a charter, we may be unable to re-deploy the related vessel on terms as favorable to us due to the long-term nature of most charters and the cyclical nature of the industry or we may be forced to charter the vessel on the spot market at then market rates which may be less favorable than the charter that has been terminated. If we are unable to re-deploy a vessel for which the charter has been terminated, we will not receive any revenues from that vessel, but we may be required to pay expenses necessary to maintain the vessel in proper operating condition. If we lose a vessel, any replacement or newbuilding would not generate revenues during its construction acquisition period, and we may be unable to charter any replacement vessel on terms as favorable to us as those of the terminated charter.

Even if we 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 renegotiate the terms of the charters. The permanent loss of a customer, time charter or vessel, or a decline in payments under our charters, could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions in the event we are unable to replace such customer, time charter or vessel. For further details, please read “Risk Factors” in our 2018 Annual Report on Form 20-F.

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Inflation

Inflation has had a minimal impact on vessel operating expenses, drydocking expenses and general and administrative expenses. Our management does not consider inflation to be a significant risk to direct expenses in the current and foreseeable economic environment.

Recent Accounting Pronouncements

The Company's recent accounting pronouncements are included in the accompanying notes to the unaudited condensed consolidated financial statements included elsewhere in this report.

Critical Accounting Policies

Our financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates in the application of our accounting policies based on the best assumptions, judgments and opinions of management. Following is a discussion of the accounting policies that involve a higher degree of judgment and the methods of their application that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. Other than as described below, all significant accounting policies are as described in Note 2 to the Notes to the consolidated financial statements included in the Company's Annual Report on Form 20-F for the year ended December 31, 2018 filed with the SEC on April 9, 2019.

Exhibit List

Exhibit No.	Exhibit
4.1	Term Loan Agreement, dated July 4, 2019, by and among Chilali Corp., Micaela Shipping Corporation, Pandora Marine Inc., Surf Maritime Co., and Credit Agricole Corporate and Investment Bank.

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NAVIOS MARITIME PARTNERS L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of U.S. Dollars except unit data)

	Notes	June 30, 2019 (unaudited)	December 31, 2018 (unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 33,884	\$ 58,590
Restricted cash	3	1,336	2,865
Accounts receivable, net		10,425	14,436
Amounts due from related parties	12	17,936	28,562
Prepaid expenses and other current assets		7,698	1,895
Notes receivable	13	4,745	4,764
Total current assets		76,024	111,112
Vessels, net	4	1,009,973	1,043,250
Other long-term assets	11	6,621	5,632
Deferred dry dock and special survey costs, net		12,723	10,820
Investment in affiliates	14	66,481	66,296
Loans receivable from affiliates	12	31,840	27,657
Intangible assets	5	3,749	4,332
Amounts due from related parties	12	38,086	28,880
Notes receivable, net of current portion	13	9,673	11,629
Note receivable from affiliates	12	4,666	4,525
Total non-current assets		1,183,812	1,203,021
Total assets		\$ 1,259,836	\$ 1,314,133
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities			
Accounts payable		\$ 4,077	\$ 4,839
Accrued expenses		6,253	5,434
Deferred revenue	13	10,156	15,256
Current portion of financial liabilities, net	6	4,515	1,699
Current portion of long-term debt, net	6	7,165	25,105
Total current liabilities		32,166	52,333
Long-term financial liabilities, net	6	45,031	22,121
Long-term debt, net	6	428,352	458,560
Deferred revenue	13	3,880	4,366
Total non-current liabilities		477,263	485,047
Total liabilities		\$ 509,429	\$ 537,380
Commitments and contingencies	11	—	—
Partners' capital:			
Common Unitholders (10,983,785 and 11,270,283 units issued and outstanding at June 30, 2019 and December 31, 2018, respectively)	8	774,475	800,374
General Partner (230,524 and 230,006 units issued and outstanding at June 30, 2019 and December 31, 2018, respectively)	8	5,355	5,802
Notes receivable	12	(29,423)	(29,423)
Total partners' capital		750,407	776,753
Total liabilities and partners' capital		\$ 1,259,836	\$ 1,314,133

See unaudited condensed notes to the condensed consolidated financial statements

NAVIOS MARITIME PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in thousands of U.S. Dollars except unit and per unit data)

	Notes	Three Month Period Ended June 30, 2019 (unaudited)	Three Month Period Ended June 30, 2018 (unaudited)	Six Month Period Ended June 30, 2019 (unaudited)	Six Month Period Ended June 30, 2018 (unaudited)
Time charter and voyage revenues	9,12,13	\$ 47,745	\$ 58,196	\$ 94,563	\$ 111,248
Time charter and voyage expenses		(2,484)	(2,758)	(6,013)	(4,488)
Direct vessel expenses		(1,530)	(1,544)	(3,113)	(3,169)
Management fees (entirely through related parties transactions)	12	(16,496)	(17,381)	(33,106)	(34,072)
General and administrative expenses	12	(6,515)	(5,513)	(10,528)	(9,044)
Depreciation and amortization	4,5	(13,240)	(14,355)	(26,732)	(29,272)
Vessel impairment losses	4	—	(37,860)	(7,345)	(37,860)
Interest expense and finance cost, net		(12,246)	(10,794)	(23,760)	(20,647)
Interest income		1,791	985	3,534	1,947
Other income	16	374	146	591	720
Other expense	17	(4,090)	(269)	(4,322)	(2,072)
Equity in net earnings of affiliated companies	14	168	1,614	185	2,654
Net loss		\$ (6,523)	\$ (29,533)	\$ (16,046)	\$ (24,055)

Loss per unit (see note 15):

	Three Month Period Ended June 30, 2019 (unaudited)	Three Month Period Ended June 30, 2018 (unaudited)	Six Month Period Ended June 30, 2019 (unaudited)	Six Month Period Ended June 30, 2018 (unaudited)
Loss per unit:				
Common unit (basic and diluted)	\$ (0.59)	\$ (2.64)	\$ (1.44)	\$ (2.21)

See unaudited condensed notes to the condensed consolidated financial statements

NAVIOS MARITIME PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of U.S. Dollars)

	<u>Notes</u>	<u>Six Month Period Ended June 30, 2019 (unaudited)</u>	<u>Six Month Period Ended June 30, 2018 (unaudited)</u>
OPERATING ACTIVITIES:			
Net loss		\$ (16,046)	\$ (24,055)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	4,5	26,732	29,272
Vessel impairment losses	4	7,345	37,860
Non cash accrued interest income and amortization of deferred revenue	13	(6,303)	(6,208)
Non cash accrued interest income from receivable from affiliates	12	(141)	(132)
Amortization and write-off of deferred financing cost and discount		4,633	3,631
Amortization of deferred dry dock and special survey costs		3,100	3,169
Equity in net earnings of affiliated companies	14	(185)	(2,654)
Equity compensation expense	8	1,013	1,235
Changes in operating assets and liabilities:			
Net decrease in accounts receivable		4,011	3,071
Net increase in prepaid expenses and other current assets		(5,784)	(1,455)
Net decrease in accounts payable		(762)	(1)
Increase/ (decrease) in accrued expenses		613	(1,855)
Net increase in deferred revenue		329	795
Decrease/ (increase) in amounts due from related parties	12	1,237	(10,399)
Payments for dry dock and special survey costs		(5,366)	(1,020)
Net cash provided by operating activities		14,426	31,254
INVESTING ACTIVITIES:			
Net cash proceeds from sale of vessels		5,978	—
Deposit for option to acquire vessel		(126)	(14)
Acquisition of/ additions to vessels		(5,832)	(36,271)
Investment in affiliates	14	—	(14,460)
Repayments of notes receivable	13	2,344	2,344
Loans receivable from affiliates	14	(4,000)	—
Net cash used in investing activities		(1,636)	(48,401)
FINANCING ACTIVITIES:			
Cash distributions paid	15	(6,822)	(3,420)
Net proceeds from issuance of general partner units	8	8	714
Proceeds from issuance of common units, net of offering costs	8	—	33,532
Proceeds from long-term debt	6	70,765	14,300
Repayment of long-term debt and financial liabilities	6	(96,733)	(16,723)
Deferred financing fees		(1,744)	(210)
Acquisition of treasury stock	8	(4,499)	—
Net cash (used in)/ provided by financing activities		(39,025)	28,193
(Decrease) /increase in cash, cash equivalents and restricted cash		(26,235)	11,046
Cash, cash equivalents and restricted cash, beginning of period		61,455	29,933
Cash, cash equivalents and restricted cash, end of period		\$ 35,220	\$ 40,979

See unaudited condensed notes to the condensed consolidated financial statements

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	Six Month Period Ended June 30, 2019 (unaudited)	Six Month Period Ended June 30, 2018 (unaudited)
Supplemental disclosures of cash flow information		
Cash interest paid	\$ 18,724	\$ 16,850
Non cash financing activities		
Equity compensation expense	\$ 1,013	\$ 1,235
Accrued deferred financing costs	\$ 206	\$ 47
Non cash investing activities		
Accrued interest on loan receivable from affiliates	\$ 183	\$ 155
Accrued offering costs	\$ —	\$ 159
Receivable from related parties (proceeds from issuance of general partner units)	\$ —	\$ 64

NAVIOS MARITIME PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
(Expressed in thousands of U.S. Dollars except unit data)

	Limited Partners				Note Receivable	Total Navios Partners' Capital
	General Partner		Common Unitholders			
	Units	Amount	Units	Amount		
Balance, December 31, 2018	230,006	\$ 5,802	11,270,283	\$ 800,374	\$(29,423)	\$ 776,753
Cash distribution paid (\$0.30 per unit—see Note 15)	—	(69)	—	(3,389)	—	(3,458)
Acquisition of treasury stock (see Note 8)	—	—	(227,140)	(3,373)	—	(3,373)
Issuance of restricted common units (see Note 8)	518	8	25,396	33	—	41
Stock based compensation (see Note 8)	—	—	—	461	—	461
Net loss	—	(188)	—	(9,335)	—	(9,523)
Balance, March 31, 2019	230,524	\$ 5,553	11,068,539	\$ 784,771	\$(29,423)	\$ 760,901
Cash distribution paid (\$0.30 per unit—see Note 15)	—	(69)	—	(3,295)	—	(3,364)
Acquisition of treasury stock (see Note 8)	—	—	(85,812)	(1,126)	—	(1,126)
Stock based compensation (see Note 8)	—	—	—	519	—	519
Issuance of capital surplus	—	—	1,058	—	—	—
Net loss	—	(129)	—	(6,394)	—	(6,523)
Balance, June 30, 2019	230,524	\$ 5,355	10,983,785	\$ 774,475	\$(29,423)	\$ 750,407

	Limited Partners				Note Receivable	Total Navios Partners' Capital
	General Partner		Common Unitholders			
	Units	Amount	Units	Amount		
Balance, December 31, 2017	201,086	\$ 5,464	9,853,181	\$ 791,669	\$(29,423)	\$ 767,710
Proceeds from public offering and issuance of common units, net of offering costs (see Note 8)	—	—	1,228,133	33,374	—	33,374
Net proceeds from issuance of general partner units (see Note 8)	25,064	714	—	—	—	714
Issuance of restricted common units (see Note 8)	1,864	64	91,337	614	—	678
Net income	—	110	—	5,368	—	5,478
Balance, March 31, 2018	228,014	\$ 6,352	11,172,651	\$ 831,025	\$(29,423)	\$ 807,954
Cash distribution paid (\$0.30 per unit—see Note 15)	—	(68)	—	(3,352)	—	(3,420)
Stock based compensation (see Note 8)	—	—	—	621	—	621
Net loss	—	(591)	—	(28,942)	—	(29,533)
Balance, June 30, 2018	228,014	\$ 5,693	11,172,651	\$ 799,352	\$(29,423)	\$ 775,622

See unaudited condensed notes to the condensed consolidated financial statements

NAVIOS MARITIME PARTNERS L.P.
UNAUDITED CONDENSED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of U.S. Dollars except unit and per unit data)

NOTE 1 – DESCRIPTION OF BUSINESS

Navios Maritime Partners L.P. (“Navios Partners” or the “Company”), is an international owner and operator of dry cargo vessels, formed on August 7, 2007 under the laws of the Republic of the Marshall Islands. Navios GP L.L.C. (the “General Partner”), a wholly owned subsidiary of Navios Maritime Holdings Inc. (“Navios Holdings”), was also formed on that date to act as the general partner of Navios Partners and received a 2.0% general partner interest in Navios Partners.

Navios Partners is engaged in the seaborne transportation services of a wide range of dry cargo commodities including iron ore, coal, grain, fertilizer and also containers, chartering its vessels under medium to longer-term charters. The operations of Navios Partners are managed by Navios Shipmanagement Inc., a subsidiary of Navios Holdings (the “Manager”), from its offices in Piraeus, Greece, Singapore and Monaco.

Pursuant to the initial public offering (“IPO”) on November 16, 2007, Navios Partners entered into the following agreements:

- (a) a management agreement with the Manager (the “Management Agreement”), pursuant to which the Manager provides Navios Partners commercial and technical management services;
- (b) an administrative services agreement with the Manager (the “Administrative Services Agreement”), pursuant to which the Manager provides Navios Partners administrative services; and
- (c) an omnibus agreement with Navios Holdings (the “Omnibus Agreement”), governing, among other things, when Navios Partners and Navios Holdings may compete against each other as well as rights of first offer on certain drybulk carriers.

As of June 30, 2019, there were outstanding: 10,983,785 common units and 230,524 general partnership units. As of June 30, 2019, Navios Holdings owned a 20.5% interest in Navios Partners, which included a 2.1% general partner interest.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: The accompanying interim condensed consolidated financial statements are unaudited, but, in the opinion of management, reflect all adjustments for a fair statement of Navios Partners’ consolidated balance sheets, statement of partner’s capital, statements of operations and cash flows for the periods presented. The results of operations for the interim periods are not necessarily indicative of results for the full year. The footnotes are condensed as permitted by the requirements for interim financial statements and accordingly, do not include information and disclosures required under United States generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. All such adjustments are deemed to be of a normal recurring nature. These interim financial statements should be read in conjunction with the Company’s consolidated financial statements and notes included in Navios Partners’ Annual Report for the year ended December 31, 2018 filed on Form 20-F with the U.S. Securities and Exchange Commission (“SEC”).

Reverse Stock Split:

On April 25, 2019, the unitholders of Navios Partners approved a 1-for-15 reverse stock split of all outstanding common and general partner units of the Company which was effected on May 21, 2019. The effect of the reverse stock split was to combine each 15 units of outstanding units into one new unit, and to reduce the number of common units outstanding from approximately 164.7 million units to approximately 11.0 million units. 1,058 common units were issued in connection with the reverse stock split. All issued and outstanding common and general partner units contained in the financial statements, in accordance with Staff Accounting Bulletin Topic 4C, have been retroactively adjusted to reflect the reverse split for all periods presented.

Principles of consolidation: The accompanying interim condensed consolidated financial statements include Navios Partners’ wholly owned subsidiaries incorporated under the laws of Marshall Islands, Malta, and Liberia from their dates of incorporation or, for chartered-in vessels, from the dates charter-in agreements were in effect. All significant inter-company balances and transactions have been eliminated in Navios Partners’ consolidated financial statements.

Navios Partners also consolidates entities that are determined to be variable interest entities (“VIE”) as defined in the accounting guidance, if it determines that it is the primary beneficiary. A VIE is defined as a legal entity where either (i) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity’s residual risks and rewards, (ii) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (iii) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity’s activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights.

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Based on internal forecasts and projections that take into account reasonably possible changes in our trading performance, management believes that the Company has adequate financial resources to continue in operation and meet its financial commitments, including but not limited to capital expenditures and debt service obligations, for a period of at least twelve months from the date of issuance of these consolidated financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

Subsidiaries: Subsidiaries are those entities in which Navios Partners has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies of the entity.

The accompanying consolidated financial statements include the following entities:

Company name	Vessel name	Country of incorporation	Statements of Operations	
			2019	2018
Libra Shipping Enterprises Corporation ⁽⁵⁾	Navios Libra II	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Alegria Shipping Corporation	Navios Alegria	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Felicity Shipping Corporation ⁽⁶⁾	Navios Felicity	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Gemini Shipping Corporation ⁽¹⁾	Navios Gemini S	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Galaxy Shipping Corporation ⁽⁸⁾	Navios Galaxy I	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Aurora Shipping Enterprises Ltd.	Navios Hope	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Palermo Shipping S.A. ⁽²⁾	Navios Apollon	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Fantastiks Shipping Corporation	Navios Fantastiks	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Sagittarius Shipping Corporation	Navios Sagittarius	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Hyperion Enterprises Inc.	Navios Hyperion	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Chilali Corp.	Navios Aurora II	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Surf Maritime Co.	Navios Pollux	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Pandora Marine Inc.	Navios Melodia	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Customized Development S.A.	Navios Fulvia	Liberia	1/01 – 6/30	1/01 – 6/30
Kohylia Shipmanagement S.A.	Navios Luz	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Orbiter Shipping Corp.	Navios Orbiter	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Floral Marine Ltd.	Navios Buena Ventura	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Golem Navigation Limited	Navios Soleil	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Kymata Shipping Co.	Navios Helios	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Joy Shipping Corporation	Navios Joy	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Micaela Shipping Corporation	Navios Harmony	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Pearl Shipping Corporation	Navios Sun	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Velvet Shipping Corporation	Navios La Paix	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Perigiali Navigation Limited	Navios Beaufiks	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Finian Navigation Co.	Navios Ace	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Ammos Shipping Corp.	Navios Prosperity I	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Wave Shipping Corp.	Navios Libertas	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Casual Shipholding Co.	Navios Sol	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Avery Shipping Company	Navios Symphony	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Coasters Ventures Ltd.	Navios Christine B	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Ianthe Maritime S.A.	Navios Aster	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Rubina Shipping Corporation	Hyundai Hongkong	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Topaz Shipping Corporation	Hyundai Singapore	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Beryl Shipping Corporation	Hyundai Tokyo	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Cheryl Shipping Corporation	Hyundai Shanghai	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Christal Shipping Corporation	Hyundai Busan	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Fairy Shipping Corporation ⁽³⁾	YM Utmost	Marshall Is.	—	1/01 – 6/30
Limestone Shipping Corporation ⁽³⁾	YM Unity	Marshall Is.	—	1/01 – 6/30
Dune Shipping Corp. ⁽⁴⁾	MSC Cristina	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Citrine Shipping Corporation	—	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Cavalli Navigation Inc.	—	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Seymour Trading Limited	Navios Altair I	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Goldie Services Company	Navios Symmetry	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Andromeda Shiptrade Limited	Navios Apollon I	Marshall Is.	1/01 – 6/30	1/29 – 6/30
Esmeralda Shipping Corporation	Navios Sphera	Marshall Is.	1/01 – 6/30	—
Triangle Shipping Corporation	Navios Mars	Marshall Is.	1/01 – 6/30	—

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Company name	Vessel name	Country of incorporation	Statements of Operations	
			2019	2018
Chartered-in vessels				
Cavos Navigation Co. ⁽⁹⁾	Navios Libra	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Other				
Prosperity Shipping Corporation	—	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Aldebaran Shipping Corporation	—	Marshall Is.	1/01 – 6/30	1/01 – 6/30
JTC Shipping and Trading Ltd. ⁽⁷⁾	Holding Company	Malta	1/01 – 6/30	1/01 – 6/30
Navios Maritime Partners L.P.	N/A	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Navios Maritime Operating LLC.	N/A	Marshall Is.	1/01 – 6/30	1/01 – 6/30
Navios Partners Finance (US) Inc.	Co-Borrower	Delaware	1/01 – 6/30	1/01 – 6/30
Navios Partners Europe Finance Inc.	Sub-Holding Company	Marshall Is.	1/01 – 6/30	1/01 – 6/30

- (1) The vessel was sold on December 21, 2017.
- (2) The vessel was sold on April 21, 2017.
- (3) The vessels were sold on July 2, 2018 (see Note 4 – Vessels, net).
- (4) The vessel was sold on January 12, 2017.
- (5) The vessel was sold on December 14, 2018 (see Note 4 – Vessels, net).
- (6) The vessel was sold on December 4, 2018 (see Note 4 – Vessels, net).
- (7) Not a vessel-owning subsidiary and only holds right to charter-in contracts.
- (8) The vessel was sold on April 23, 2019 (see Note 4 – Vessels, net).
- (9) The vessel was delivered on July 24, 2019 (see Note 18 – Subsequent Events).

Revenue and Expense Recognition: On January 1, 2018, the Company adopted the provisions of ASC 606 “Revenue from Contracts with Customers”. The guidance provides a unified model to determine how revenue is recognized. In doing so, the Company makes judgments including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. Revenue is recognized when (or as) the Company transfers promised goods or services to its customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services, which occurs when (or as) the Company satisfies its contractual obligations and transfers control of the promised goods or services to its customers. Revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company’s contract revenues from time chartering and pooling arrangements are governed by ASU 2016-02 (ASC 842) “Leases”. Upon adoption of ASC 606 and ASC 842, the timing and recognition of earnings from the pool arrangements and time charter contracts to which the Company is party did not change from previous practice. The Company has determined to recognize lease revenue as a combined single lease component for all time charters (operating leases) as the related lease component and non lease component will have the same timing and pattern of the revenue recognition of the combined single lease component. The performance obligations in a time charter contract are satisfied over term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the Company. As a result of the adoption of these standards, there was no effect on the Company’s opening retained earnings, Balance Sheets and Statements of Operations.

The Company’s revenues earned under voyage contracts (revenues for the transportation of cargo) were previously recognized ratably over the estimated relative transit time of each voyage. A voyage was deemed to commence when a vessel was available for loading and was deemed to end upon the completion of the discharge of the current cargo. Estimated losses on voyages are provided for in full at the time such losses become evident. Under a voyage charter, a vessel is provided for the transportation of specific goods between specific ports in return for payment of an agreed upon freight per ton of cargo.

Following the adoption of ASC 606, the Company recognizes revenue ratably from port of loading to when the charterer’s cargo is discharged as well as defer costs that meet the definition of “costs to fulfill a contract” and relate directly to the contract. Revenue from voyage contracts amounted to \$3,808 and \$3,814 for the six month periods ended June 30, 2019 and 2018, respectively.

Revenues are recorded net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter or freight rate. Since address commissions represent a discount (sales incentive) on services rendered by the Company and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue.

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Revenues from time chartering of vessels are accounted for as operating leases and are thus recognized on a straight line basis as the average lease revenue over the rental periods of such charter agreements, as service is performed. A time charter involves placing a vessel at the charterers' disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Short period charters for less than three months are referred to as spot-charters. Charters extending three months to a year are generally referred to as medium-term charters. All other charters are considered long-term. Under time charters, operating costs such as for crews, maintenance and insurance are typically paid by the owner of the vessel. Revenue from time chartering of vessels amounted to \$88,979 and \$104,672 for the six month periods ended June 30, 2019 and 2018, respectively.

Profit-sharing revenues are calculated at an agreed percentage of the excess of the charterer's average daily income (calculated on a quarterly or half-yearly basis) over an agreed amount and accounted for on an accrual basis based on provisional amounts and for those contracts that provisional accruals cannot be made due to the nature of the profit sharing elements, these are accounted for on the actual cash settlement or when such revenue becomes determinable.

For vessels operating in pooling arrangements, the Company earns a portion of total revenues generated by the pool, net of expenses incurred by the pool. The amount allocated to each pool participant vessel, including the Company's vessels, is determined in accordance with an agreed-upon formula, which is determined by points awarded to each vessel in the pool based on the vessel's age, design and other performance characteristics. Revenue under pooling arrangements is accounted for as variable rate operating leases on the accrual basis and is recognized when an agreement with the pool exists, price is fixed, service is provided and the collectability is reasonably assured. The allocation of such net revenue may be subject to future adjustments by the pool however, such changes are not expected to be material. The Company recognizes net pool revenue on a monthly and quarterly basis, when the vessel has participated in a pool during the period and the amount of pool revenue can be estimated reliably based on the pool report.

Revenue from vessels operating in pooling and profit sharing arrangements amounted to \$1,776 and \$2,762 for the six month periods ended June 30, 2019 and 2018, respectively.

Recent Accounting Pronouncements:

In October 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-17, Consolidation (Topic 810): "Targeted Improvements to Related Party Guidance for Variable Interest Entities" ("ASU 2018-17"). ASU 2018-17 provides that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. This is consistent with how indirect interests held through related parties under common control are considered for determining whether a reporting entity must consolidate a VIE. For public business entities the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its disclosures to the consolidated financial statements.

In August 2018, FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement". This update modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, and earlier adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its disclosures to the consolidated financial statements.

In June 2016, FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This standard requires entities to measure all expected credit losses of financial assets held at a reporting date based on historical experience, current conditions, and reasonable and supportable forecasts in order to record credit losses in a more timely manner. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The standard is effective for interim and annual reporting periods beginning after December 15, 2019, although early adoption is permitted for interim and annual periods beginning after December 15, 2018. In November 2018, FASB issued ASU 2018-19 "Codification Improvements to topic 326, Financial Instruments-Credit Losses". The amendments in this update clarify that operating lease receivables are not within the scope of ASC 326-20 and should instead be accounted for under the new leasing standard, ASC 842. In April 2019, FASB issued ASU 2019-04 "Codification Improvements to topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments". In May 2019, FASB issued ASU 2019-05, "Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief". The amendments in this update provide entities that have certain instruments within the scope of Subtopic 326-20, Financial Instruments-Credit Losses-Measured at Amortized Cost, with an option to irrevocably elect the fair value option in Subtopic 825-10, Financial Instruments-Overall, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. An entity that elects the fair value option should subsequently apply the guidance in Subtopics 820-10, Fair Value Measurement-Overall, and 825-10. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements.

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NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$33,884	\$ 58,590
Restricted cash	1,336	2,865
Total cash and cash equivalents and restricted cash	\$35,220	\$ 61,455

Short-term deposits and highly liquid funds relate to amounts held in banks for general financing purposes and represent deposits with an original maturity of less than three months.

Cash deposits and cash equivalents in excess of amounts covered by government-provided insurance are exposed to loss in the event of non-performance by financial institutions. Navios Partners does maintain cash deposits and equivalents in excess of government-provided insurance limits. Navios Partners also minimizes exposure to credit risk by dealing with a diversified group of major financial institutions.

Restricted cash, at each of June 30, 2019 and December 31, 2018, included \$1,336 and \$865, respectively, which related to amounts held in retention accounts in order to service debt and interest payments and minimum liquidity requirements, as required by certain of Navios Partners' credit facilities. Also, as of December 31, 2018, restricted cash included \$2,000 as cash collateral to the Term Loan B, due to the release of certain mortgaged vessels of the fleet.

NOTE 4 – VESSELS, NET

Vessels	Cost	Accumulated Depreciation	Net Book Value
Balance December 31, 2017	\$1,420,078	\$ (321,063)	\$1,099,015
Additions	115,902	(54,585)	61,317
Disposals	(76,264)	—	(76,264)
Vessel impairment losses	(99,485)	58,667	(40,818)
Balance December 31, 2018	\$1,360,231	\$ (316,981)	\$1,043,250
Additions	5,832	(26,149)	(20,317)
Disposals	(5,696)	81	(5,615)
Vessel impairment losses	(24,993)	17,648	(7,345)
Balance June 30, 2019	\$1,335,374	\$ (325,401)	\$1,009,973

2019

As of June 30, 2019, certain extraordinary fees and costs related to vessels' regulatory requirements, including ballast water treatment system installation, amounted to \$5,767 (see Note 12 — Transactions with related parties and affiliates).

Acquisition of Vessels

2018

On August 31, 2018, Navios Partners acquired from its affiliate, Navios Holdings, the Navios Sphera, a 2016-built Panamax vessel of 84,872 dwt and the Navios Mars, a 2016-built Capesize vessel of 181,259 dwt, for an acquisition cost \$79,000, in total.

On June 7, 2018, Navios Partners acquired from an unrelated third party the Navios Altair I, a 2006-built Panamax vessel of 74,475 dwt, for an acquisition cost of \$11,842.

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On May 21, 2018, Navios Partners acquired from an unrelated third party the Navios Symmetry, a 2006-built Panamax vessel of 74,381 dwt, for an acquisition cost of \$11,811.

On May 9, 2018, Navios Partners acquired from an unrelated third party the Navios Apollon I, a 2005-built Panamax vessel of 87,052 dwt, for an acquisition cost of \$13,446.

Sale of Vessels

2019

On April 23, 2019, Navios Partners sold the Navios Galaxy I to an unrelated third party, for a net sale price of \$5,978. The aggregate net carrying amount of the vessels, including the remaining carrying balance of dry dock and special survey cost of \$363, amounted to \$13,323 as at the date of sale. The loss on sale of the vessel was \$28.

2018

On December 14, 2018, Navios Partners sold the Navios Libra II to an unrelated third party, for a net sale price of \$4,559. The aggregate net carrying amount of the vessel, including the remaining carrying balance of dry dock and special survey cost of \$657, amounted to \$5,784 as at the date of sale.

On December 4, 2018, Navios Partners sold the Navios Felicity to an unrelated third party, for a net sale price of \$4,705. The aggregate net carrying amount of the vessels, including the remaining carrying balance of dry dock and special survey cost of \$818, amounted to \$10,016 as at the date of sale. The loss on sale of the vessel was \$53.

On July 2, 2018, Navios Partners sold the YM Unity and the YM Utmost to its affiliate, Navios Containers, for a total sale price of \$67,000. The aggregate net carrying amount of the vessels, including the remaining carrying balance of dry dock and special survey costs of \$2,104, amounted to \$104,860 as at the date of sale.

Vessel impairment losses

On March 21, 2019, Navios Partners entered into a Memorandum of Agreement with an unrelated third party for the disposal of the Navios Galaxy I for a net sale price of \$5,978. The vessel was subject to an existing time charter with an unrelated charterer and was not immediately available for sale and therefore, did not qualify as an asset held for sale as of March 31, 2019. As of March 31, 2019, the Company had a current expectation that the vessel would be sold before the end of its previously estimated useful life, and as a result performed an impairment test of the specific asset group. An impairment loss of \$7,345 has been recognized under the line item "Vessel impairment losses" in the condensed Consolidated Statements of Operations as of March 31, 2019. The vessel was sold on April 23, 2019.

On October 25, 2018, Navios Partners entered into a Memorandum of Agreement with an unrelated third party for the disposal of the Navios Libra II for a net sale price of \$4,559. The Company had a current expectation that the vessel would be sold before the end of its previously estimated useful life, and as a result performed an impairment test of the specific asset group. An impairment loss of \$1,226 was recognized under the caption "Vessel impairment losses" in the Consolidated Statements of Operations as of December 31, 2018. The vessel was sold on December 14, 2018.

On October 2, 2018, Navios Partners entered into a Memorandum of Agreement with an unrelated third party for the disposal of the Navios Felicity for a net sale price of \$4,705. The vessel was subject to an existing time charter with an unrelated charterer and was not immediately available for sale and therefore, did not qualify as an asset held for sale as of September 30, 2018. As of September 30, 2018, the Company had a current expectation that the vessel would be sold before the end of its previously estimated useful life, and as a result performed an impairment test of the specific asset group. An impairment loss of \$5,258 has been recognized under the caption "Vessel impairment losses" in the condensed Consolidated Statements of Operations as of September 30, 2018. The vessel was sold on December 4, 2018.

On April 27, 2018, Navios Partners agreed to sell the YM Unity and the YM Utmost to its affiliate, Navios Containers, for a total sale price of \$67,000. As of June 30, 2018, the vessels had been classified as held for sale as the relevant criteria for the classification were met and, therefore, they were presented in the condensed Consolidated Balance Sheets at their fair value totaling \$67,000. An impairment loss of \$37,860 for the vessels held for sale was presented under the caption "Vessel impairment losses" in the condensed Consolidated Statements of Operations as of June 30, 2018. The vessels were sold on July 2, 2018, and proceeds from the sale were used to partially repay an amount of \$20,200 of the DVB Credit Facility (see Note 6 — Borrowings).

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NOTE 5 – INTANGIBLE ASSETS

Intangible assets as of June 30, 2019 and December 31, 2018 consisted of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Favorable lease terms December 31, 2017	\$83,716	\$ (75,636)	\$ 8,080
Additions	—	(3,748)	(3,748)
Favorable lease terms December 31, 2018	\$83,716	\$ (79,384)	\$ 4,332
Additions	—	(583)	(583)
Favorable lease terms June 30, 2019	\$83,716	\$ (79,967)	\$ 3,749

Amortization expense of favorable lease terms for each of the periods ended June 30, 2019 and 2018 is presented in the following table:

	<u>Three Month Period Ended</u>		<u>Six Month Period Ended</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Favorable lease terms	\$ (291)	\$ (1,016)	\$ (583)	\$ (2,032)
Total	\$ (291)	\$ (1,016)	\$ (583)	\$ (2,032)

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The aggregate amortization of the intangibles for the 12-month periods ended June 30 is estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2020	1,166
2021	1,166
2022	1,166
2023 and thereafter	251
Total	<u>\$3,749</u>

Intangible assets subject to amortization are amortized using straight line method over their estimated useful lives to their estimated residual value of zero. The weighted average useful lives are 11.8 years for the remaining favorable lease terms, at inception.

NOTE 6 – BORROWINGS

Borrowings as of June 30, 2019 and December 31, 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Term Loan B facility	\$339,327	\$ 418,538
Credit facilities	102,759	75,671
Total debt	\$442,086	\$ 494,209
Financial liabilities	50,997	24,842
Total borrowings	\$493,083	\$ 519,051
Less: Long-term unamortized discount	(3,786)	(6,629)
Less: Current portion of long-term borrowings, net	(11,680)	(26,804)
Less: Deferred finance costs, net	(4,234)	(4,937)
Long-term borrowings, net	<u>\$473,383</u>	<u>\$ 480,681</u>

As of June 30, 2019, the total borrowings, net of deferred finance fees and discount under the Navios Partners' credit facilities were \$485,063.

Term Loan B Facility: In June 2013, Navios Partners completed the issuance of the \$250,000 Term Loan B Facility. On October 31, 2013 and November 1, 2013, Navios Partners completed the issuance of an \$189,500 add-on to its existing Term Loan B Facility.

On March 14, 2017, Navios Partners completed the issuance of a new \$405,000 Term Loan B Facility. The new Term Loan B Facility bears an interest rate of LIBOR plus 500 bps, it is set to mature on September 14, 2020 and is repayable in equal quarterly installments of 1.25% of the initial principal amount. Navios Partners used the net proceeds of the Term Loan B Facility to: (i) refinance the existing Term Loan B Facility; and (ii) pay fees and expenses related to the Term Loan B Facility. Following the refinancing of the Term Loan B Facility, an amount of \$1,880 and \$1,275, was written-off from the deferred finance fees and discount, respectively. On August 10, 2017, Navios Partners completed the issuance of a \$53,000 add-on to its existing Term Loan B Facility. The add-on to the Term Loan B Facility bore the same terms as the Term Loan B Facility. Navios Partners used the net proceeds to partially finance the acquisition of three vessels.

The Term Loan B Facility is secured by first priority mortgages covering certain vessels owned by subsidiaries of Navios Partners, in addition to other collateral, and guaranteed by each subsidiary of Navios Partners.

The Term Loan B Facility requires maintenance of a loan to value ratio of 0.8 to 1.0, and other restrictive covenants customary for facilities of this type (subject to negotiated exceptions and baskets), including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The Term Loan B Facility also provides for customary events of default, prepayment and cure provisions.

During the year ended December 31, 2018, four drybulk vessels were released from security of the Term Loan B Facility and in exchange, five drybulk vessels and \$2,000 in cash substituted the released vessels, as collateral to the Term Loan B Facility. In April and May 2019, Navios Partners prepaid \$73,478 and released five vessels from the collateral package of the Term Loan B Facility. Following these prepayments, an amount of \$482 and \$1,002 was written-off from the deferred finance fees and discount, respectively. As of June 30, 2019, the outstanding balance of the Term Loan B Facility was \$335,541, net of discount of \$3,786. Following these prepayments, there are no installments due and the outstanding balance of \$339,327 is fully repayable on the final maturity date. The final maturity date is September 14, 2020 (see Note 18 — Subsequent Events).

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BNP Credit Facility: On June 26, 2017, Navios Partners entered into a new credit facility with BNP PARIBAS (the “BNP Credit Facility”) of up to \$32,000 (divided into two tranches) in order to partially finance the acquisition of the Navios Ace and the Navios Sol. On June 28, 2017, the first tranche of BNP Credit Facility of \$17,000 was drawn. On July 18, 2017, the second tranche of BNP Credit Facility of \$15,000 was drawn. On December 13, 2018, Navios Partners repaid the outstanding balance of the first tranche in the amount of \$15,070. Following this repayment, an amount of \$117 was written-off from the deferred finance fees. On April 9, 2019, Navios Partners amended the existing BNP Credit Facility, in order to refinance two vessels and replace the existing collateral under the BNP Credit Facility. As of June 30, 2019, the outstanding balance of the BNP Credit Facility was \$11,929 and is repayable in nine equal consecutive quarterly installments of \$569 each, with a final balloon payment of \$6,808 to be repaid on the last repayment date. The facility matures in the third quarter of 2021 and bears interest at LIBOR plus 300 bps per annum.

DVB Credit Facilities: On June 28, 2017, Navios Partners entered into a new credit facility with DVB Bank S.E. (the “DVB Credit Facility”) of up to \$39,000 (divided into four tranches) in order to refinance the Commerzbank/DVB Credit Facility dated July 2012 and an additional amount of \$7,000 to partially finance the acquisition of the Navios Prosperity I. The amounts of \$7,000 and \$32,000 were drawn on June 30, 2017 and November 3, 2017, respectively. On July 2, 2018, Navios Partners repaid the outstanding balance of the three tranches in the amount of \$20,200. Following this repayment, an amount of \$209 was written-off from the deferred finance fees. On April 15, 2019, Navios Partners fully repaid the outstanding balance of \$12,250. Following this repayment, an amount of \$94 was written-off from the deferred finance fees.

On July 31, 2018, Navios Partners entered into a new credit facility with DVB Bank S.E. (the “DVB \$44m Credit Facility”) of up to \$44,000 (divided into two tranches) in order to finance the acquisition of the Navios Sphera and the Navios Mars. The amounts of \$17,500 and \$26,500 were drawn on August 30, 2018. As of June 30, 2019, the outstanding balance of the DVB \$44m Credit Facility was \$41,607 and is repayable in 17 equal consecutive quarterly installments of \$798 each, with a final balloon payment of \$28,050 to be repaid on the last repayment date. The facility matures in the third quarter of 2023 and bears interest at LIBOR plus 290 bps per annum.

On February 12, 2019, Navios Partners entered into a new credit facility with DVB Bank S.E. (the “February 2019 Credit Facility”) of up to \$66,000 (divided into four tranches) in order to refinance the DVB Credit Facility dated June 28, 2017 and three Capesize vessels previously included in the Term Loan B collateral package. On April 15, 2019, Navios Partners drew the two tranches of \$15,675 each. As of June 30, 2019, the outstanding balance of the DVB Credit Facility was \$31,350 and is repayable in eight quarterly installments of \$1,112 each and 12 quarterly installments of \$922 each, with a final balloon payment of \$11,400 each, to be repaid on the last repayment date. The facility matures in the first quarter of 2024 and bears interest at LIBOR plus 260 bps per annum.

Nordea/Skandinaviska Enskilda/NIBC Credit Facility: On March 26, 2018, Navios Partners entered into a new credit facility with Nordea Bank AB, Skandinaviska Enskilda BanKen AB and NIBC Bank N.V. (the “March 2018 Credit Facility”) of up to \$14,300 (divided into two tranches) in order to partially finance the acquisition of the Navios Symmetry and the Navios Altair I. On May 18, 2018, the first tranche of the March 2018 Credit Facility of \$7,150 was drawn. On June 1, 2018 the second tranche of the March 2018 Credit Facility of \$7,150 was drawn. On December 13, 2018, Navios Partners repaid the outstanding balance of the second tranche in the amount of \$6,554. Following this repayment, an amount of \$95 was written-off from the deferred finance fees. As of June 30, 2019, the outstanding balance of the March 2018 Credit Facility was \$5,958 and is repayable in 16 equal consecutive quarterly installments of \$298 each, with a final balloon payment of \$1,190 to be repaid on the last repayment date. The facility matures in the second quarter of 2023 and bears interest at LIBOR plus 300 bps per annum.

NIBC Credit Facility: On December 28, 2018, Navios Partners entered into a new credit facility with NIBC Bank N.V. (the “December 2018 Credit Facility”) of up to \$28,500 (divided into three tranches) in order to refinance three Ultra-Handymax vessels, previously included in the Term Loan B collateral package. On May 8, 2019, the first tranche of the December 2018 Credit Facility of approximately \$11,915 was drawn. As of June 30, 2019, the outstanding balance of the December 2018 Credit Facility was \$11,915 and is repayable in 18 equal consecutive quarterly installments of \$253 each, with a final balloon payment of \$7,358 to be repaid on the last repayment date. The facility matures in the fourth quarter of 2023 and bears interest at LIBOR plus 275 bps over annum.

DNB Credit Facility: On April 5, 2019, Navios Partners entered into a new credit facility with DNB Bank ASA (the “April 2019 Credit Facility”) of up to \$40,000 (divided into two tranches) in order to refinance two Capesize vessels, previously included in the Term Loan B collateral package. The credit facility has a term of approximately five years and bears interest at LIBOR plus 275 bps per annum. As of June 30, 2019, no amount had been drawn under this facility.

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Amounts drawn under the credit facilities are secured by first preferred mortgages on certain Navios Partners' vessels and other collateral and are guaranteed by the respective vessel-owning subsidiaries. The credit facilities contain a number of restrictive covenants that prohibit or limit Navios Partners from, among other things: incurring or guaranteeing indebtedness; entering into affiliate transactions; charging, pledging or encumbering the vessels; changing the flag, class, management or ownership of Navios Partners' vessels; changing the commercial and technical management of Navios Partners' vessels; selling or changing the beneficial ownership or control of Navios Partners' vessels; not maintaining Navios Holdings' (or its affiliates) ownership in Navios Partners of at least 15.0%; and subordinating the obligations under the credit facilities to any general and administrative costs relating to the vessels, including the fixed daily fee payable under the management agreement.

The credit facilities require compliance with a number of financial covenants, including: (i) maintain a required security amount ranging over 120% to 135%; (ii) minimum free consolidated liquidity in an amount equal to at least \$500 to \$650 per owned vessel; (iii) maintain a ratio of EBITDA to interest expense of at least 2.00:1.00; (iv) maintain a ratio of total liabilities or total debt to total assets (as defined in our credit facilities) ranging of less than 0.75; and (v) maintain a minimum net worth to \$135,000.

It is an event of default under the credit facilities if such covenants are not complied with in accordance with the terms and subject to the prepayments or cure provisions of the facilities.

As of June 30, 2019, Navios Partners was in compliance with the financial covenants and/or the prepayment and/or the cure provisions as applicable in each of its credit facilities.

Financial Liabilities: In December 2018, the Company entered into two sale and leaseback agreements of \$25,000 in total, with unrelated third parties for the Navios Fantastiks and the Navios Beaufiks. Navios Partners has a purchase obligation to acquire the vessels at the end of the lease term and under ASC 842-40, the transfer of the vessels was determined to be a failed sale. In accordance with ASC 842-40, the Company did not derecognize the respective vessels from its balance sheet and accounted for the amounts received under the sale and leaseback agreements as a financial liability. Navios Partners is obligated to make 69 and 60 consecutive monthly payments of approximately \$161 and \$155 each, commencing as of December 2018. As of June 30, 2019, the outstanding balance under the sale and leaseback agreements of the Navios Fantastiks and Navios Beaufiks was \$23,896 in total. The agreements mature in the third quarter of 2024 and fourth quarter of 2023, respectively, with a purchase obligation of \$6,300 per vessel on the last repayment date.

On April 5, 2019, the Company entered into a new sale and leaseback agreement of \$20,000, with unrelated third parties for the Navios Sol, a 2009-built Capesize vessel of 180,274 dwt. Navios Partners has a purchase obligation to acquire the vessel at the end of the lease term and under ASC 842-40, the transfer of the vessel was determined to be a failed sale. Navios Partners is obligated to make 120 consecutive monthly payments of approximately \$190 each, commencing as of April 2019. On April 11, 2019, the amount of \$20,000 was drawn. As of June 30, 2019, the outstanding balance under the sale and leaseback agreement of the Navios Sol was \$19,738 in total. The agreement matures in the second quarter of 2029, with a purchase obligation of \$6,300 on the last repayment date.

On June 7, 2019, the Company entered into a new sale and leaseback agreement of \$7,500, with unrelated third parties for the Navios Sagittarius, a 2006-built Panamax vessel of 75,756 dwt. Navios Partners has a purchase obligation to acquire the vessel at the end of the lease term and under ASC 842-40, the transfer of the vessel was determined to be a failed sale. Navios Partners is obligated to make 36 consecutive monthly payments of approximately \$178 each, commencing as of June 2019. On June 28, 2019, the amount of \$7,500 was drawn. As of June 30, 2019, the outstanding balance under the sale and leaseback agreement of the Navios Sagittarius was \$7,363 in total. The agreement matures in the second quarter of 2022, with a purchase obligation of \$2,000 on the last repayment date.

The Financial Liabilities have no financial covenants.

The maturity table below reflects the gross principal payments due under its credit facilities for the 12-month periods ended June 30:

<u>Year</u>	<u>Amount</u>
2020	\$ 16,977
2021	356,638
2022	23,836
2023	14,060
2024 and thereafter	81,572
Total	<u>\$493,083</u>

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NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value amounts of many of Navios Partners’ financial instruments, including cash and cash equivalents, restricted cash, accounts receivable and accounts payable and amounts due to related parties approximate their fair value due primarily to the short-term maturity of the related instruments.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents: The carrying amounts reported in the condensed Consolidated Balance Sheets for interest bearing deposits approximate their fair value because of the short maturity of these investments.

Restricted Cash: The carrying amounts reported in the condensed Consolidated Balance Sheets for interest bearing deposits approximate their fair value because of the short maturity of these investments.

Amounts due from related parties, short-term: The carrying amount of due from related parties, short-term reported in the balance sheet approximates its fair value due to the short-term nature of these receivables.

Loans receivable from affiliates: The carrying amount of the fixed rate loan approximates its fair value.

Amounts due from related parties, long-term: The carrying amount of due from related parties long-term reported in the balance sheet approximates its fair value due to the long-term nature of these receivables.

Notes receivable, net of current portion: The carrying amount of the fixed rate notes receivable approximate its fair value.

Note receivable from affiliates: The carrying amount of the long-term receivable from affiliates approximates its fair value.

Term Loan B Facility: The fair value of the Company’s debt is estimated based on currently available debt with similar contract terms, interest rate and remaining maturities, as well as taking into account our creditworthiness. The book value has been adjusted to reflect the net presentation of deferred finance fees.

Other long-term borrowings, net: The book value has been adjusted to reflect the net presentation of deferred finance fees. The outstanding balance of the floating rate loans continues to approximate its fair value, excluding the effect of any deferred finance fees.

The estimated fair values of the Navios Partners’ financial instruments are as follows:

	June 30, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	\$ 33,884	\$ 33,884	\$ 58,590	\$ 58,590
Restricted cash	\$ 1,336	\$ 1,336	\$ 2,865	\$ 2,865
Amounts due from related parties, short-term	\$ 17,936	\$ 17,936	\$ 28,562	\$ 28,562
Loans receivable from affiliates	\$ 31,840	\$ 31,840	\$ 27,657	\$ 27,657
Amounts due from related parties, long-term	\$ 38,086	\$ 38,086	\$ 28,880	\$ 28,880
Notes receivable, net of current portion	\$ 9,673	\$ 9,673	\$ 11,629	\$ 11,629
Note receivable from affiliates	\$ 4,666	\$ 4,666	\$ 4,525	\$ 4,525
Term Loan B Facility, net	\$(333,718)	\$(338,902)	\$(408,662)	\$(414,352)
Other long-term borrowings, net	\$(151,345)	\$(153,756)	\$ (98,823)	\$(100,513)

Fair Value Measurements

The estimated fair value of our financial instruments that are not measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, are as follows:

Level I: Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets that we have the ability to access. Valuation of these items does not entail a significant amount of judgment.

Level II: Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.

Level III: Inputs that are unobservable. The Company did not use any Level III inputs as of June 30, 2019 and December 31, 2018.

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	Fair Value Measurements at June 30, 2019			
	Total	Level I	Level II	Level III
Cash and cash equivalents	\$ 33,884	\$ 33,884	—	—
Restricted cash	\$ 1,336	\$ 1,336	—	—
Amounts due from related parties, short-term	\$ 17,936	—	\$ 17,936	—
Loans receivable from affiliates	\$ 31,840	—	\$ 31,840	—
Amounts due from related parties, long-term	\$ 38,086	—	\$ 38,086	—
Notes receivable, net of current portion ⁽²⁾	\$ 9,673	—	\$ 9,673	—
Note receivable from affiliates	\$ 4,666	—	\$ 4,666	—
Term Loan B facility, net ⁽¹⁾	\$(338,902)	—	\$(338,902)	—
Other long-term borrowings, net ⁽¹⁾	\$(153,756)	—	\$(153,756)	—

	Fair Value Measurements at December 31, 2018			
	Total	Level I	Level II	Level III
Cash and cash equivalents	\$ 58,590	\$ 58,590	—	—
Restricted cash	\$ 2,865	\$ 2,865	—	—
Amounts due from related parties, short-term	\$ 28,562	—	\$ 28,562	—
Loans receivable from affiliates	\$ 27,657	—	\$ 27,657	—
Amounts due from related parties, long-term	\$ 28,880	—	\$ 28,880	—
Notes receivable, net of current portion ⁽²⁾	\$ 11,629	—	\$ 11,629	—
Note receivable from affiliates	\$ 4,525	—	\$ 4,525	—
Term Loan B facility, net ⁽¹⁾	\$(414,352)	—	\$(414,352)	—
Other long-term borrowings, net ⁽¹⁾	\$(100,513)	—	\$(100,513)	—

The estimated fair value of our financial instruments that are measured at fair value on a non-recurring basis, categorized based upon the fair value hierarchy, are as follows:

	Fair Value Measurements at June 30, 2019			
	Total	Level I	Level II	Level III
Vessels, net (for Navios Galaxy I)	\$ 5,978	—	\$ 5,978	—

	Fair Value Measurements at December 31, 2018			
	Total	Level I	Level II	Level III
Vessels, net (for Navios Felicity)	\$ 4,705	—	\$ 4,705	—
Vessels, net (for Navios Libra II)	\$ 4,559	—	\$ 4,559	—

- (1) The fair value of the Company's debt is estimated based on currently available debt with similar contract terms, interest rate and remaining maturities as well as taking into account our creditworthiness.
- (2) The fair value is estimated based on currently available information on the Company's counterparty with similar contract terms, interest rate and remaining maturities.

NOTE 8 – ISSUANCE OF UNITS

On April 25, 2019, Navios Partners announced that its Board of Directors has approved 1-for-15 reverse stock split of its issued and outstanding shares of common units and general partners units. The reverse stock split was effective on May 21, 2019 and the common units commenced trading on such date on a split adjusted basis.

In February 2019, Navios Partners authorized the granting of 25,396 restricted common units, which were issued on February 1, 2019, to its directors and officers, which are based solely on service conditions and vest over four years. The fair value of restricted common units was determined by reference to the quoted stock price on the date of grant. Compensation expense, net of estimated forfeitures, is recognized based on a graded expense model over the vesting period. Navios Partners also issued 518 general partnership units to its general partner for net proceeds of \$8. The effect of compensation expense arising from the restricted common units described above amounted to \$52 and \$85 for the three and six month period ended June 30, 2019 and was presented under the caption "General and administrative expenses" in the condensed Consolidated Statements of Operations.

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In January 2019, the Board of Directors of Navios Partners authorized a common unit repurchase program for up to \$50,000 of the Company's common units over a two year period. The program does not require any minimum repurchase or any specific number of common units and may be suspended or reinstated at any time in Navios Partners' discretion and without notice. The Board of Directors will review the program periodically. Repurchases are subject to restrictions under Navios Partners' credit facilities. As of June 30, 2019, Navios Partners had repurchased and cancelled 312,952 common units on a split adjusted basis, for a total cost of approximately \$4,499.

In December 2018, Navios Partners authorized the granting of 97,633 restricted common units, which were issued on December 24, 2018, to its directors and officers, which are based solely on service conditions and vest over four years. Navios Partners also issued 1,933 general partnership units to its general partner for net proceeds of \$27. The effect of compensation expense arising from the restricted common units described above amounted to \$170 and \$337 for the three and six month period ended June 30, 2019 and was presented under the caption "General and administrative expenses" in the condensed Consolidated Statements of Operations.

The effect of compensation expense arising from the restricted common units granted in December 2017 and 2016, amounted to \$297 and \$591 for the three and six month period ended June 30, 2019 and was presented under the caption "General and administrative expenses" in the condensed Consolidated Statements of Operations.

There were no restricted common units exercised, forfeited or expired during the three month period ended June 30, 2019.

Restricted common units outstanding and not vested were 247,718 shares on a split adjusted basis as of June 30, 2019.

As of June 30, 2019, the estimated compensation cost relating to service conditions of non-vested restricted common units granted in 2016, 2017, 2018 and 2019 not yet recognized was \$2,461.

On February 21, 2018, Navios Partners completed a public offering of 1,228,133 on a split adjusted basis common units at \$28.5 per unit and raised gross proceeds of approximately \$35,002. The net proceeds of this offering, including the underwriting discount and the offering costs of \$1,629 in total, were approximately \$33,374. Pursuant to this offering, Navios Partners issued 25,064 general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$714.

Navios Holdings currently owns an approximately 20.5% interest in Navios Partners, which includes the approximately 2.1% interest through Navios Partners' general partner, which Navios Holdings owns and controls.

NOTE 9 – SEGMENT INFORMATION

Navios Partners reports financial information and evaluates its operations by charter revenues. Navios Partners does not use discrete financial information to evaluate operating results for each type of charter or by sector. As a result, management reviews operating results solely by revenue per day and operating results of the fleet and thus Navios Partners has determined that it operates under one reportable segment.

The following table sets out operating revenue by geographic region for Navios Partners' reportable segment. Revenue is allocated on the basis of the geographic region in which the customer is located. Drybulk and containerships operate worldwide. Revenues from specific geographic region, which contribute over 10% of total revenue, are disclosed separately.

Revenue by Geographic Region

Vessels operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific countries.

	Three Month Period ended June 30, 2019	Three Month Period ended June 30, 2018	Six Month Period ended June 30, 2019	Six Month Period ended June 30, 2018
Asia	\$ 27,266	\$ 33,574	\$ 53,917	\$ 63,945
Europe	20,334	17,770	38,245	33,290
North America	145	5,200	1,124	11,025
Australia	—	1,652	1,277	2,988
Total	\$ 47,745	\$ 58,196	\$ 94,563	\$ 111,248

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NOTE 10 – INCOME TAXES

Marshall Islands, Malta and Liberia do not impose a tax on international shipping income. Under the laws of Marshall Islands, Malta and Liberia, the countries of the vessel-owning subsidiaries' incorporation and vessels' registration, the vessel-owning subsidiaries are subject to registration and tonnage taxes, which have been included in vessel operating expenses in the accompanying condensed Consolidated Statements of Operations.

In accordance with the currently applicable Greek law, foreign flagged vessels that are managed by Greek or foreign ship management companies having established an office in Greece are subject to duties towards the Greek state, which are calculated on the basis of the relevant vessel's tonnage. The payment of said duties exhausts the tax liability of the foreign ship owning company and the relevant manager against any tax, duty, charge or contribution payable on income from the exploitation of the foreign flagged vessel.

Pursuant to Section 883 of the Internal Revenue Code of the United States, U.S. source income from the international operation of ships is generally exempt from U.S. income tax if the company operating the ships meets certain incorporation and ownership requirements. Among other things, in order to qualify for this exemption, the company operating the ships must be incorporated in a country, which grants an equivalent exemption from income taxes to U.S. corporations. All the vessel-owning subsidiaries satisfy these initial criteria.

In addition, these companies must meet an ownership test. The management of Navios Partners believes that this ownership test was satisfied prior to the IPO by virtue of a special rule applicable to situations where the ship operating companies are beneficially owned by a publicly traded company. Although not free from doubt, management also believes that the ownership test will be satisfied based on the trading volume and ownership of Navios Partners' units, but no assurance can be given that this will remain so in the future.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Navios Partners is involved in various disputes and arbitration proceedings arising in the ordinary course of business. Provisions have been recognized in the financial statements for all such proceedings where Navios Partners believes that a liability may be probable, and for which the amounts are reasonably estimable, based upon facts known at the date the financial statements were prepared. Management believes the ultimate disposition of these matters will be immaterial individually and in the aggregate to Navios Partners' financial position, results of operations or liquidity.

In November 2017, Navios Partners agreed to charter-in, under a ten-year bareboat contract, from an unrelated third party, a newbuilding Panamax vessel of approximately 82,011 dwt, delivered on July 24, 2019. Navios Partners has agreed to pay in total \$5,540, representing a deposit for the option to acquire the vessel after the end of the fourth year, of which the first half amounted to \$2,770 was paid during the year ended December 31, 2017 and the second half amounted to \$2,770 was paid during the year ended December 31, 2018, both presented under the caption "Other long-term assets" in the condensed Consolidated Balance Sheets.

The future minimum commitments for the 12-month periods ended June 30, of Navios Partners under its charter-in contracts, net of commissions, are as follows:

	<u>Amount</u>
2020	\$ 2,041
2021	2,172
2022	2,172
2023	2,086
2024	2,086
2025 and thereafter	10,260
Total	<u>\$ 20,817</u>

NOTE 12 – TRANSACTIONS WITH RELATED PARTIES AND AFFILIATES

Management fees: Pursuant to the amended Management Agreement, in each of October 2013, August 2014, February 2015 and February 2016, the Manager, a wholly owned subsidiary of Navios Holdings, provides commercial and technical management services to Navios Partners' vessels for a daily fee of: (a) \$4.10 daily rate per Ultra-Handymax vessel; (b) \$4.20 daily rate per Panamax vessel; (c) \$5.25 daily rate per Capesize vessel; (d) \$6.70 daily rate per Containership of TEU 6,800; (e) \$7.40 daily rate per Containership of more than TEU 8,000; and (f) \$8.75 daily rate per very large Containership of more than TEU 13,000 through December 31, 2017. On November 14, 2017, Navios Partners agreed to extend the duration of its existing Management Agreement with the Manager until December 31, 2022 and to fix the rate for shipmanagement services of its owned fleet through December 31, 2019, effective from January 1, 2018. The new management fees, excluding drydocking expenses which are reimbursed at cost by

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Navios Partners, are: (a) \$4.23 daily rate per Ultra-Handymax vessel; (b) \$4.33 daily rate per Panamax vessel; (c) \$5.25 daily rate per Capesize vessel; (d) \$6.70 daily rate per Containership of TEU 6,800; (e) \$7.40 daily rate per Containership of more than TEU 8,000 and (f) \$8.75 daily rate per very large Containership of more than TEU 13,000. These fixed daily fees cover our vessels' operating expenses, other than certain extraordinary fees and costs. For the six month periods ended June 30, 2019 and 2018 certain extraordinary fees and costs related to regulatory requirements, under Company's management agreement amounted to \$5,767 and \$0, respectively, and are presented under "Acquisition of/additions to vessels" in the condensed Consolidated Statements of Cash Flows. Drydocking expenses under this agreement are reimbursed by Navios Partners at cost at occurrence.

Total management fees for each of the three and six month periods ended June 30, 2019 amounted to \$16,496 and \$33,106, respectively. Total management fees for the three and six month periods ended June 30, 2018 amounted to \$17,381 and \$34,072, respectively.

General and administrative expenses: Pursuant to the Administrative Services Agreement, the Manager also provides administrative services to Navios Partners, which include bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other. The Manager is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Navios Partners extended the duration of its existing Administrative Services Agreement with the Manager, until December 31, 2022.

Total general and administrative expenses charged by Navios Holdings for each of the three and six month periods ended June 30, 2019 amounted to \$2,537 and \$5,127, respectively. Total general and administrative expenses charged by Navios Holdings for the three and six month periods ended June 30, 2018 amounted to \$2,330 and \$4,580, respectively.

Balance due from related parties (excluding Navios Europe I and Navios Europe II): Balance due from related parties as of June 30, 2019 and December 31, 2018 amounted to \$48,036 and \$52,252, respectively, of which for the six month period ended June 30, 2019, the current receivable was \$9,950 and the long-term receivable was \$38,086. The balance mainly consisted of management fees, drydocking, and extraordinary fees and costs related to regulatory requirements, including ballast water treatment system, prepaid to Navios Holdings in accordance with the Management service agreement and the Navios Holdings Guarantee. Net of the \$3,638 change in estimate of the guarantee claim receivable recorded during the three month period ended June 30, 2019, the claim from the Navios Holdings Guarantee amounted to \$14,362 as of June 30, 2019.

Balance due from Navios Europe I: Navios Holdings, Navios Acquisition and Navios Partners have made available to Navios Europe I revolving loans of up to \$24,100 to fund working capital requirements (collectively, the "Navios Revolving Loans I"). In December 2018, the amount of funds available under the Navios Revolving Loans I was increased by \$30,000 (see Note 14 — Investment in Affiliates). The Navios Revolving Loans I and the Navios Term Loans I earn interest and an annual preferred return at 12.7% per annum, on a quarterly compounding basis and are repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter.

As of June 30, 2019, Navios Partners' portion of the outstanding amount relating to the portion of the investment in Navios Europe I (5.0% of the \$10,000) was \$500, under the caption "Investment in affiliates" and the outstanding amount relating to the Navios Revolving Loans I capital was \$15,205 (December 31, 2018: \$11,205), under the caption "Loans receivable from affiliates". The accrued interest income earned under the Navios Revolving Loans I was \$1,700 (December 31, 2018: \$731) under the caption "Balance due from related parties" and the accrued interest income earned under the Navios Term Loans I was \$508 (December 31, 2018: \$447) under the caption "Loans receivable from affiliates". As of June 30, 2019, the amount undrawn under the Navios Revolving Loans I was \$2,000, of which Navios Partners may be required to fund an amount up to \$2,000.

Balance due from Navios Europe II: Navios Holdings, Navios Acquisition and Navios Partners have made available to Navios Europe II revolving loans of up to \$43,500 to fund working capital requirements (collectively, the "Navios Revolving Loans II"). In March 2017, the amount of funds available under the Navios Revolving Loans II was increased by \$14,000 (see Note 14 — Investment in Affiliates). The Navios Revolving Loans II and the Navios Term Loans II earn interest and an annual preferred return at 18% per annum, on a quarterly compounding basis and are repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter.

As of June 30, 2019, Navios Partners' portion of the outstanding amount relating to the portion of the investment in Navios Europe II (5.0% of the \$14,000) was \$700, under the caption "Investment in affiliates" and the outstanding amount relating to the Navios Revolving Loans II capital was \$15,397 (December 31, 2018: \$15,397), under the caption "Loans receivable from affiliates". The accrued interest income earned under the Navios Revolving Loans II was \$6,286 (December 31, 2018: \$4,459) under the caption "Balance due from related parties" and the accrued interest income earned under the Navios Term Loans II was \$730 (December 31, 2018: \$608) under the caption "Loans receivable from affiliates". As of June 30, 2019, the amount undrawn under the Navios Revolving Loans II was \$4,503, of which Navios Partners may be required to fund an amount up to \$4,503.

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Note receivable from affiliates: On March 17, 2017, Navios Holdings transferred to Navios Partners its rights to the fixed 12.7% interest on the Navios Europe I's Navios Term Loans I and Navios Revolving Loans I (including the respective accrued receivable interest) in the amount of \$33,473, which included a cash consideration of \$4,050 and 871,795 newly issued common units of Navios Partners, on a split adjusted basis. At the date of this transaction, the Company recognized a receivable at the fair value of its newly issued common units totaling \$29,423 based on the closing price of \$33.75 per unit as of March 16, 2017 given as consideration. The receivable relating to the consideration settled with the issuance of 871,795 Navios Partners' common units in the amount of \$29,423 has been classified contra equity within the condensed Consolidated Statements of Changes in Partners' Capital as "Note receivable". The receivable from Navios Holdings is payable on maturity in December 2023 and Navios Partners will receive approximately \$50,937. Interest will accrue through maturity and will be recognized within "Interest income" for the receivable relating to the cash consideration of \$4,050. As of June 30, 2019, the long-term note receivable from Navios Holdings amounted to \$4,666 (including the non-cash interest income of \$616), presented under the caption "Note receivable from affiliates". Navios Partners may require Navios Holdings, under certain conditions, to repurchase the loans after the third anniversary of the date of the transaction based on the then outstanding balance of the loans.

Others: Navios Partners has entered into an omnibus agreement with Navios Holdings (the "Partners Omnibus Agreement") in connection with the closing of Navios Partners' IPO governing, among other things, when Navios Holdings and Navios Partners may compete against each other as well as rights of first offer on certain drybulk carriers. Pursuant to the Partners Omnibus Agreement, Navios Partners generally agreed not to acquire or own Panamax or Capesize drybulk carriers under time charters of three or more years without the consent of an independent committee of Navios Partners. In addition, Navios Holdings has agreed to offer to Navios Partners the opportunity to purchase vessels from Navios Holdings when such vessels are fixed under time charters of three or more years.

Navios Partners entered into an omnibus agreement with Navios Acquisition and Navios Holdings (the "Acquisition Omnibus Agreement") in connection with the closing of Navios Acquisition's initial vessel acquisition, pursuant to which, among other things, Navios Holdings and Navios Partners agreed not to acquire, charter-in or own liquid shipment vessels, except for containerships and vessels that are primarily employed in operations in South America, without the consent of an independent committee of Navios Acquisition. In addition, Navios Acquisition, under the Acquisition Omnibus Agreement, agreed to cause its subsidiaries not to acquire, own, operate or charter drybulk carriers subject to specific exceptions. Under the Acquisition Omnibus Agreement, Navios Acquisition and its subsidiaries granted to Navios Holdings and Navios Partners, a right of first offer on any proposed sale, transfer or other disposition of any of its drybulk carriers and related charters owned or acquired by Navios Acquisition. Likewise, Navios Holdings and Navios Partners agreed to grant a similar right of first offer to Navios Acquisition for any liquid shipment vessels it might own. These rights of first offer will not apply to a (i) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any charter or other agreement with a counterparty, or (ii) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

In connection with the Navios Midstream initial public offering and effective November 18, 2014, Navios Partners entered into an omnibus agreement with Navios Midstream, Navios Acquisition and Navios Holdings pursuant to which Navios Acquisition, Navios Holdings and Navios Partners have agreed not to acquire or own any VLCCs, crude oil tankers, refined petroleum product tankers, LPG tankers or chemical tankers under time charters of five or more years and also providing rights of first offer on certain tanker vessels.

In connection with the Navios Containers private placement and listing on the N-OTC market effective June 8, 2017, Navios Partners entered into an omnibus agreement with Navios Containers, Navios Holdings, Navios Acquisition and Navios Midstream, pursuant to which Navios Partners, Navios Holdings, Navios Acquisition and Navios Midstream have granted to Navios Containers a right of first refusal over any containerships to be sold or acquired in the future. The omnibus agreement contains significant exceptions that will allow Navios Partners, Navios Holdings, Navios Acquisition and Navios Midstream to compete with Navios Containers under specified circumstances.

On November 15, 2012 (as amended and supplemented in March 2014 and December 2017), Navios Holdings and Navios Partners entered into an agreement (the "Navios Holdings Guarantee") by which Navios Holdings will provide supplemental credit default insurance with a maximum cash payment of \$20,000. Net of the \$3,638 change in estimate of the guarantee claim receivable recorded during the three month period ended June 30, 2019, the claim amounted to \$14,362 for the six month period ended June 30, 2019, presented under the captions "Amounts due from related parties-short term" and "Amounts due from related parties-long term" in the condensed Consolidated Balance Sheets. In July 2019, it was agreed that the claim will be repayable in three installments of \$4,362 in the fourth quarter 2019, \$5,000 in the third quarter 2020 and \$5,000 in the first quarter 2021.

As of June 30, 2019, Navios Holdings held an 18.4% common unit interest in Navios Partners, represented by 2,070,215 common units and it also held a general partner interest of 2.1%.

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NOTE 13 – NOTES RECEIVABLE

On July 15, 2016, the Company entered into a charter restructuring agreement for the reduction of the hire rate for five Containerships chartered out to Hyundai Merchant Marine Co. (“HMM”) which resulted in a decrease in cash charter hire to be received of approximately \$38,461. More specifically, the reduction of the hire rate will be applied as follows:

- With effect from (and including) July 18, 2016 until (and including) December 31, 2019, hire rate shall be reduced to \$24,400 per day pro rata.
- With effect from (and including) January 1, 2020, hire rate shall be restored to the rate of \$30,500 per day pro rata until redelivery.

In exchange for the reduction of the hire rate, the Company received (i) \$7,692 on principal amount of senior, unsecured notes, amortizing subject to available cash flows, accruing interest at 3% per annum payable on maturity in July 2024 and (ii) 3,657 freely tradable securities of HMM (publicly traded at the Stock Market Division of the Korean Exchange).

On July 18, 2016, the Company recognized the fair value of the HMM securities totaling \$40,277 and also recognized the fair value of the senior unsecured notes totaling \$6,074. The total fair value of the non-cash compensation received was recognized as deferred revenue, which will be amortized over the remaining duration of the each time charter. The Company recognized non-cash interest income and discount unwinding totaling to \$246 and \$207, respectively, for these instruments under the caption “Interest income” in the condensed Consolidated Statements of Operations for each of the six month periods ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and December 31, 2018, the outstanding balance of the notes receivable, including accrued interest and discount unwinding, amounted to \$7,329 and \$6,942, respectively.

For the six month periods ended June 30, 2019 and 2018, the Company recorded an amount of \$6,058 and \$6,001, respectively, of deferred revenue amortization in the condensed Consolidated Statements of Operations under the caption “Time charter and voyage revenues”.

As of June 30, 2019, the outstanding balances of the current and non-current portion of deferred revenue in relation to HMM amounted to \$6,672 and \$3,880, respectively. As of December 31, 2018, the outstanding balances of the current and non-current portion of deferred revenue in relation to HMM amounted to \$12,101 and \$4,366, respectively.

During August 2016, the Company sold all the shares for net proceeds on sale of \$20,842 resulting in a loss on sale of \$19,435, which was presented under the caption “Loss on sale of securities” in the Consolidated Statements of Operations for the year ended December 31, 2016 and the proceeds were classified as investing activities in the Consolidated Statements of Cash Flows for the year ended December 31, 2016.

On January 12, 2017, the Company sold the vessel the MSC Cristina (see Note 4 — Vessels, net) for a gross sale price of \$126,000 and received a cash payment of \$107,250 and a note receivable of \$18,750 accruing interest at 6% per annum payable in 16 quarterly instalments. As of June 30, 2019, the outstanding balances of the current and non-current note receivable amounted to \$4,687 and \$2,344, respectively. For each of the six month periods ended June 30, 2019 and 2018, the Company recorded interest income of \$245 and \$388, respectively, including accrued interest income of \$57 and \$94, respectively, under the caption “Interest income” in the condensed Consolidated Statements of Operations.

NOTE 14 – INVESTMENT IN AFFILIATES

Navios Europe I: On October 9, 2013, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe I and have economic interests of 47.5%, 47.5% and 5.0%, respectively and effective from November 2014, voting interests of 50%, 50% and 0%, respectively. On December 18, 2013, Navios Europe I acquired ten vessels for aggregate consideration consisting of: (i) cash which was funded with the proceeds of senior loan facilities (the “Senior Loans I”) and loans aggregating \$10,000 from Navios Holdings, Navios Acquisition and Navios Partners in each case, in proportion to their economic interests in Navios Europe I (collectively, the “Navios Term Loans I”) and (ii) the assumption of a junior participating loan facility (the “Junior Loan I”). In addition to the Navios Term Loans I, Navios Holdings, Navios Acquisition and Navios Partners have made available to Navios Europe I revolving loans of up to \$24,100 to fund working capital requirements (collectively, the “Navios Revolving Loans I”). In December 2018, the availability under the Revolving Loans I was increased by \$30,000.

On an ongoing basis, Navios Europe I is required to distribute cash flows (after payment of operating expenses and amounts due pursuant to the terms of the Senior Loans I and repayments of the Navios Revolving Loans I) according to a defined waterfall calculation. Navios Partners evaluated its investment in Navios Europe I under ASC 810 and concluded that Navios Europe I is a variable interest entity (“VIE”) and that they are not the party most closely associated with Navios Europe I and, accordingly, is not the primary beneficiary of Navios Europe I. Navios Partners further evaluated its investment in the common stock of Navios Europe I under ASC 323 and concluded that it has the ability to exercise significant influence over the operating and financial policies of Navios Europe I and, therefore, its investment in Navios Europe I is accounted for under the equity method.

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As of June 30, 2019 and December 31, 2018, the estimated maximum potential loss by Navios Partners in Navios Europe I would have been \$15,705 and \$11,705, respectively, excluding accrued interest, which represents the Company's carrying value of the investment of \$500 as of June 30, 2019 (December 31, 2018: \$500) plus the Company's balance of the Navios Revolving Loans I of \$15,205 as of June 30, 2019 (December 31, 2018: \$11,205), excluding accrued interest, and does not include the undrawn portion of the Navios Revolving Loans I.

As of June 30, 2019, the Navios Partners' portion of the Navios Revolving Loan I outstanding was \$15,205. No investment income was recognized for the six month periods ended June 30, 2019 and 2018.

Navios Europe II: On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe II and have economic interests of 47.5%, 47.5% and 5.0%, respectively and voting interests of 50%, 50% and 0%, respectively. From June 8, 2015 through December 31, 2015, Navios Europe II acquired fourteen vessels for aggregate consideration consisting of: (i) cash consideration of \$145,550 (which was funded with the proceeds of a \$131,550 senior loan facilities net of loan discount amounting to \$3,375 (the "Senior Loans II") and loans aggregating \$14,000 from Navios Holdings, Navios Acquisition and Navios Partners in each case, in proportion to their economic interests in Navios Europe II (collectively, the "Navios Term Loans II"); and (ii) the assumption of a junior participating loan facility (the "Junior Loan II") with a face amount of \$182,150 and fair value of \$99,147, at the acquisition date. In addition to the Navios Term Loans II, Navios Holdings, Navios Acquisition and Navios Partners have also made available to Navios Europe II revolving loans up to \$43,500 to fund working capital requirements (collectively, the "Navios Revolving Loans II"). In March 2017, the amount of funds available under the Navios Revolving Loans II was increased by \$14,000.

On an ongoing basis, Navios Europe II is required to distribute cash flows (after payment of operating expenses, amounts due pursuant to the terms of the Senior Loans and repayments of the Navios Revolving Loans II) according to a defined waterfall calculation. Navios Partners evaluated its investment in Navios Europe II under ASC 810 and concluded that Navios Europe II is a variable interest entity ("VIE") and that it is not the party most closely associated with Navios Europe II and, accordingly, is not the primary beneficiary of Navios Europe II. Navios Partners further evaluated its investment in the common stock of Navios Europe II under ASC 323 and concluded that it has the ability to exercise significant influence over the operating and financial policies of Navios Europe II and, therefore, its investment in Navios Europe II is accounted for under the equity method.

As of June 30, 2019 and December 31, 2018, the estimated maximum potential loss by Navios Partners in Navios Europe II would have been \$16,097, respectively, excluding accrued interest, which represents the Company's carrying value of the investment of \$700 as of June 30, 2019 (December 31, 2018: \$700) plus the Company's balance of the Navios Revolving Loans II of \$15,397 as of June 30, 2019 (December 31, 2018: \$15,397), excluding accrued interest, and does not include the undrawn portion of the Navios Revolving Loans II.

As of June 30, 2019, the Navios Partners' portion of the Navios Revolving Loan II outstanding was \$15,397. No investment income was recognized for the six month periods ended June 30, 2019 and 2018.

Navios Containers: On June 8, 2017, Navios Containers closed its private placement and issued 10,057,645 shares for \$50,288 of gross proceeds at a subscription price of \$5.00 per share. Navios Partners invested \$30,000 and received 6,000,000 shares, and Navios Holdings invested \$5,000 and received 1,000,000 shares. Each of Navios Partners and Navios Holdings also received warrants, with a five-year term, for 6.8% and 1.7% of the equity, respectively. On August 29, 2017, Navios Containers closed its private placement and issued 10,000,000 shares for \$50,000 of gross proceeds at a subscription price of \$5.00 per share. Navios Partners invested \$10,000 and received 2,000,000 shares. Navios Partners also received warrants, with a five-year term, for 6.8% of the equity. On November 9, 2017, Navios Containers closed a private placement of 9,090,909 shares at a subscription price of \$5.50 per share, resulting in gross proceeds of approximately \$50,000. Navios Partners invested \$10,000 and received 1,818,182 shares. Navios Partners also received warrants, with a five-year term, for 6.8% of the newly issued equity. On March 13, 2018, Navios Containers closed a private placement of 5,454,546 shares at a subscription price of \$5.50 per share, resulting in gross proceeds of approximately \$30,000. Navios Partners invested \$14,460 and received 2,629,095 shares and Navios Holdings invested \$500 and received 90,909 shares. Navios Partners and Navios Holdings also received 9,273 warrants, with a five-year term, respectively.

On December 3, 2018, Navios Partners distributed 855,001 units of Navios Containers to the unitholders of Navios Partners, approximately 2.5% of the Navios Containers' outstanding equity. In connection with this transaction, Navios Partners recognized an other-than-temporary impairment of \$560 on the units distributed, which was presented under the caption "Equity in net earnings of affiliated companies" in the Consolidated Statements of Operations for the year ended December 31, 2018. The amount of the distribution was \$4,243 based on the last trading price of Navios Containers' shares in the N-OTC market as of November 23, 2018. Following the distribution, Navios Partners owns approximately 33.5% of the equity in Navios Containers.

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As of June 30, 2019, Navios Partners held 11,592,276 common units and Navios Holdings held 1,263,276 common units of Navios Containers. Investment income of \$185 and \$2,654 was recognized in the condensed Consolidated Statements of Operations under the caption of “Equity in net earnings of affiliated companies” for each of the six month periods ended June 30, 2019 and 2018, respectively.

The fair value of Navios Partners’ equity investment in Navios Containers is based on unadjusted quoted prices in active markets for Navios Containers’ common units. The fair value of Navios Partners’ equity investment in Navios Containers as at June 30, 2019 and December 31, 2018 was \$22,547 and \$32,806, respectively, compared with its carrying value of \$65,281 and \$65,096, respectively. Based on Navios Partners’ evaluation of the duration and magnitude of the fair value decline, Navios Containers’ financial condition and near-term prospects, and Navios Partners’ intent and ability to hold its investment in Navios Containers until recovery, Navios Partners concluded that the decline in fair value of its investment in Navios Containers below its carrying value is temporary and, therefore, no impairment was recorded.

Following the results of the significant tests performed by the Company, it was concluded that one affiliate met the significant threshold requiring summarized financial information to be presented.

	Navios Containers	
	June 30, 2019 (unaudited)	December 31, 2018 (unaudited)
Balance Sheet		
Cash and cash equivalents, including restricted cash	\$ 16,855	\$ 18,892
Current assets	12,140	6,245
Non-current assets	432,752	388,390
Current liabilities	21,716	19,758
Long-term debt including current portion, net	183,004	133,196
Non-current liabilities	74,053	78,100

	Navios Containers	
	Three Month Period Ended June 30, 2019 (unaudited)	Three Month Period Ended June 30, 2018 (unaudited)
Income Statement		
Revenue	\$ 33,678	\$ 31,508
Net income	\$ 448	\$ 4,487

	Navios Containers	
	Six Month Period Ended June 30, 2019 (unaudited)	Six Month Period Ended June 30, 2018 (unaudited)
Income Statement		
Revenue	\$ 65,510	\$ 61,425
Net income	\$ 501	\$ 7,528

NOTE 15 – CASH DISTRIBUTIONS AND EARNINGS PER UNIT

Navios Partners intends to make distributions to the holders of common and general partner units on a quarterly basis, to the extent and as may be declared by the Board and to the extent it has sufficient cash on hand to pay the distribution after the Company establishes cash reserves and pays fees and expenses. There is no guarantee that Navios Partners will pay a quarterly distribution on the common and general partner units in any quarter. On February 3, 2016, Navios Partners announced that its Board of Directors decided to suspend the quarterly cash distributions to its unitholders, including the distribution for the quarter ended December 31, 2015. In March 2018, the board determined to reinstate a distribution and any continued distribution will be at the discretion of our Board of Directors, taking into consideration the terms of its partnership agreement. The Company is prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default exists, under its existing credit facilities.

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There is incentive distribution rights held by the General Partner, which are analyzed as follows:

	<u>Total Quarterly Distribution Target Amount</u>	<u>Marginal Percentage Interest in Distributions</u>	
		<u>Common Unitholders</u>	<u>General Partner</u>
Minimum Quarterly Distribution	up to \$5.25	98%	2%
First Target Distribution	up to \$6.0375	98%	2%
Second Target Distribution	above \$6.0375 up to \$6.5625	85%	15%
Third Target Distribution	above \$6.5625 up to \$7.875	75%	25%
Thereafter	above \$7.875	50%	50%

The first 98% of the quarterly distribution is paid to all common unitholders. The incentive distributions rights (held by the General Partner) apply only after a minimum quarterly distribution of \$6.0375.

In April 2018, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended March 31, 2018 of \$0.30 per unit. The distribution was paid on May 14, 2018 to all unitholders of common and general partner units of record as of May 10, 2018. The aggregate amount of the declared distribution was \$3,420.

In July 2018, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended June 30, 2018 of \$0.30 per unit. The distribution was paid on August 10, 2018 to all unitholders of common and general partner units of record as of August 7, 2018. The aggregate amount of the declared distribution was \$3,420.

In October 2018, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended September 30, 2018 of \$0.30 per unit. The distribution was paid on November 14, 2018 to all unitholders of common and general partners units of record as of November 7, 2018. The aggregate amount of the declared distribution was \$3,420.

In January 2019, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended December 31, 2018 of \$0.30 per unit. The distribution was paid on February 14, 2019 to all unitholders of common and general partner units of record as of February 11, 2019, which included the unitholders of restricted common units issued on February 1, 2019. The aggregate amount of the declared distribution was \$3,458.

In April 2019, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended March 31, 2019 of \$0.30 per unit. The distribution was paid on May 14, 2019 to all unitholders of common and general partner units of record as of May 10, 2019. The aggregate amount of the declared distribution was \$3,364.

In July 2019, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended June 30, 2019 of \$0.30 per unit. The distribution is payable on August 9, 2019 to all unitholders of common and general partner units of record as of August 6, 2019. The aggregate amount of the declared distribution will be \$3,364.

Navios Partners calculates earnings per unit by allocating reported net income for each period to each class of units based on the distribution waterfall for available cash specified in Navios Partners' partnership agreement, net of the unallocated earnings (or losses). Basic earnings/(losses) per unit is determined by dividing net income/(loss) attributable to Navios Partners common unitholders by the weighted average number of common units outstanding during the period. Diluted earnings per unit is calculated in the same manner as basic earnings per unit, except that the weighted average number of outstanding units increased to include the dilutive effect of outstanding unit options or phantom units. Net loss per unit undistributed is determined by taking the distributions in excess of net income and allocating between common units and general partner units on a 98%-2% basis. There were no options or phantom units outstanding during each of the six month periods ended June 30, 2019 and 2018.

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The calculations of the basic and diluted earnings per unit are presented below.

	<u>Three Month Period Ended</u>		<u>Six Month Period Ended</u>	
	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Net loss	\$ (6,523)	\$ (29,533)	\$ (16,046)	\$ (24,055)
Loss attributable to:				
Common unit holders	(6,394)	(28,942)	(15,729)	(23,574)
Weighted average units outstanding (basic and diluted)				
Common unit holders	10,774,452	10,991,092	10,898,658	10,645,044
Loss per unit (basic and diluted):				
Common unit holders	\$ (0.59)	\$ (2.64)	\$ (1.44)	\$ (2.21)
Earnings per unit — distributed (basic and diluted):				
Common unit holders	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.63
Loss per unit — undistributed (basic and diluted):				
Common unit holders	\$ (0.89)	\$ (2.94)	\$ (2.04)	\$ (2.84)

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Potential common units of 235,669 and 90,222 relating to unvested restricted common units for each of the three and six month periods ended June 30, 2019 and 2018, respectively, have an anti-dilutive effect (i.e. those that increase income per unit or decrease loss per unit) and are therefore excluded from the calculation of diluted earnings per unit.

NOTE 16 – OTHER INCOME

On November 15, 2012 (as amended and supplemented in March 2014 and December 2017), Navios Holdings and Navios Partners entered into an agreement (the “Navios Holdings Guarantee”) by which Navios Holdings will provide supplemental credit default insurance with a maximum cash payment of \$20,000. Net of the \$3,638 change in estimate of the guarantee claim receivable recorded during the three month period ended June 30, 2019, the claim amounted to \$14,362 for the six month period ended June 30, 2019, presented under the captions “Amounts due from related parties-short term” and “Amounts due from related parties-long term” in the condensed Consolidated Balance Sheets. In July 2019, it was agreed that the claim will be repayable in three installments of \$4,362 in the fourth quarter 2019, \$5,000 in the third quarter 2020 and \$5,000 in the first quarter 2021.

NOTE 17 – OTHER EXPENSE

As of June 30, 2018, the amount of \$777 related to the discount of the Navios Holdings Guarantee is included under the caption “Other expense” of the interim condensed Statements of Operations.

As of June 30, 2019, the amount of \$3,638 related to the change in estimate of the guarantee claim receivable is included under the caption “Other expense” of the interim condensed Statements of Operations.

NOTE 18 – SUBSEQUENT EVENTS

On July 25, 2019, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended June 30, 2019 of \$0.30 per unit. The distribution is payable on August 9, 2019 to all unitholders of common and general partner units of record as of August 6, 2019. The aggregate amount of the declared distribution will be \$3,364.

On July 24, 2019, Navios Partners completed a \$22,000 sale and leaseback transaction with unrelated third parties, for the Navios Ace, a 2011-built Capesize vessel of 179,016 dwt. The sale and leaseback transaction has a term of 11.0 years and an average daily payment of \$6,500. This resulted at an implied fixed interest rate of 6.3%. Navios Partners has the option to buy the vessel starting at the end of year five de-escalating to a \$6,300 obligation at maturity. Under ASC 842-40, the transfer of the vessel was determined to be a failed sale. There are no financial covenants or loan-to-value requirements in connection with the sale and leaseback agreement.

In July 2019, Navios Partners prepaid \$34,000 and released two vessels from the collateral package of the Term Loan B Facility.

On July 24, 2019, Navios Partners took delivery of the Navios Libra, a 2019-built Kamsarmax vessel of 82,011 dwt, for a 10-year bareboat charter-in agreement. Navios Partners has the option to acquire the vessel after the end of the fourth year.

On July 12, 2019, Navios Partners agreed to enter into a new credit facility with a commercial bank, for a total amount of up to \$140,000 for refinancing eight drybulk vessels and five containerships. The credit facility has an amortization profile of 6.5 years, matures in August 2021 and bears interest at LIBOR plus 320 bps per annum. The above facility is subject to signing of definitive documentation.

On July 4, 2019, Navios Partners entered into a new credit facility with Credit Agricole Corporate and Investment Bank (“CACIB”), (the “July 2019 Credit Facility”) of up to \$52,800 (divided into four tranches) in order to refinance three Capesize vessels and one Panamax vessel. The credit facility has a term of approximately six years and bears interest at LIBOR plus 275 bps per annum. As of the filing of this Report, no amount had been drawn under this facility.

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SIGNATURES

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

NAVIOS MARITIME PARTNERS L.P.

By: /s/ Angeliki Frangou
Angeliki Frangou
Chief Executive Officer

Date: August 8, 2019

DATED 4 July 2019

**CHILALI CORP.
MICAELA SHIPPING CORPORATION
PANDORA MARINE INC.
and
SURF MARITIME CO.
as Borrowers**

-and-

**CRÉDIT AGRICOLE CORPORATE
AND INVESTMENT BANK
as Lender**

-and-

**CRÉDIT AGRICOLE CORPORATE
AND INVESTMENT BANK
as Agent, Account Bank
and Security Trustee**

FACILITY AGREEMENT FOR A USD52,800,000

TERM LOAN FACILITY

INCE

PIRAEUS

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THIS AGREEMENT dated 4 July 2019 is made **BY** and **BETWEEN**:

- (1) **CHILALI CORP., MICAELA SHIPPING CORPORATION, PANDORA MARINE INC. and SURF MARITIME CO.** as Borrowers;
- (2) **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK** as Lenders; and
- (3) **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK** as Account Bank, Agent and Security Trustee.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1 PURPOSE, DEFINITIONS, CONSTRUCTIONS & MAJORITY LENDERS

1.1 Purpose

This Agreement sets out the terms and conditions on which the Lenders agree to make available to the Borrowers a loan of up to fifty two million eight hundred thousand Dollars (USD52,800,000), subject to clause 2 of this Agreement, for the purpose of enabling the partial prepayment of the amount outstanding under the Term B Loan.

1.2 Definitions

In this Agreement, unless the context otherwise requires:

“**Account Bank**” means Crédit Agricole Corporate and Investment Bank, acting through its office at 12, place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, or such other bank as may be designated by the Agent as an Account Bank for the purposes of this Agreement;

“**Advance**” means the principal amount of each of Advance A, Advance B, Advance C and Advance D and in the plural means all of them;

“**Advance A**” means the principal amount of up to USD14,803,738, to be made available by the Lenders to the Borrowers subject to clause 2 of this Agreement for the purpose described in clause 1.1 or, as the context requires, the amount thereof outstanding from time to time;

“**Advance B**” means the principal amount of up to USD14,310,280, to be made available by the Lenders to the Borrowers subject to clause 2 of this Agreement for the purpose described in clause 1.1 or, as the context requires, the amount thereof outstanding from time to time;

“**Advance C**” means the principal amount of up to USD16,284,113, to be made available by the Lenders to the Borrowers subject to clause 2 of this Agreement for the purpose described in clause 1.1 or, as the context requires, the amount thereof outstanding from time to time;

“**Advance D**” means the principal amount of up to USD7,401,869, to be made available by the Lenders to the Borrowers subject to clause 2 of this Agreement for the purpose described in clause 1.1 or, as the context requires, the amount thereof outstanding from time to time;

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control,” shall have correlative meanings, as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For the purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“**Agent**” means Crédit Agricole Corporate and Investment Bank, acting through its office at 12, place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.2.3) or such other person as may be appointed as agent by the Lenders pursuant to clause 16.13;

“**Anti-Corruption Laws**” means the UK Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 (each as amended from time to time) and any similar legislation in other jurisdictions;

“**Approved Broker**” means each of ACM Ltd., London, Arrow Sale & Purchase (UK) Limited, Braemar Seascope Limited, Clarkson Valuations Limited, E.A. Gibson Shipbrokers Ltd., Fearnleys A.S., Howe Robinson, Maersk Broker K/S, Simpson Spence & Young Shipbrokers Ltd., or such other reputable, independent and first class firm of shipbrokers specialising in the valuation of vessels of the relevant type appointed by the Lenders and agreed with the Borrowers;

“**Approved Charter**” means the time charter dated 2 July 2007 (as amended) made between Pandora as owner and Korea Line Corporation as charterer in respect of Vessel C;

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

“**Bail-In Legislation**” means in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time;

“**Balloon Instalment**” means, in relation to each Advance, the repayment instalment referred to as the “balloon instalment” in clause 4.1;

“**Banking Day**” means a day on which dealings in deposits in USD are carried on in the London Interbank Eurocurrency Market and (other than Saturday or Sunday) on which banks are open for business in London, Piraeus, Paris and New York City (or any other relevant place of payment under clause 6);

“**Banks**” means, together, the Agent, the Security Trustee, the Account Bank, the Lenders and any Transferee Lenders;

“**Basel III**” means:

- (a) the following documents published by the Basel Committee on Banking Supervision relating to “Basel III” in December 2010:
 - (i) “Basel III: A global regulatory framework for more resilient banks and banking systems”; and
 - (ii) “Basel III: International framework for liquidity risk measurement, standards and monitoring”; and
 - (iii) “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010

each as amended, supplemented or restated;

- (b) the rules for global systemically important banks contained in “Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text” published by the Basel Committee on Banking Supervision in November 2011 (as amended, supplemented or restated),

and, in each case including CRD IV and CRR and any follow-up agreement, guidance, standards or paper published by the Basel Committee on Banking Supervision relating to “Basel III”;

“**Basel IV**” means any amendment, replacement or refinement of Basel III known or to be known as “Basel IV”;

“**Borrowed Money**” means Indebtedness in respect of (i) money borrowed and debit balances at banks, (ii) any bond, note, loan stock, debenture or similar debt instrument, (iii) acceptance or documentary credit facilities, (iv) receivables sold or discounted (otherwise than on a non-recourse basis), (v) deferred payments for assets or services acquired, (vi) finance leases and hire purchase contracts, (vii) swaps, forward exchange contracts, futures and other derivatives, (viii) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or of any of (ii) to (vii) above and (ix) guarantees in respect of Indebtedness of any person falling within any of (i) to (viii) above;

“**Borrower**” means each of Chilali Corp. (“**Chilali**”), Micaela Shipping Corporation (“**Micaela**”), Pandora Marine Inc. (“**Pandora**”) and Surf Maritime Co. (“**Surf Maritime**”) each having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960 and in the plural means all of them;

“**Break Costs**” means the aggregate amount of all losses, premiums, penalties, costs and expenses whatsoever certified by the Agent at any time and from time to time as having been incurred by the Lenders or any of them in maintaining or funding their Contributions or in liquidating or re-employing fixed deposits acquired to maintain the same as a result of either:

- (a) any repayment or prepayment of the Loan or any part thereof otherwise than (i) in accordance with clause 4.1 or (ii) on an Interest Payment Date whether on a voluntary or involuntary basis or otherwise howsoever; or
- (b) as a result of the Borrowers failing or being incapable of drawing an Advance after the relevant Drawdown Notice has been given;

“**Casualty Amount**” means five hundred thousand Dollars (USD 500,000) (or the equivalent in any other currency);

“**Certified Copy**” means in relation to any document delivered or issued by or on behalf of any company, a copy of such document certified as a true, complete and up to date copy of the original by any of the directors or officers for the time being of such company or by such company’s attorneys or solicitors;

“**Charter Assignment**” means a specific assignment of the Approved Charter and any Extended Employment Contract required to be executed hereunder by any Owner in favour of the Security Trustee (including any notices and/or acknowledgements and/or undertakings associated therewith) in such form as the Agent and the Majority Lenders may require in their sole discretion;

“**Classification**” means, in relation to each Vessel, the highest class available for a vessel of her type with the relevant Classification Society;

“**Classification Society**” means, in relation to each Vessel, any IACS classification society which the Lenders shall, at the request of the Borrowers, have agreed in writing shall be treated as the classification society in relation to such Vessel for the purposes of the relevant Ship Security Documents;

“**Code**” means the US Internal Revenue Code of 1986, as amended, and the regulations promulgated and rulings issued thereunder;

“**Commercial Manager**” means Navios Shipmanagement Inc., a company incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960 or a subsidiary of Navios Holdings or another Affiliate of the Corporate Guarantor acceptable to the Agent or, with the prior written consent of the Agent, any other person appointed by an Owner as the commercial manager of the relevant Mortgaged Vessel;

“**Commitment**” means, with respect to each Lender, the amount set out opposite the name of such Lender in schedule 1 (or its successor pursuant to the terms of any relevant Transfer Certificate executed pursuant to the terms of this Agreement) that such Lender has agreed to advance to the Borrowers hereunder in respect of the Loan, in each case as such amount may have been reduced and/or cancelled by any relevant term of this Agreement;

“**Compliance Certificate**” means a certificate substantially in the form set out in schedule 6 signed by the chief financial officer of the Corporate Guarantor evidencing (as the case may be) compliance by the Corporate Guarantor with the provisions of clause 8.1.17 (*Financial Covenants of the Group*);

“**Contribution**” means, at any relevant time, in relation to each Lender, the principal amount of the Loan owing to such Lender at such time;

“**Corporate Guarantee**” means the guarantee required to be executed hereunder by the Corporate Guarantor in such form as the Agent and the Majority Lenders may require in their sole discretion;

“**Corporate Guarantor**” means Navios Maritime Partners L.P., a limited partnership established in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960;

“**CRD IV**” means the directive 2013/36/EU of the European Union on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms;

“**CRR**” means the regulation 585/2013/EU of the European Union on prudential requirements for credit institutions and investment firms;

“**Default**” means any Event of Default or any event or circumstance which with the giving of notice or lapse of time or the satisfaction of any other condition (or any combination thereof) would constitute an Event of Default;

“**Dollars**” and “**USD**” mean the lawful currency of the USA and in respect of all payments to be made under any of the Security Documents means funds which are for same day settlement in the New York Clearing House Interbank Payments System (or such other US dollar funds as may at the relevant time be customary for the settlement of international banking transactions denominated in US dollars);

“**Drawdown Date**” means, in relation to each Advance, any date being a Banking Day falling during the Drawdown Period, on which the relevant Advance is, or is to be, made available;

“**Drawdown Notice**” means, in relation to each Advance, the notice substantially in the form of schedule 2;

“**Drawdown Period**” means the period commencing on the Execution Date and ending on the earliest of (a) 31 August 2019 and (b) any date on which (i) the amount of the Loan has been made available in full to the Borrowers by the Lenders in accordance with the provisions of clause 2 or (ii) the Total Commitment is reduced to zero pursuant to clauses 2.7, 10.2 or 12;

“**Earnings**” means, in respect of a Vessel, all moneys whatsoever from time to time due or payable to the relevant Owner during the Facility Period arising out of the use or operation of such Vessel including (but without limiting the generality of the foregoing) all freight, hire and passage moneys, income arising under pooling arrangements, compensation payable to the relevant Owner in event of requisition of such Vessel for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract (including any contract of affreightment) for the employment of such Vessel;

“**Earnings Account**” means, in respect of each Borrower, an interest bearing USD Account required to be opened hereunder with the Account Bank in the name of that Borrower designated “[NAME OF BORROWER]—Earnings Account” and includes any other account designated in writing by the Agent to be an Earnings Account for the purposes of this Agreement;

“Earnings Account Pledge” means, in respect of each Earnings Account, a first priority pledge required to be executed hereunder between the relevant Borrower and the Security Trustee in respect of its Earnings Account in such form as the Agent may require in its sole discretion, and in the plural means all of them;

“EBITDA” means the aggregate amount of combined pre-tax profits of the Group before extraordinary or exceptional items, interest, depreciation and amortisation as shown by the Latest Accounts on the relevant Testing Date;

“EEA Member Country” means any member state of the European Union, Iceland, Liechtenstein and Norway;

“EU Bail-In Legislation Schedule” means the document described as such and published by the Loan Market Association (or any successor person) from time to time;

“Encumbrance” means any mortgage, charge, pledge, lien, hypothecation, assignment, title retention, preferential right, option, trust arrangement or security interest or other encumbrance, security or arrangement conferring howsoever a priority of payment in respect of any obligation of any person;

“Environmental Affiliate” means any agent or employee of any Borrower, the Commercial Manager, any Technical Manager, or any other Group Member or any other person having a contractual relationship with any Borrower, the Commercial Manager, any Technical Manager, or any other Group Member in connection with any Relevant Ship or its operation or the carriage of cargo and/or passengers thereon and/or the provision of goods and/or services on or from any Relevant Ship;

“Environmental Approval” means any consent, authorisation, licence or approval of any governmental or public body or authorities or courts applicable to any Relevant Ship or its operation or the carriage of cargo and/or passengers thereon and/or the provision of goods and/or services on or from any Relevant Ship required under any Environmental Law;

“Environmental Claim” means (i) any claim by, or directive from, any applicable Government Entity alleging breach of, or non-compliance with, any Environmental Laws or Environmental Approvals or otherwise howsoever relating to or arising out of an Environmental Incident or (ii) any claim by any other third party howsoever relating to or arising out of an Environmental Incident (and, in each such case, “claim” shall include a claim for damages and/or direction for and/or enforcement relating to clean-up costs, removal, compliance, remedial action or otherwise) or (iii) any Proceedings arising from any of the foregoing;

“Environmental Incident” means, regardless of cause, (i) any discharge or release of Environmentally Sensitive Material from any Relevant Ship; (ii) any incident in which Environmentally Sensitive Material is discharged or released from a vessel other than a Relevant Ship which involves collision between a Relevant Ship and such other vessel or some other incident of navigation or operation, in either case, where the Relevant Ship, the Commercial Manager and/or the relevant Technical Manager and/or the relevant Owner and/or the relevant Group Member and/or the relevant Operator are actually, contingently or allegedly at fault or otherwise howsoever liable (in whole or in part) or (iii) any incident in which Environmentally Sensitive Material is discharged or released from a vessel other than a

Relevant Ship and where such Relevant Ship is actually or reasonably likely to be arrested as a result and/or where the Commercial Manager and/or the relevant Technical Manager and/or the relevant Owner and/or other Group Member and/or the relevant Operator are actually or contingently at fault or allegedly and reasonably likely to be found at fault or otherwise howsoever liable to any administrative or legal action;

“**Environmental Laws**” means all laws, regulations, conventions and agreements whatsoever relating to pollution, human or wildlife well-being or protection of the environment (including, without limitation, the United States Oil Pollution Act of 1990 and any comparable laws of the individual States of the USA);

“**Environmentally Sensitive Material**” means oil, oil products or any other products or substance which are polluting, toxic or hazardous or any substance the release of which into the environment is howsoever regulated, prohibited or penalised by or pursuant to any Environmental Law;

“**Event of Default**” means any of the events or circumstances listed in clause 10.1;

“**Execution Date**” means the date on which this Agreement has been executed by all the parties hereto;

“**Extended Employment Contract**” means, in respect of a Vessel, any time charterparty, contract of affreightment or other contract of employment of such ship (including the entry of any Vessel in any pool) which has a tenor exceeding twelve (12) months (including any options to renew or extend such tenor);

“**Facility Period**” means the period starting on the Execution Date and ending on such date as all obligations whatsoever of all of the Security Parties under or pursuant to the Security Documents whensoever arising, actual or contingent, have been irrevocably paid, performed and/or complied with;

“**FATCA**” means:

- (a) sections 1471 to 1474 of the Code or any associated regulations or other associated official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

(c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

“**FATCA Deduction**” means a deduction or withholding from a payment under a Security Document required by FATCA;

“**FATCA Exempt Party**” means a party that is entitled to receive payments free from any FATCA Deduction;

“**FATCA FFI**” means a foreign financial institution as defined in section 1471(d)(4) of the Code which, if the Lender is not a FATCA Exempt Party, could be required to make a FATCA Deduction;

“**Fee Letter**” means any letter or letters between the Agent and the Borrowers setting out any of the fees referred to in clause 5.1.

“**Flag State**” means the Republic of Panama, the Republic of Liberia, the Republic of the Marshall Islands, Malta or such other state or territory agreed by the Lenders, at the request of the Borrowers, as the “Flag State” of the Vessels for the purposes of the Security Documents;

“**General Assignment**” means, in respect of each Vessel, the deed of assignment of its Earnings, Insurances and Requisition Compensation executed or to be executed by the relevant Owner in favour of the Security Trustee in such form as the Agent and the Majority Lenders may require in their sole discretion and in the plural means all of them;

“**Government Entity**” means any national or local government body, tribunal, court or regulatory or other agency and any organisation of which such body, tribunal, court or agency is a part or to which it is subject;

“**Group**” means at any relevant time the Corporate Guarantor and its subsidiaries but not including any subsidiary which is listed on any public stock exchange;

“**Group Member**” means any member of the Group;

“**IACS**” means the International Association of Classification Societies;

“**Indebtedness**” means any obligation howsoever arising (whether present or future, actual or contingent, secured or unsecured as principal, surety or otherwise) for the payment or repayment of money;

“**Insurances**” means, in respect of a Vessel, all policies and contracts of insurance (which expression includes all entries of such Vessel in a protection and indemnity or war risks association) which are from time to time during the Facility Period in place or taken out or entered into by or for the benefit of the relevant Owner (whether in the sole name of the Owner, or in the joint names of the Owner and the Security Trustee or otherwise) in respect of the Vessel and her Earnings or otherwise howsoever in connection with the Vessel and all benefits thereof (including claims of whatsoever nature and return of premiums);

“Insurances Assignment” means, in respect of each Vessel, an assignment of its Insurances executed or to be executed by any co-assured (other than the relevant Owner, the Commercial Manager and the relevant Technical Manager) in favour of the Security Trustee in such form as the Agent may require in its sole discretion and in the plural means all of them;

“Interest Expense” means, for any relevant financial period, the aggregate interest paid or payable by the Group and any member thereof on any Indebtedness during such period;

“Interest Payment Date” means, in relation to each Advance, the last day of an Interest Period and, if an Interest Period is longer than 6 months, the date falling at the end of each successive period of 6 months during such Interest Period starting from its commencement;

“Interest Period” means each period for the calculation of interest in respect of the Loan or, as the case may be, Advance ascertained in accordance with the provisions of clause 3;

“ISM Code” means in relation to its application to the Borrowers, the Vessels and their operation:

- (a) ‘The International Management Code for the Safe Operation of Ships and for Pollution Prevention’, currently known or referred to as the ‘ISM Code’, adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4 December 1993 and incorporated on 19 May 1994 into Chapter IX of the International Convention for Safety of Life at Sea 1974 (SOLAS 1974); and
- (b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including, without limitation, the ‘Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations’ produced by the International Maritime Organisation pursuant to Resolution A.788(19) adopted on 25 December 1995,

as the same may be amended, supplemented or replaced from time to time;

“ISM Code Documentation” means, in relation to a Vessel, the document of compliance (DOC) and safety management certificate (SMC) issued by a Classification Society pursuant to the ISM Code in relation to that Vessel within the periods specified by the ISM Code;

“ISM SMS” means the safety management system which is required to be developed, implemented and maintained under the ISM Code;

“ISPS Code” means the International Ship and Port Security Code of the International Maritime Organisation and includes any amendments or extensions thereto and any regulations issued pursuant thereto;

“ISSC” means an International Ship Security Certificate issued in respect of a Vessel pursuant to the ISPS Code;

“Latest Accounts” means, in respect of any financial quarter or year of the Group, the latest unaudited (in respect of each financial quarter) or audited (in respect of each financial year) financial statements required to be prepared pursuant to clause 8.1.6;

“Lenders” means the banks listed in schedule 1 and Transferee Lenders;

“Lending Branch” means, in respect of each Lender, its office or branch at the address set out beneath its name in schedule 1 (or, in the case of a Transferee, in the Transfer Certificate to which it is a party as Transferee) or such other office or branch as any Lender shall from time to time select and notify through the Agent to the other parties to this Agreement;

“LIBOR” means for an Interest Period in relation to each Advance or any part thereof, the London interbank offered rate administered by ICE Benchmark Administration Limited (“ICE”) (or any other person which takes over the administration of that rate) for Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period displayed on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate) at or about 11 a.m. (London time) on the Interest Determination Date for that Interest Period, and if such rate is negative then LIBOR will be considered to be zero;

“Liquidity” means the aggregate of any cash deposits legally or beneficially held by all Group Members and including any funds held with the Account Bank and other banks from time to time to satisfy minimum liquidity requirements;

“Loan” means the aggregate principal amount of the Advances made, or to be made, available by the Lenders on the terms and subject to the conditions of this Agreement in an amount of up to USD 52,800,000 or, as the context may require, the aggregate principal amount owing to the Lenders under this Agreement at any relevant time;

“**Majority Lenders**” means at any relevant time when there are two Lenders, both of them, and at any time when there are more than two Lenders, the Lenders whose Contributions exceed 66.2/3% of the Loan;

“**Management Agreement**” means, in respect of each Vessel, (i) the technical management agreement between or on behalf of the relevant Owner and the relevant Technical Manager and (ii) the commercial management agreement between the relevant Owner and the Commercial Manager, each in a form previously approved in writing by the Agent (acting on the instructions of the Majority Lenders);

“**Manager’s Undertakings**” means, collectively, the undertakings and (in respect of the Technical Managers) assignments required to be executed hereunder by the relevant Technical Manager and the Commercial Manager in favour of the Security Trustee in respect of each of the Vessels each in such form as the Agent and the Majority Lenders may require in their sole discretion;

“**Margin**” means, in relation to each Interest Period, 2.75% per annum;

“**Material Adverse Effect**” means, in the reasonable opinion of the Banks, a material adverse effect on (i) the Banks’ rights under, or the security provided by, any Security Document, (ii) the ability of any Security Party to perform or comply with any of its obligations under any Security Document or (iii) the value or nature of the property, assets, operations, liabilities or financial condition of any Security Party;

“**Maturity Date**” means 30 June 2025;

“**MII & MAP Policy**” means a mortgagee’s interest and pollution risks insurance policy (including additional perils (pollution) cover) in respect of each Mortgaged Vessel to be effected by the Security Trustee on or before the Drawdown Date to cover the Mortgaged Vessels as the same may be renewed or replaced annually thereafter and maintained throughout the Facility Period through such brokers, with such underwriters and containing such coverage as may be acceptable to the Security Trustee in its sole discretion, insuring a sum of at least one hundred and ten per cent (110%) of the Loan in respect of mortgagee’s interest insurance and one hundred and ten per cent (110%) of the Loan in respect of additional perils cover;

“**month**” means a period beginning in one calendar month and ending in the next calendar month on the day numerically corresponding to the day of the calendar month on which it started, provided that (i) if the period started on the last Banking Day in a calendar month or if there is no such numerically corresponding day, it shall end on the last Banking Day in the next calendar month and (ii) if such numerically corresponding day is not a Banking Day, the period shall end on the next following Banking Day in the same calendar month but if there is no such Banking Day it shall end on the preceding Banking Day and “months” and “monthly” shall be construed accordingly;

“**Mortgage**” means, in respect of each Vessel, the first preferred mortgage of such Vessel required to be executed hereunder by the Borrower which is the owner thereof in favour of the Security Trustee, each in such form as the Agent may require in its sole discretion and in the plural means all of them;

“Mortgaged Vessel” means, at any relevant time, a Vessel which is at such time subject to a Mortgage and a Vessel shall, for the purposes of this Agreement, be regarded as a Mortgaged Vessel as from the date on which the Mortgage of that Vessel has been executed and registered in accordance with this Agreement until whichever shall be the earlier of (i) the payment in full of the amount required to be paid to the Agent pursuant to clause 4.3 or 4.4 following the Total Loss or sale respectively of such Vessel and (ii) the end of the Facility Period;

“Navios Holdings” means Navios Maritime Holdings Inc., a company incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960

“Net Total Debt” means total debt as evidenced at any relevant time by the Latest Accounts, in which they shall have been calculated in accordance with US GAAP less the value of the liabilities relating to operating leases as defined under rule ASC 842 of the US GAAP and cash (which shall have the meaning given thereto under US GAAP) of the Group;

“Operator” means any Technical Manager, the Commercial Manager and any person who is from time to time during the Facility Period concerned in the operation of a Relevant Ship and falls within the definition of “Company” set out in rule 1.1.2 of the ISM Code;

“Owner” means, in relation to:

- (i) Vessel A, Surf Maritime;
- (ii) Vessel B, Chilali;
- (iii) Vessel C, Pandora; and
- (iv) Vessel D, Micaela;

and in the plural means all of them;

“Party” means a party to this Agreement;

“Permitted Encumbrance” means any Encumbrance in favour of the Banks or any of them created pursuant to the Security Documents and Permitted Liens;

“Permitted Holders” means each of: (i) Angeliki Frangou; (ii) each of her spouse, siblings, ancestors, descendants (whether by blood, marriage or adoption, and including stepchildren) and the spouses, siblings, ancestors and descendants thereof (whether by blood, marriage or adoption, and including stepchildren) of such natural persons, the beneficiaries, estates and legal representatives of any of the foregoing, the trustee of any bona fide trust of which any of the foregoing, individually or in the aggregate, are the majority in interest beneficiaries or grantors, and any corporation, partnership, limited liability company or other Person in which any of the foregoing, individually or in the aggregate, own or control a majority in interest; (iii) Navios Holdings; and (iv) all Affiliates controlled by the Persons named in clauses (i) and (ii) above;

“Permitted Liens” means any lien on a Vessel for master’s, officer’s or crew’s wages outstanding in the ordinary course of trading, any lien for salvage and any ship repairer’s or outfitter’s possessory lien for a sum not (except with the prior written consent of the Agent) exceeding the Casualty Amount;

“**Person**” means any natural person, corporation, limited partnership, general partnership, limited liability company, limited liability partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof or any other entity, whether legal or not;

“**Pertinent Jurisdiction**” means any jurisdiction in which or where any Security Party is incorporated, resident, domiciled, has a permanent establishment or assets, carries on, or has a place of business or is otherwise howsoever effectively connected;

“**Proceedings**” means any litigation, arbitration, legal action or complaint or judicial, quasi-judicial or administrative proceedings whatsoever arising or instigated by anyone in any court, tribunal, public office or other forum whatsoever and wheresoever (including, without limitation, any action for provisional or permanent attachment of any thing or for injunctive remedies or interim relief and any action instigated on an ex parte basis);

“**Registry**” means, in relation to each Vessel, the office of the registrar, commissioner or representative of the Flag State, which is duly empowered to register such Vessel, the relevant Owner’s title thereto and the relevant Mortgage under the laws and flag of the Flag State;

“**Relevant Advance**” means, in respect of Vessel A, Advance A, in respect of Vessel B, Advance B, in respect of Vessel C, Advance C and in respect of Vessel D, Advance D;

“**Relevant Ship**” means each of the Vessels and any other ship from time to time (whether before or after the Execution Date) owned, managed or crewed by, or chartered to, any Group Member;

“**Repayment Dates**” means, in respect of each Advance, subject to clause 6.3, 30 December 2019 and each of the dates falling at six-monthly intervals thereafter, up to and including 30 June 2025;

“**Required Authorisation**” means any authorisation, consent, declaration, licence, permit, exemption, approval or other document, whether imposed by or arising in connection with any law, regulation, custom, contract, security or otherwise howsoever which must be obtained at any time from any person, Government Entity, central bank or other self-regulating or supra-national authority in order to enable the Borrowers lawfully to borrow the loan or draw any Advance and/or to enable any Security Party lawfully and continuously to continue its corporate existence and/or perform all its obligations whatsoever whensoever arising and/or grant security under the relevant Security Documents and/or to ensure the continuous validity and enforceability thereof;

“**Required Security Amount**” means the amount in USD (as certified by the Agent) which is at any relevant time 125% of the Loan;

“**Requisition**” means, in respect of a Vessel, requisition for title or other compulsory acquisition including, if that ship is not released therefrom within the Relevant Period, capture, appropriation, forfeiture, seizure, detention, deprivation or confiscation howsoever for any reason (but excluding requisition for use or hire) by or on behalf of any Government Entity or other competent authority or by pirates, hijackers, terrorists or similar persons; “**Relevant Period**” means for the purposes of this definition of Requisition either (i) ninety (90) days or,

(ii) in respect of pirates, hijackers, terrorists or similar persons, if relevant underwriters confirm in writing (in terms satisfactory to the Lenders) prior to the end of such ninety (90) day period that such capture, appropriation, forfeiture, seizure, detention, deprivation or confiscation will be covered by the relevant Owner's war risks insurance, the shorter of twelve (12) months after the date upon which the relevant incident occurred and such period at the end of which cover is confirmed to attach;

"Requisition Compensation" means, in respect of a Vessel, all moneys or other compensation from time to time payable during the Facility Period by reason of the Requisition of such Vessel;

"Resolution Authority" means any body which has authority to exercise any Write-down and Conversion Powers;

"Retention Account" means an interest bearing USD Account required to be opened hereunder with the Account Bank in the name of the Borrowers designated Chilali Corp., Micaela Shipping Corporation, Pandora Marine Inc. and Surf Maritime Co. – Retention Account" and includes any other account designated in writing by the Agent to be the Retention Account for the purposes of this Agreement;

"Retention Account Pledge" means a first priority pledge required to be executed hereunder between the Borrowers and the Security Trustee in respect of the Retention Account in such form as the Agent may require in its sole discretion;

"Retention Amount" means, in relation to any Retention Date, such sum as shall be the aggregate of:

- (a) one sixth (1/6th) of the repayment instalment in respect of the relevant Advance falling due for payment pursuant to clause 4.1.1 (as the same may have been reduced by any prepayment) on the next Repayment Date after the relevant Retention Date in respect of that Advance PROVIDED THAT if a Drawdown Date falls after 31 July 2019 the first Retention Amount for the relevant Advance shall be two sixth (2/6th) of the repayment instalment in respect of the relevant Advance, payable on 31 August 2019; and
- (b) the applicable fraction (as hereinafter defined) of the aggregate amount of interest falling due for payment in respect of each part of the Loan during and at the end of each Interest Period current at the relevant Retention Date and, for this purpose, the expression **"applicable fraction"** in relation to each Interest Period shall mean a fraction having a numerator of one and a denominator equal to the number of Retention Dates falling within the relevant Interest Period;

“Retention Dates” means, in respect of each Advance, 31 July 2019 and each of the dates falling at monthly intervals after such date and prior to the Maturity Date;

“Sanction Authority” means:

- (a) the government of the United States of America;
- (b) the United Nations;
- (c) the European Union (or the governments of any of its member states);
- (d) the United Kingdom; or
- (e) the respective governmental institutions and agencies of any of the foregoing including the Office of Foreign Assets Control of the U.S. Department of the Treasury (“**OFAC**”), the United States Department of State, the United States Department of Commerce and Her Majesty’s Treasury;

“Sanctions” means any economic, financial or trade sanctions laws, regulations, embargoes or other restrictive measures adopted, administered, enacted or enforced by any Sanctions Authority, or otherwise imposed by any law or regulation compliance with which is reasonable in the ordinary course of business of any Borrower, any Security Party, any Technical Manager, the Commercial Manager or any Bank or to which any Borrower, any Security Party, any Technical Manager, the Commercial Manager or any Bank are subject (which shall include without limitation, any extra-territorial sanctions imposed by law or regulation of the United States of America);

“Sanctions Restricted Jurisdiction” means any country or territory which is the target of country-wide or territory-wide Sanctions, including as at the Execution Date, Iran, Sudan, Syria, Crimea, North Korea and Cuba;

“Sanctions Restricted Person” means a person or vessel:

- (a) that is, or is directly or indirectly, owned or controlled (as such terms are defined by the relevant Sanctions Authority) by, or acting on behalf of, one or more persons or entities on any list (each as amended, supplemented or substituted from time to time) of restricted entities, persons or organisations (or equivalent) published by a Sanctions Authority;
- (b) that is located or resident in or incorporated under the laws of, or owned or controlled by, a person located or resident in or incorporated under the laws of a Sanctions Restricted Jurisdiction; or
- (c) that is otherwise the target or subject of Sanctions;

“Security Documents” means this Agreement, the Corporate Guarantee, the Mortgages, the General Assignments, any Charter Assignment, the Earnings Account Pledges, the Retention Account Pledge, the Manager’s Undertakings, the Shares Charges, any Insurances Assignment, any Fee Letter and any other documents as may have been or shall from time to time after the Execution Date be executed to guarantee and/or to govern and/or to secure payment of all or any part of the Loan, interest thereon and other moneys from time to time owing by the Borrowers pursuant to this Agreement (whether or not any such document also guarantees and/or secures moneys from time to time owing pursuant to any other document or agreement);

“**Security Party**” means the Borrowers, the Corporate Guarantor, the Shareholder or any other person who may at any time be a party to any of the Security Documents (other than the Banks, the Commercial Manager and the Technical Managers);

“**Security Trustee**” means Crédit Agricole Corporate and Investment Bank, acting through its office at 12, place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.2.3) or such other person as may be appointed as Security Trustee and trustee by the Lenders, the Account Bank and the Agent pursuant to clause 16.14;

“**Security Value**” means the amount in USD which is, at any relevant time, the aggregate of (a) the Valuation Amounts of the Mortgaged Vessels as most recently determined in accordance with clause 8.2.2 and (b) the net realizable market value of any additional security for the time being actually provided to the Lenders pursuant to clause 8.2.1(b);

“**Shareholder**” means Navios Maritime Operating L.L.C., a limited liability company incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960;

“**Shares Charge**” means the first priority charge of the shares of and in each Borrower to be executed by the Shareholder in favour of the Security Trustee in such form as the Agent may require in its sole discretion and in the plural means all of them;

“**Ship Security Documents**” means in relation to each Vessel, the Mortgage, the General Assignment, any Charter Assignment, the Manager’s Undertakings and the Insurances Assignments in respect of such Vessel;

“**subsidiary**” of a person means any company or entity directly or indirectly controlled by such person, and for this purpose “control” means either the ownership of more than fifty per cent (50%) of the voting share capital (or equivalent rights of ownership) of such company or entity or the power to direct its policies and management, whether by contract or otherwise;

“**Taxes**” includes all present and future income, corporation, capital or value-added taxes and all stamp and other taxes and levies, imposts, deductions, duties, charges and withholdings whatsoever together with interest thereon and penalties in respect thereto, if any, and charges, fees or other amounts made on or in respect thereof (and “Taxation” shall be construed accordingly);

“**Technical Manager**” means, in respect of each Vessel, Navios Shipmanagement Inc., a company incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960 or, in respect also of Vessel D, Kleimar NV, a company incorporated in Belgium and having its registered office at 5 Suikerrui, 2000 Antwerp, Belgium, or a subsidiary of Navios Holdings or another Affiliate of the Corporate Guarantor acceptable to the Agent or, with the prior written consent of the Agent, any other person appointed by an Owner as the technical manager of the relevant Mortgaged Vessel;

“**Term B Loan**” means the Credit Agreement, dated as of 14 March 2017 (as amended, restated, supplemented or otherwise modified from time to time), by and among the Corporate Guarantor and Navios Partners Finance (US) Inc., a Delaware corporation, as borrowers, the lenders from time to time party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent for the lenders, and the other parties from time to time party thereto;

“**Testing Date**” means the date on which the audited or, as the case may be, unaudited, statements, referred to in Clause 8.1.6 (*Financial statements*) are delivered to the Agent;

“**Total Assets**” means the total assets as evidenced at any relevant time by the Latest Accounts, in which they shall have been calculated in accordance with US GAAP adjusted (i) for charter-free market values of vessels, (ii) by deducting the value of the assets related to leases defined under rule ASC 842 of the US GAAP and cash (which shall have the meaning given thereto under US GAAP) and (iii) by including the value of investments in Affiliates of the Corporate Guarantor;

“**Total Commitment**” means, at any relevant time, the aggregate of the Commitments of all the Lenders at such time (being the aggregate of the sums set out opposite their names in schedule 1);

“**Total Loss**” means, in respect of each Vessel:

- (a) actual, constructive, compromised, agreed or arranged total loss of such Vessel; or
- (b) Requisition; or
- (c) any hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of such Vessel not falling within the definition of Requisition, unless such Vessel be released and restored to the relevant Owner within ninety (90) days after such incident;

“**Transfer Certificate**” means a certificate in substantially the form set out in schedule 4;

“**Transferee Lender**” has the meaning ascribed thereto in clause 15.3;

“**Transferor Lender**” has the meaning ascribed thereto in clause 15.3;

“**Trust Deed**” means a trust deed in the form, or substantially in the form, set out in schedule 5;

“**Trust Property**” means (i) the security, powers, rights, titles, benefits and interests (both present and future) constituted by and conferred on the Banks or any of them under or pursuant to the Security Documents (including, without limitation, the benefit of all covenants, undertakings, representations, warranties and obligations given, made or undertaken to any Bank in the Security Documents), (ii) all moneys, property and other assets paid or transferred to or vested in any Bank (or anyone else on such Bank’s behalf) or received or recovered by any Bank (or anyone else on such Bank’s behalf) pursuant to, or in connection with, any of the Security Documents whether from any Security Party or any other person and (iii) all moneys, investments, property and other assets at any time representing or deriving from any of the foregoing, including all interest, income and other sums at any time received or receivable by any Bank (or anyone else on such Bank’s behalf) in respect of the same (or any part thereof);

“**Underlying Documents**” means, together, any Extended Employment Contracts and the Management Agreements;

“**Unlawfulness**” means any event or circumstance which either is or, as the case may be, might in the opinion of the Agent become the subject of a notification by the Agent to the Borrowers under clause 12.1;

“**US Tax Obligor**” means:

- (a) a Borrower if it is resident for tax purposes in the USA; or
- (b) a Security Party some or all of whose payments under the Security Documents are from sources within the USA for USA federal income tax purposes;

“**USA**” means the United States of America;

“**Valuation Amount**” means, in respect of each Mortgaged Vessel, the value thereof as most recently determined under clause 8.2.2;

“**Vessel**” means each of Vessel A, Vessel B, Vessel C and Vessel D and in the plural means all of them as defined in Schedule 7; and

“**Write-down and Conversion Powers**” means, in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule.

Words and expressions defined in Schedule 7 (Vessel Details) shall have the meanings given to them therein as if the same were set out in full in this clause 1.2.

1.3 **Construction**

In this Agreement, unless the context otherwise requires:

- 1.3.1 clause headings and the index are inserted for convenience of reference only and shall be ignored in the construction of this Agreement;
- 1.3.2 references to clauses and schedules are to be construed as references to clauses of, and schedules to, this Agreement and references to this Agreement include its schedules and any supplemental agreements executed pursuant hereto;
- 1.3.3 references to (or to any specified provision of) this Agreement or any other document shall be construed as references to this Agreement, that provision or that document as in force for the time being and as duly amended and/or supplemented and/or novated;
- 1.3.4 references to a “regulation” include any present or future regulation, rule, directive, requirement, request or guideline (whether or not having the force of law) of any Government Entity, central bank or any self-regulatory or other supra-national authority (including, without limitation, any regulation implementing or complying with (1) the “*International Convergence of Capital Measurement and Capital Standards, a Revised Framework*” published by the Basel Committee on Banking Supervision in June 2004, in the form existing on the Execution Date

(“**Basel II**”) and/or (2) Basel III and/or (3) Basel IV and (4) any other law or regulation which, at any time and from time to time, implements and/or amends and/or supplements and/or re-enacts and/or supersedes, whether in whole or in part, Basel II and/or Basel III and/or Basel IV (including CRD IV and CRR), and whether such implementation, application or compliance is by a Government Entity, a lender or any company affiliated to it);

- 1.3.5 references to any person in or party to this Agreement shall include reference to such person’s lawful successors and assigns and references to a Lender shall also include a Transferee Lender;
- 1.3.6 words importing the plural shall include the singular and vice versa;
- 1.3.7 references to a time of day are, unless otherwise stated, to London time;
- 1.3.8 references to a person shall be construed as references to an individual, firm, company, corporation or unincorporated body of persons or any Government Entity;
- 1.3.9 references to a “guarantee” include references to an indemnity or any other kind of assurance whatsoever (including, without limitation, any kind of negotiable instrument, bill or note) against financial loss or other liability including, without limitation, an obligation to purchase assets or services as a consequence of a default by any other person to pay any Indebtedness and “guaranteed” shall be construed accordingly;
- 1.3.10 references to any statute or other legislative provision are to be construed as references to any such statute or other legislative provision as the same may be re enacted or modified or substituted by any subsequent statute or legislative provision (whether before or after the date hereof) and shall include any regulations, orders, instruments or other subordinate legislation issued or made under such statute or legislative provision;

- 1.3.11 a certificate by the Agent or the Security Trustee as to any amount due or calculation made or any matter whatsoever determined in connection with this Agreement shall be conclusive and binding on the Borrowers except for manifest error;
- 1.3.12 if any document, term or other matter or thing is required to be approved, agreed or consented to by any of the Banks such approval, agreement or consent must be obtained in writing unless the contrary is stated;
- 1.3.13 time shall be of the essence in respect of all obligations whatsoever of the Borrowers under this Agreement, howsoever and whensoever arising;
- 1.3.14 and the words “other” and “otherwise” shall not be construed *eiusdem generis* with any foregoing words where a wider construction is possible.

1.4 **Accounting terms and references to currencies**

All accounting terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted international accounting principles (or such other accounting principles as the Agent deems appropriate).

Currencies are referred to in this Agreement by the three letter currency codes (ISO 4217) allocated to them by the International Organisation for Standardisation.

1.5 **Contracts (Rights of Third Parties Act) 1999**

No part of this Agreement shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

1.6 **Majority Lenders**

Where this Agreement or any other Security Document provides for any matter to be determined by reference to the opinion of the Majority Lenders or to be subject to the consent or request of the Majority Lenders or for any decision or action to be taken on the instructions in writing of the Majority Lenders, such opinion, consent, request or instructions shall (as between the Lenders) only be regarded as having been validly given or issued by the Majority Lenders if all the Lenders with a Commitment and/or Contribution shall have received prior notice of the matter on which such opinion, consent, request or instructions are required to be obtained and the relevant majority of such Lenders shall have given or issued such opinion, consent, request or instructions but so that (as between the Borrowers and the Banks) the Borrowers shall be entitled (and bound) to assume that such notice shall have been duly received by each relevant Lender and that the relevant majority shall have been obtained to constitute Majority Lenders whether or not this is in fact the case.

2 **THE AVAILABLE COMMITMENT AND CANCELLATION**

2.1 **Agreement to lend**

The Lenders, relying upon each of the representations and warranties in clause 7, agree to provide to the Borrowers upon and subject to the terms of this Agreement, the Advances for the purposes of enabling the partial prepayment of the amount outstanding under the Term B Loan. Subject to the terms of this Agreement, the obligations of the Lenders shall be to contribute to each Advance, the proportion of the relevant Advance which their respective Commitments bear to the Total Commitment on the Drawdown Date.

2.2 **Obligations several**

The obligations of the Lenders under this Agreement are several according to their respective Commitments and/or Contributions. The failure of any Lender to perform such obligations shall not relieve any other party to this Agreement of any of its respective obligations or liabilities under this Agreement nor shall any Bank be responsible for the obligations of any other Bank (except for its own obligations, if any, as a Lender) under this Agreement.

2.3 **Interests several**

Notwithstanding any other term of this Agreement (but without prejudice to the provisions of this Agreement relating to or requiring action by the Majority Lenders) the interests of the Banks are several and the amount due to any Bank is a separate and independent debt. Each Bank shall have the right to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Bank to be joined as an additional party in any Proceedings for this purpose.

2.4 **Drawdown**

2.4.1 On the terms and subject to the conditions of this Agreement, each Advance shall be advanced to the Borrowers on the relevant Drawdown Date following receipt by the Agent from the Borrowers of a Drawdown Notice not later than 10 a.m. on the third Banking Day before the proposed Drawdown Date.

2.4.2 A Drawdown Notice shall be effective on actual receipt by the Agent and, once given, shall, subject as provided in clause 3.6, be irrevocable.

2.5 **Limitation and application of Advances**

2.5.1 Subject to clauses 5.2.2 and 5.3.3, the principal amount specified in each Drawdown Notice for borrowing on the relevant Drawdown Date shall, subject to the terms of this Agreement be:

- (a) in respect of Advance A, USD14,803,738;
- (b) in respect of Advance B, USD14,310,280;
- (c) in respect of Advance C, USD16,284,113; and
- (d) in respect of Advance D, USD7,401,869,

2.5.2 The amount of each Advance shall not exceed the lesser of (i) the relevant maximum amount available under such Advance and (ii) 60% of the Valuation Amount of the relevant Vessel as at the relevant Drawdown Date and the amount of the Loan shall not exceed the lesser of (i) fifty two million eight hundred thousand Dollars (USD 52,800,000) and (ii) 60% of the aggregate of the Valuation Amount of the Vessels as at the final Drawdown Date.

2.5.3 Each Advance shall be paid forthwith upon drawdown to such account or accounts as the Borrowers shall stipulate in the relevant Drawdown Notice.

2.6 **Availability**

Upon receipt of a Drawdown Notice complying with the terms of this Agreement, the Agent shall promptly notify each Lender and each Lender shall make available to the Agent its portion of the relevant Advance for payment by the Agent in accordance with clause 6.2. The Borrowers acknowledge that payment of any Advance to the account referred to in the Drawdown Notice shall satisfy the obligation of the Lenders to lend that Advance to the Borrowers under this Agreement.

2.7 **Voluntary cancellation of Facility**

The Borrowers may, without penalty or cost but after payment of any Break Costs, at any time during the Drawdown Period by notice to the Agent (effective only on actual receipt) cancel with effect from a date not less than three (3) Banking Days after the receipt by the Agent of such notice the whole or any part of the Total Commitment. Any such notice of cancellation, once given, shall be irrevocable and the Total Commitment shall be reduced accordingly and each Lender's Commitment shall be reduced pro rata according to the proportion which its Commitment bears to the Total Commitment.

2.8 **Cancellation in changed circumstances**

The Borrowers may also at any time during the Facility Period by notice to the Agent (effective only on actual receipt) prepay and cancel with effect from a date not less than three (3) days after receipt by the Agent of such notice, the whole but not part only, but without prejudice to the Borrowers' obligations under clauses 6.6 and 12, of the Contribution and Commitment (if any) of any Lender to which the Borrowers shall have become obliged to pay additional amounts under clause 12 or clause 6.6. Upon any notice of such prepayment and cancellation being given, the Commitment of the relevant Lender shall be reduced to zero, the Borrowers shall be obliged to prepay the Contribution of such Lender and such Lender's related costs (including but not limited to Break Costs) on such date and such Lender shall be under no obligation to participate in the Loan or any further Advances.

2.9 **Cancellation**

If any part of the Loan is not drawn down by the end of the Drawdown Period, the Commitment shall thereupon be automatically cancelled and the Lenders shall have no further obligation under this Agreement.

2.10 **Use of proceeds**

Without prejudice to the Borrowers' obligations under clause 8.1.4, no Bank shall have any responsibility for the application of the proceeds of any Advance or any part thereof by the Borrowers.

3 **INTEREST AND INTEREST PERIODS**

3.1 **Normal interest rate**

The Borrowers agree to pay interest on each Advance or part thereof in respect of each Interest Period relating thereto on each Interest Payment Date (or, in the case of Interest Periods of more than six (6) months, by instalments, the first of such instalments six (6) months from the commencement of the Interest Period and the subsequent instalments at intervals of six (6) months and on the last day of such Interest Period) at the rate per annum determined by the Agent to be the aggregate of (a) the Margin in respect of that Advance and (b) LIBOR for such period.

3.2 **Selection of Interest Periods**

The Borrowers may by notice received by the Agent not later than 10:00 a.m. on the second Banking Day before the beginning of each Interest Period request that such Interest Period shall have a length of three (3), six (6) or twelve (12) months or such other longer period as the Borrowers may select and the Agent (acting on the instructions of the Lenders) may, subject to the same being available in the London Interbank Market, agree, and if the Borrowers wish to specify an Interest Period of more than 12 months, they must give at least 5 Banking Days prior notice thereof.

3.3 **Determination of Interest Periods**

The length of each Interest Period shall be as requested by the Borrowers under clause 3.2 but so that:

- 3.3.1 the first Interest Period in respect of the first Advance to be made hereunder shall start on the Drawdown Date in respect thereof, and each subsequent Interest Period relating to each Advance shall start the day falling after the last day of the previous Interest Period;
- 3.3.2 the first Interest Period in respect of each subsequent Advance to be made hereunder shall commence on its Drawdown Date and terminate simultaneously with the Interest Period which is then current for the Loan and each subsequent Interest Period shall start the day falling after the last day of the previous Interest Period;

- 3.3.3 if any Interest Period would otherwise overrun a Repayment Date, then, in the case of the last Repayment Date, such Interest Period shall end on the last Repayment Date, and in the case of any other Repayment Date the relevant Advance shall be divided into parts so that there is one part in the amount of the repayment instalment due on each Repayment Date falling in that Interest Period and having an Interest Period ending on the relevant Repayment Date and another part consisting of the balance of the relevant Advance having an Interest Period ascertained in accordance with the other provisions of this clause 3; and
- 3.3.4 if the Borrowers fail to specify the length of an Interest Period in accordance with the provisions of clause 3.2 and this clause 3.3 such Interest Period shall last three months or such other period as complies with this clause 3.3.

3.4 **Default interest**

If the Borrowers fail to pay any sum whatsoever (including, without limitation, any sum payable pursuant to this clause 3.4) on its due date for payment under any of the Security Documents, the Borrowers must pay interest on such sum on demand from the due date up to the date of actual payment (as well after as before judgment) at a rate determined by the Agent pursuant to this clause 3.4. The period starting on such due date and ending on such date of payment shall be divided into successive periods of not more than one (1) month as selected by the Agent each of which (other than the first, which shall start on such due date) shall start on the last day of the preceding such period. The rate of interest applicable to each such period shall be the aggregate (as determined by the Agent) of (a) two per cent (2%) per annum, (b) the Margin and (c) LIBOR for such period. Such interest shall be due and payable on the last day of each such period as determined by the Agent and on the day on which all amounts in respect of which interest is being paid under this clause are paid, and each such day shall be treated as an Interest Payment Date, provided that if such unpaid sum is (i) an amount of principal which became due and payable by reason of a declaration by the Agent under clause 10.2.2 or (ii) a prepayment pursuant to clauses 4.3, 4.4, 8.2.1(a) or 12.1 on a date other than an Interest Payment Date relating thereto, the first such period selected by the Agent shall be of a length equal to the period between the due date of such principal sum and such Interest Payment Date and interest shall be payable on such principal sum during such period at a rate of two per cent (2%) above the rate applicable thereto immediately before it shall have become so due and payable. If, for the reasons specified in clause 3.6.1, the Agent is unable to determine a rate in accordance with the foregoing provisions of this clause 3.4, each Lender shall promptly notify the Agent of the cost of funds to such Lender and interest on any sum not paid on its due date for payment shall be calculated at a rate determined by the Agent to be two per cent (2%) per annum above the aggregate of the Margin and the arithmetic mean of the cost of funds to the Lenders compounded at such intervals as the Agent selects.

3.5 **Notification of Interest Periods and interest rate**

The Agent agrees to notify (i) the Lenders promptly of the length of each Interest Period and (ii) the Borrowers and the Lenders promptly of each rate of interest determined by it under this clause 3.

3.6 **Market disruption; non-availability**

3.6.1 Whenever, at any time prior to the commencement of any Interest Period:

- (a) the Agent shall have determined that no LIBOR rate is quoted or available; or
- (b) the Agent shall have determined that adequate and fair means do not exist for ascertaining LIBOR during such Interest Period; or
- (c) the Agent shall have received notification from a Lender the cost to it of obtaining matching deposits in the London Interbank Market would be in excess of LIBOR,

the Agent must promptly give notice (a “**Determination Notice**”) thereof to the Borrowers and to each of the Lenders. A Determination Notice shall give brief details of the circumstances giving rise to its issue. After the giving of any Determination Notice any undrawn Commitment may not be borrowed until notice to the contrary is given to the Borrowers by the Agent.

3.6.2 Upon a Determination Notice being given, the Borrowers and the Lenders shall discuss the same in good faith in order to agree an alternative basis for maintaining the Loan, but if they are unable to agree an alternative basis within 30 days of the date of the Determination Notice, then 40 days after the Determination Notice being given, each Lender shall certify to the Agent an alternative basis (the “**Alternative Basis**”) for maintaining its Contribution. The Alternative Basis may at the relevant Lender’s sole discretion include alternative interest periods, alternative currencies or alternative rates of interest but shall include a margin above the cost of funds to such Lender equivalent to the Margin. The Agent shall calculate the arithmetic mean of the Alternative Bases provided by the relevant Lenders (such basis, or if agreed, the basis agreed by the Lenders and the Borrowers, the “**Substitute Basis**”) for maintaining the Loan and certify the same to the Borrowers and the Lenders. Each Substitute Basis certified to the Borrowers or agreed shall take effect in accordance with its terms from the date specified in the Determination Notice until such time as the Agent notifies the Borrowers that none of the circumstances specified in clause 3.6.1 continues to exist whereupon the normal interest rate fixing provisions of this Agreement shall again apply. If the Borrowers do not agree with any Substitute Basis certified by the Agent if there is no agreement between the parties, then the Borrowers may prepay the Loan in full without any premium or penalty and the rates of interest which shall apply shall be the rate of interest which applied to the Interest Period preceding the Determination Notice, and the terms of clauses 4.6 and 4.7 shall apply to any such prepayment.

4 REPAYMENT AND PREPAYMENT

4.1 Repayment

4.1.1 Subject as otherwise provided in this Agreement, the Borrowers must repay:

- (a) Advance A by twelve (12) semi-annual instalments to be repaid on each of the Repayment Dates in respect of that Advance and a balloon instalment to be repaid on the final Repayment Date. The amount of each instalment shall be USD850,000 and the amount of the Balloon Instalment shall be USD4,603,738;
- (b) Advance B by twelve (12) semi-annual instalments to be repaid on each of the Repayment Dates in respect of that Advance and a balloon instalment to be repaid on the final Repayment Date. The amount of each instalment shall be USD830,000 and the amount of the Balloon Instalment shall be USD4,350,280;
- (c) Advance C by twelve (12) semi-annual instalments to be repaid on each of the Repayment Dates in respect of that Advance and a balloon instalment to be repaid on the final Repayment Date. The amount of each instalment shall be USD870,000 and the amount of the Balloon Instalment shall be USD5,844,113; and
- (d) Advance D by twelve (12) semi-annual instalments to be repaid on each of the Repayment Dates in respect of that Advance and a balloon instalment to be repaid on the final Repayment Date. The amount of each instalment shall be USD600,000 and the amount of the Balloon Instalment shall be USD201,869.

If the Commitment in respect of any Advance is not drawn in full, the amount of each repayment instalments including the said balloon instalment for that Advance shall be reduced proportionately.

4.1.2 The Borrowers shall on the Maturity Date in respect of the last Advance to be repaid also pay to the Agent and the Lenders the whole of the Loan then outstanding and all other amounts in respect of interest or otherwise then due and payable under this Agreement and the Security Documents.

4.2 Voluntary prepayment

Subject to clauses 4.6 and 4.7 the Borrowers may prepay any specified amount of any Advance on any Interest Payment Date relating to the part of the Loan to be repaid without premium or penalty.

4.3 Mandatory Prepayment on Total Loss

On the date falling one hundred and eighty (180) days after that on which a Mortgaged Vessel became a Total Loss or, if earlier, on the date upon which the relevant insurance proceeds are, or Requisition Compensation in respect of such Mortgaged Vessel is, received by the relevant Borrower (or the Security Trustee pursuant to the Security Documents), the Borrowers must prepay the Loan by an amount equal to the greater of (i) the Relevant Advance and (ii) provided there remains a balance of such insurance proceeds after the prepayment of the Relevant Advance, such amount as would be required to ensure that the Security Value after such prepayment is at least equal to the Required Security Amount.

4.4 **Interpretation**

For the purpose of this Agreement, a Total Loss shall be deemed to have occurred:

- (a) in the case of an actual total loss of a Vessel, on the actual date and at the time such Vessel was lost or, if such date is not known, on the date on which such Vessel was last reported;
- (b) in the case of a constructive total loss of a Vessel, upon the date and at the time notice of abandonment of the ship is given to the then insurers of such Vessel (provided a claim for total loss is admitted by such insurers) or, if such insurers do not immediately admit such a claim, at the date and at the time at which either a total loss is subsequently admitted by such insurers or a total loss is subsequently adjudged by a competent court of law or arbitration tribunal to have occurred;
- (c) in the case of a compromised or arranged total loss of a Vessel, on the date upon which a binding agreement as to such compromised or arranged total loss has been entered into by the then insurers of such Vessel;
- (d) in the case of Requisition, on the date when that occurs; and
- (e) in the case of hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of a Vessel (other than within the definition of Requisition) on the date falling ninety (90) days after such incident.

4.5 **Mandatory prepayment on sale of Mortgaged Vessel**

On the date of completion of the sale or transfer of ownership of any Mortgaged Vessel the Borrowers must prepay the Loan by an amount equal to the greater of (i) the Relevant Advance and (ii) provided there remains a balance of the sale or transfer proceeds after the prepayment of the Relevant Advance, such amount as would be required to ensure that the Security Value after such prepayment is at least equal to the Required Security Amount.

4.6 **Amounts payable on prepayment**

Any prepayment of all or part of the Loan under this Agreement shall be made together with:

- 4.6.1 accrued interest on the amount to be prepaid to the date of such prepayment;
- 4.6.2 any additional amount payable under clauses 3.6, 6.6 or 12.2; and
- 4.6.3 all other sums payable by the Borrowers to the Banks under this Agreement or any of the other Security Documents including, without limitation any Break Costs.

4.7 **Notice of prepayment; reduction of repayment instalments**

- 4.7.1 No prepayment may be effected under clause 4.2 unless the Borrowers shall have given the Agent at least three (3) Banking Days' prior written notice of their intention to make such prepayment. Every notice of prepayment shall be effective only on actual receipt by the Agent, shall be irrevocable, shall specify the amount to be prepaid and shall oblige the Borrowers to make such prepayment on the date specified.

- 4.7.2 Any amounts prepaid pursuant to clause 4.2 shall be applied against the relevant Advance in reducing the repayment instalments thereof (including the Balloon Instalment) pro rata or in such other manner and order as shall be agreed between the Borrowers and the Lenders at the time of such prepayment.
- 4.7.3 Any amounts prepaid pursuant to clauses 4.3 or 4.5 shall be applied fully against the Relevant Advance and thereafter shall be applied pro rata against the repayment instalments of the remaining Advances which are at that time outstanding (including the Balloon Instalments) or in such other manner and order as shall be agreed between the Borrowers and the Lenders at the time of such prepayment.
- 4.7.4 The Borrowers may not prepay any part of the Loan except as expressly provided in this Agreement.
- 4.7.5 No amount prepaid may be re-borrowed.

5 FEES AND EXPENSES

5.1 Management Fee

The Borrowers shall pay fees in accordance with any Fee Letters.

5.2 Expenses

The Borrowers agree to reimburse the Banks on a full indemnity basis on demand for all expenses and/or disbursements whatsoever certified by the Banks or any of them as having been incurred by them from time to time and at any time:

5.2.1 in connection howsoever with the syndication of the Loan and with the negotiation, preparation, execution and, where relevant, registration of the Security Documents and of any contemplated or actual amendment, or indulgence or the granting of any waiver or consent howsoever in connection with, any of the Security Documents; and

5.2.2 in contemplation or furtherance of, or otherwise howsoever in connection with, the exercise or enforcement of, or preservation of any rights, powers, remedies or discretions under any of the Security Documents, or in consideration of the Banks' rights thereunder or any action proposed or taken,

together with interest at the rate referred to in clause 3.4 from the date on which such expenses and/or disbursements were incurred to the date of payment (as well after as before judgment).

5.3 Value Added Tax

All fees and expenses payable under to this clause 5 must be paid with value added tax or any similar tax (if any) properly chargeable thereon. Any value added tax chargeable in respect of any services supplied by the Banks or any of them under this Agreement shall, on delivery of the value added tax invoice, be paid in addition to any sum agreed to be paid hereunder.

5.4 **Stamp and other duties**

The Borrowers must pay all stamp, documentary, registration or other like duties or taxes (including any duties or taxes payable by any of the Banks) imposed on or in connection with any of the Underlying Documents, the Security Documents or the Loan or any Advance and agree to indemnify the Banks or any of them against any liability arising by reason of any delay or omission by any Borrower to pay such duties or taxes.

6 **PAYMENTS AND TAXES; ACCOUNTS AND CALCULATIONS**

6.1 **No set-off or counterclaim**

All payments to be made by the Borrowers under any of the Security Documents must be made in full, without any set off or counterclaim whatsoever and, subject to clause 6.6, free and clear of any deductions or withholdings, in USD not later than 11 a.m. London time on the due date in freely available funds to such account at such bank and in such place as the Agent may from time to time specify for this purpose. Save as otherwise provided in this Agreement or any other relevant Security Documents, such payments shall be for the account of all Lenders and the Agent shall distribute such payments in like funds as are received by the Agent to the Lenders rateably, in the proportions which their respective Contributions bear to the aggregate of the Loan and the Advances on the date on which such payment is made.

6.2 **Payment by the Lenders**

All sums to be advanced by the Lenders to the Borrowers under this Agreement shall be remitted in USD on the relevant Drawdown Date to the account of the Agent at such bank as the Agent may have notified to the Lenders and shall be paid by the Agent on such date in like funds as are received by the Agent to the account or accounts specified in the relevant Drawdown Notice.

6.3 **Non-Banking Days**

When any payment under any of the Security Documents would otherwise be due on a day which is not a Banking Day, the due date for payment shall be extended to the next following Banking Day unless such Banking Day falls in the next calendar month in which case payment shall be made on the immediately preceding Banking Day.

6.4 **Calculations**

All interest and other payments of an annual nature under any of the Security Documents shall accrue from day to day and be calculated on the basis of actual days elapsed and a three hundred and sixty (360) day year.

6.5 **Currency of account**

If any sum due from the Borrowers under any of the Security Documents, or under any order or judgment given or made in relation thereto or for any other reason whatsoever, must be converted from the currency ("the first currency") in which the same is payable thereunder into another currency ("the second currency") for the purpose of (i) making or filing a claim or proof against the Borrowers, (ii) obtaining an order or judgment in any court or other tribunal or (iii)

enforcing any order or judgment given or made in relation thereto, the Borrowers undertake to indemnify and hold harmless the Lender from and against any loss suffered as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (b) the rate or rates of exchange at which the Lender may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. Any amount due from the Borrowers under this clause 6.5 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of any of the Security Documents and the term “rate of exchange” includes any premium and costs of exchange payable in connection with the purchase of the first currency with the second currency.

6.6 Grossing-up for Taxes – by the Borrowers

If at any time the Borrowers must make any deduction or withholding in respect of Taxes or deduction in respect of any royalty payment, duty, assessment or other charge or otherwise from any payment due under any of the Security Documents for the account of any Bank or if the Agent or the Security Trustee must make any deduction or withholding from a payment to another Bank or withholding in respect of Taxes from any payment due under any of the Security Documents, the sum due from the Borrowers in respect of such payment must then be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the relevant Bank receives on the due date for such payment (and retains, free from any liability in respect of such deduction or withholding), a net sum equal to the sum which it would have received had no such deduction or withholding been made and the Borrowers agree to indemnify each Bank on demand against any losses or costs certified by such Bank to have been incurred by it by reason of any failure of the Borrowers to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment Provided however that if any Bank or the Agent or the Security Trustee shall be or become entitled to any Tax credit or relief in respect of any Tax which is deducted from any payment by the Borrowers and it actually receives a benefit from such Tax credit or relief in its country of domicile, incorporation or residence, the relevant Bank or the Agent or the Security Trustee, as the case may be, shall, subject to any laws or regulations applicable thereto, pay to the Borrowers after such benefit is effectively received by the relevant Bank or the Agent or the Security Trustee, as the case may be, such amounts (which shall be conclusively certified by the Agent) as shall ensure that the net amount actually retained by the relevant Bank or the Agent or the Security Trustee, as the case may be, is equal to the amount which would have been retained if there had been no such deduction **provided that** (i) nothing in this clause shall prevent the Banks from arranging their respective tax affairs in whichever manner they deem suitable, (ii) the declaration by any Bank of a rebate shall be conclusive and binding and (iii) no Bank shall be required to disclose its tax affairs to the Borrowers. The Borrowers must promptly deliver to the Agent any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid.

6.7 Grossing-up for Taxes – by the Lenders

If at any time a Lender must make any deduction or withholding in respect of Taxes from any payment due under any of the Security Documents for the account of the Agent or the Security Trustee, the sum due from such Lender in respect of such payment must be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Agent or, as the case may be, the Security Trustee receives on the due date for such payment (and retains free from any liability in respect of such deduction or withholding) a net sum equal to

the sum which it would have received had no such deduction or withholding been required to be made and each Lender must indemnify the Agent and the Security Trustee against any losses or costs incurred by it by reason of any failure of such Lender to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment.

6.8 Loan account

Each Lender shall maintain, in accordance with its usual practice, an account evidencing the amounts from time to time lent by, owing to and paid to it under the Security Documents. The Agent and/or the Security Trustee shall maintain a control account showing the Loan, the Advances and other sums owing by the Borrowers under the Security Documents and all payments in respect thereof being made from time to time. The control account shall, in the absence of manifest error, be conclusive as to the amount from time to time owing by the Borrowers under the Security Documents.

6.9 Agent may assume receipt

Where any sum is to be paid under the Security Documents to the Agent or, as the case may be, the Security Trustee for the account of another person, the Agent or, as the case may be, the Security Trustee may assume that the payment will be made when due and the Agent or, as the case may be, the Security Trustee may (but shall not be obliged to) make such sum available to the person so entitled. If it proves to be the case that such payment was not made to the Agent or, as the case may be, the Security Trustee, then the person to whom such sum was so made available must on request refund such sum to the Agent or, as the case may be, the Security Trustee together with interest thereon sufficient to compensate the Agent or, as the case may be, the Security Trustee for the cost of making available such sum up to the date of such repayment and the person by whom such sum was payable must indemnify the Agent or, as the case may be, the Security Trustee for any and all loss or expense which the Agent or, as the case may be, the Security Trustee may sustain or incur as a consequence of such sum not having been paid on its due date.

6.10 Partial payments

If, on any date on which a payment is due to be made by the Borrowers under any of the Security Documents (the “**due amount**”), the amount received by the Agent from the Borrowers on such date is less than the full due amount then, without prejudice to any rights or remedies available to the Agent, the Security Trustee, the Security Trustee and the Lenders under any of the Security Documents, the Agent must apply the amount actually received from the Borrowers in or towards discharge of the obligations of the Borrowers under the Security Documents in the following order, notwithstanding any appropriation made, or purported to be made, by the Borrowers:

- 6.10.1 first, in or towards payment, on a pro-rata basis, of any unpaid costs and expenses of the Banks or any of them under any of the Security Documents;
- 6.10.2 secondly, in or towards payment of any fees payable to the Agent or any of the other Banks under, or in relation to, the Security Documents which remain unpaid;
- 6.10.3 thirdly, in or towards payment to the Lenders, on a pro rata basis, of any accrued interest owing in respect of the Loan which shall have become due under any of the Security Documents but remains unpaid;
- 6.10.4 fourthly, in or towards payment to the Lenders, on a pro rata basis according to their respective Contributions, of any principal in respect of the Loan which shall have become due and payable but remains unpaid;
- 6.10.5 fifthly, in or towards payment to the Lenders, on a pro rata basis, for any loss suffered by reason of any such payment in respect of principal not being effected on an Interest Payment Date relating to the part of the Loan repaid and which amounts are so payable under this Agreement; and
- 6.10.6 sixthly in or towards payment to the relevant person of any other sum which shall have become due under any of the Security Documents but remains unpaid (and, if more than one such sum so remains unpaid, on a pro rata basis).

The order of application set out in clauses 6.10.1 to 6.10.6 may be varied by the Agent if the Majority Lenders so direct, without any reference to, or consent or approval from, the Borrowers.

6.11 **FATCA**

- 6.11.1 Subject to clause 6.9.3 below, each Party shall, within ten (10) Banking Days of a reasonable request by another Party:
 - (a) confirm to that other Party whether it is:
 - (i) a FATCA Exempt Party; or
 - (ii) not a FATCA Exempt Party; and
 - (b) supply to that other Party such forms, documentation and other information relating to its status under FATCA (including its applicable passthru percentage or other information required under the Treasury Regulations or other official guidance including intergovernmental agreements) as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA.

- 6.11.2 If a Party confirms to another Party pursuant to clause 6.9.1(a) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.
- 6.11.3 Clause 6.9.1(a) above shall not oblige any Bank to do anything which would or might in its reasonable opinion constitute a breach of:
- (a) any law or regulation;
 - (b) any policy of such Bank;
 - (c) any fiduciary duty; or
 - (d) any duty of confidentiality.
- 6.11.4 If a Party fails to confirm its status or to supply forms, documentation or other information requested in accordance with clause 6.9.1(a) above (including, for the avoidance of doubt, where clause 6.9.3 above applies), then:
- (a) if that Party failed to confirm whether it is (and/or remains) a FATCA Exempt Party then such Party shall be treated for the purposes of the Security Documents as if it is not a FATCA Exempt Party; and
 - (b) if that Party failed to confirm its applicable passthru percentage then such Party shall be treated for the purposes of the Security Documents (and payments made thereunder) as if its applicable passthru percentage is 100%,
- until (in each case) such time as the Party in question provides the requested confirmation, forms, documentation or other information.
- 6.12 **Gross-up in the event of a FATCA Deduction – Borrowers**
- 6.12.1 If a Borrower is required to make a FATCA Deduction, that Borrower shall make that FATCA Deduction and any payment required in connection with that FATCA Deduction within the time allowed and in the minimum amount required by FATCA;
- 6.12.2 if a FATCA Deduction is required to be made by a Borrower, the amount of the payment due from that Borrower shall be increased to an amount which (after making any FATCA Deduction) leaves an amount equal to the payment which would have been due if no FATCA Deduction had been required;
- 6.12.3 each Borrower shall promptly upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of a FATCA Deduction) notify the Party to whom it is making the payment and, in addition, shall notify the Agent and the Agent shall notify the other Banks; and
- 6.12.4 within thirty days of making either a FATCA Deduction or any payment required in connection with that FATCA Deduction, the relevant Borrower shall deliver to the Agent evidence satisfactory to the Agent that the FATCA Deduction has been made or (as applicable) any appropriate payment paid to the relevant governmental or taxation authority.

7 **REPRESENTATIONS AND WARRANTIES**

7.1 **Continuing representations and warranties**

The Borrowers represent and warrant to each Bank that:

7.1.1 Due incorporation

each of the Security Parties is duly incorporated and validly existing in good standing, under the laws of its respective country of incorporation, in each case, as a corporation and has power to carry on its respective businesses as it is now being conducted and to own their respective property and other assets to which it has unencumbered legal and beneficial title except as disclosed to the Agent in writing;

7.1.2 Corporate power

each of the Security Parties has power to execute, deliver and perform its obligations and, as the case may be, to exercise its rights under the Underlying Documents and the Security Documents to which it is a party; all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and on the execution of the Security Documents performance of the same and no limitation on the powers of the Borrowers to borrow or any other Security Party to howsoever incur liability and/or to provide or grant security will be exceeded as a result of borrowing any part of the Loan;

7.1.3 Binding obligations

the Underlying Documents and the Security Documents, when executed, will constitute valid and legally binding obligations of the relevant Security Parties, the Technical Managers and the Commercial Manager enforceable in accordance with their respective terms;

7.1.4 No conflict with other obligations

the execution and delivery of, the performance of their obligations under, and compliance with the provisions of, the Underlying Documents and the Security Documents by the relevant Security Parties, the Technical Managers and the Commercial Manager will not (i) contravene any existing applicable law, statute, rule or regulation or any judgment, decree or permit to which any Security Party or other member of the Group or the Technical Managers or the Commercial Manager is subject, (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which any Security Party or any other member of the Group or the Technical Managers or the Commercial Manager is a party or is subject or by which it or any of its property is bound, (iii) contravene or conflict with any provision of the constitutional documents of any Security Party, the Technical Managers or the Commercial Manager or (iv) result in the creation or imposition of, or oblige any of the Security Parties, the Technical Managers or the Commercial Manager to create, any Encumbrance (other than a Permitted Encumbrance and, in the case of the Corporate Guarantor only, the Term B Loan) on any of the undertakings, assets, rights or revenues of any of the Security Parties, the Technical Managers or the Commercial Manager;

- 7.1.5 No default
no Default has occurred;
- 7.1.6 No litigation or judgments
no Proceedings are current, pending or, to the knowledge of the officers of any Borrower, threatened against any of the Security Parties, the Technical Managers or the Commercial Manager or any other Group Members or their assets which could have a Material Adverse Effect and there exist no judgments, orders, injunctions which would materially affect the obligations of the Security Parties, the Technical Managers or the Commercial Manager under the Security Documents;
- 7.1.7 No filings required
except for the registration of the Mortgages in the relevant register under the laws of the relevant Flag State through the relevant Registry, it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of any of the Underlying Documents or any of the Security Documents that they or any other instrument be notarised, filed, recorded, registered or enrolled in any court, public office or elsewhere in any Pertinent Jurisdiction or that any stamp, registration or similar tax or charge be paid in any Pertinent Jurisdiction on or in relation to any of the Underlying Documents or the Security Documents and each of the Underlying Documents and the Security Documents is in proper form for its enforcement in the courts of each Pertinent Jurisdiction;
- 7.1.8 Required Authorisations and legal compliance
all Required Authorisations have been obtained or effected and are in full force and effect and none of the Security Party, the Technical Managers or the Commercial Manager has in any way contravened any applicable law, statute, rule or regulation (including all such as relate to money laundering);
- 7.1.9 Choice of law
the choice of English law to govern the Underlying Documents and the Security Documents (other than the Mortgages, the Earnings Account Pledges and the Retention Account Pledge), the choice of the law of the Flag State to govern the Mortgages, the choice of French law to govern the Earnings Account Pledges and the Retention Account Pledge and the submissions by the Security Parties, the Technical Managers and the Commercial Manager to the jurisdiction of the English courts and the obligations of such Security Parties, the Technical Managers and the Commercial Manager associated therewith, are valid and binding;

- 7.1.10 No immunity
no Security Party nor any of their assets is entitled to immunity on the grounds of sovereignty or otherwise from any Proceedings whatsoever;
- 7.1.11 Financial statements correct and complete
the latest audited and unaudited consolidated financial statements of the Corporate Guarantor in respect of the relevant financial year as delivered to the Agent present or will present fairly and accurately the financial position of the Corporate Guarantor and the consolidated financial position of the Group as at the date thereof and the results of the operations of the Corporate Guarantor and the consolidated results of the operations of the Group for the financial year ended on such date and, as at such date, neither the Corporate Guarantor nor any of its subsidiaries have any significant liabilities (contingent or otherwise) or any unrealised or anticipated losses which are not disclosed by, or reserved against or provided for in, such financial statements;
- 7.1.12 Pari passu
the obligations of the Borrowers under this Agreement are direct, general and unconditional obligations of the Borrowers and rank at least pari passu with all other present and future unsecured and unsubordinated Indebtedness of the Borrowers except for obligations which are mandatorily preferred by operation of law and not by contract;
- 7.1.13 Information/ Material Adverse Effect
all information, whatsoever provided by any Security Party to the Agent in connection with the negotiation and preparation of the Security Documents or otherwise provided hereafter in relation to, or pursuant to this Agreement is, or will be, true and accurate in all material respects and not misleading, does or will not omit material facts and all reasonable enquiries have been, or shall have been, made to verify the facts and statements contained therein and there has not occurred any event which could have a Material Adverse Effect on any Security Party since such information was provided to the Agent; there are, or will be, no other facts the omission of which would make any fact or statement therein misleading;
- 7.1.14 No withholding Taxes
no Taxes anywhere are imposed whatsoever by withholding or otherwise on any payment to be made by any Security Party under the Underlying Documents or the Security Documents to which such Security Party is or is to be a party or are imposed on or by virtue of the execution or delivery by the Security Parties of the Underlying Documents or the Security Documents or any other document or instrument to be executed or delivered under any of the Security Documents;

7.1.15 Use of proceeds

the Borrowers shall apply the Loan only for the purposes specified in clauses 1.1 and 2.1;

7.1.16 The Mortgaged Vessels

throughout the Facility Period, each Mortgaged Vessel will be :

- (a) in the absolute sole, legal and beneficial ownership of the relevant Owner;
- (b) registered through the offices of the relevant Registry as a ship under the laws and flag of the relevant Flag State;
- (c) in compliance with the ISM Code and the ISPS Code and operationally seaworthy and in every way fit for service;
- (d) in good and sea-worthy and cargo-worthy condition; and
- (e) classed with the relevant Classification free of all overdue requirements and recommendations of the relevant Classification Society;

7.1.17 Mortgaged Vessels' employment

except with the prior written consent of the Majority Lenders, there will not be any agreement or arrangement in respect of the employment of any Mortgaged Vessel whereby the Earnings of any Mortgaged Vessel may be shared howsoever with any other person except (a) for customary profit sharing arrangements under a charterparty or if (i) the aggregate Earnings of the Mortgaged Vessels are sufficient to cover the aggregate of the Borrowers' payment obligations under this Agreement and vessel operating expenses as they fall due and (ii) no Event of Default has occurred which is continuing;

7.1.18 Freedom from Encumbrances

no Mortgaged Vessel nor its Earnings, Insurances or Requisition Compensation nor the Earnings Accounts, the Retention Account nor any Extended Employment Contract in respect of such Mortgaged Vessel nor any other properties or rights which are, or are to be, the subject of any of the Security Documents nor any part thereof will be subject to any Encumbrance except Permitted Encumbrances;

7.1.19 Environmental Matters

except as may already have been disclosed by the Borrowers in writing to, and acknowledged and accepted in writing by, the Agent:

- (a) the Borrowers and, to the best of the Borrowers' knowledge and belief (having made due enquiry), their respective Environmental Affiliates, have complied with the provisions of all Environmental Laws;
- (b) the Borrowers and, to the best of the Borrowers' knowledge and belief (having made due enquiry), their respective Environmental Affiliates have obtained all Environmental Approvals and are in compliance with all such Environmental Approvals;
- (c) no Environmental Claim has been made or threatened or pending against any Borrower, or, to the best of the Borrowers' knowledge and belief (having made due enquiry), any of their respective Environmental Affiliates; and
- (d) there has been no Environmental Incident;

7.1.20 ISM and ISPS Code

each of the Borrowers has complied with and continues to comply and has procured that the relevant Technical Manager has complied with and continues to comply with the ISM Code, the ISPS Code and all other statutory and other requirements relative to its business and in particular each Borrower or the relevant Technical Manager has obtained and maintains a valid DOC and SMC for each Mortgaged Vessels and that it and the relevant Technical Manager has implemented and continues to implement an ISM SMS;

7.1.21 Copies true and complete

the Certified Copies or originals of the Underlying Documents delivered or to be delivered to the Agent pursuant to clause 8.1 are, or will when delivered be, true and complete copies or, as the case may be, originals of such documents; and such documents constitute valid and binding obligations of the parties thereto enforceable in accordance with their respective terms and there have been no amendments or variations thereof or defaults thereunder;

- 7.1.22 **Ownership of Borrowers**
all the shares in each Borrower are legally and beneficially owned by the Shareholder;
- 7.1.23 **Beneficiary of Loan**
the Borrowers are the ultimate beneficiaries of the Loan;
- 7.1.24 **Indebtedness**
no Security Party has incurred any Indebtedness save under this Agreement and the Term B Loan or as otherwise disclosed in writing to, and acknowledged and accepted in writing by, the Agent or as disclosed in the Group's public filings;
- 7.1.25 **Filings**
each of the Corporate Guarantor and the Borrowers has filed all tax and other fiscal returns required to be filed by any tax authority to which it is subject or have timely received extensions from the relevant authority habilitated to provide such extension;
- 7.1.26 **Office**
no Borrower has an office in England;
- 7.1.27 **Sanctions**
- (a) no Borrower nor any Security Party nor the Technical Managers nor the Commercial Manager:
 - (i) is a Sanctions Restricted Person;
 - (ii) owns or controls directly or indirectly a Sanctions Restricted Person; or
 - (iii) has a Sanctions Restricted Person serving as a director, officer or, to the best of its knowledge, employee;
 - (b) no proceeds of the Loan shall be made available, directly or to the knowledge of the Borrowers (after reasonable enquiry) indirectly, to or for the benefit of a Sanctions Restricted Person contrary to Sanctions or for transactions in a Sanctions Restricted Jurisdiction nor shall they be otherwise directly or indirectly, applied in a manner or for a purpose prohibited by Sanctions; and
 - (c) each Borrower and each other Security Party, the Technical Managers and the Commercial Manager are in compliance with Sanctions;
- 7.1.28 **Insolvency**
no Borrower is unable or has admitted inability to pay its debts as they fall due, has suspended making payments on any of its debts or has announced an intention to do so, is or has become insolvent; or, save as disclosed to the Lenders prior to the Execution Date, or has suffered the declaration of a moratorium in respect of any of its Indebtedness;

- 7.1.29 No business
- no Borrower has undertaken any business or employed any person or incurred any obligations in respect of any pension scheme, save in respect of the Master, officers and crew of the Vessel owned by it;
- 7.1.30 FATCA
- none of the Security Parties is a FATCA FFI or a US Tax Obligor;
- 7.1.31 Manager
- each of the Commercial manager and the Technical Managers is fit and proper commercial and technical manager of the Vessels with the sufficient and fully trained personnel, experience and ability to perform its obligations in accordance with all applicable laws and regulations and in accordance with first class international ship management practice;
- 7.1.32 Compliance policies and procedures
- each Borrower, the Corporate Guarantor and each other Security Party or Group Member, each of the Technical Managers and the Commercial Manager has in place and effect policies and procedures designed to promote material compliance by each of them, their subsidiaries and their respective directors, managers, officers, employees and agents with Sanctions and Anti-Corruption Laws; and
- 7.1.33 Anti-Money Laundering
- in relation to the borrowing by the Borrowers of an Advance, the performance and discharge of their obligations and liabilities under the Security Documents, and the transactions and other arrangements affected or contemplated by the Security Documents to which any Borrower is a party, each Borrower confirms that:
- (a) it is acting for its own account;
 - (b) it will use the proceeds of its Advance for its own benefit, under its full responsibility and exclusively for the purposes specified in this Agreement; and
 - (c) the foregoing will not involve or lead to a contravention of any law, official requirement or other regulatory measure or procedure implemented to combat “money laundering” (as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council of the European Union) and comparable United States federal and state laws, including without limitation the PATRIOT Act and the Bank Secrecy Act.

7.2 Repetition of representations and warranties

On each day throughout the Facility Period, the Borrowers shall be deemed to repeat the representations and warranties in clause 7 updated mutatis mutandis as if made with reference to the facts and circumstances existing on such day.

8 UNDERTAKINGS

8.1 General

Each Borrower undertakes with each Bank that, from the Execution Date until the end of the Facility Period, it will:

8.1.1 Notice of Default and Proceedings

promptly inform the Agent of:

- (a) any Default and of any other circumstances or occurrence which might adversely affect the ability of any Security Party, the Technical Managers or the Commercial Manager to perform its obligations under any of the Security Documents;
- (b) as soon as the same is instituted or threatened, details of any Proceedings involving any Security Party, the Technical Managers or the Commercial Manager which could have a Material Adverse Effect on that Security Party and/or the operation of any of the Vessels (including, but not limited to any Total Loss of a Vessel or the occurrence of any Environmental Incident);
- (c) to the extent permitted by law, details of any claim, action, suit, proceedings or investigation against it with respect to Sanctions by any Sanctions Authority,

and will from time to time, if so requested by the Agent, confirm to the Agent in writing that, save as otherwise stated in such confirmation, no Default has occurred and is continuing and no such Proceedings are on foot or threatened and no such claim, action, suit, proceedings or investigation with respect to Sanctions are on foot or threatened;

8.1.2 Authorisation

obtain or cause to be obtained, maintain in full force and effect and comply fully with all Required Authorisations, provide the Agent with Certified Copies of the same and do, or cause to be done, all other acts and things which may from time to time be necessary or desirable under any applicable law (whether or not in the Pertinent Jurisdiction) for the continued due performance of all the obligations of the Security Parties under each of the Security Documents;

8.1.3 Corporate Existence/Ownership

ensure that each Security Party maintains its corporate existence as a body corporate duly organised and validly existing and in good standing under the laws of the Pertinent Jurisdiction and ensure that each Borrower is owned and controlled, directly or through other companies, by the Corporate Guarantor;

- 8.1.4 Use of proceeds
use the Advances exclusively for the purposes specified in clauses 1.1 and 2.1;
- 8.1.5 Pari passu
ensure that their obligations under this Agreement shall at all times rank at least pari passu with all their other present and future unsecured and unsubordinated Indebtedness with the exception of any obligations which are mandatorily preferred by law and not by contract;
- 8.1.6 Financial statements
send to the Agent (or procure that is sent):
- (a) as soon as possible, but in no event later than 120 days after the end of each of its Financial Years, annual audited (prepared in accordance with US GAAP by a firm of accountants acceptable to the Agent) consolidated balance sheet and profit and loss accounts of the Corporate Guarantor and all companies which are owned, directly or indirectly, or controlled by it (commencing with the Financial Year ending 31 December 2019); and
 - (b) as soon as possible, but in no event later than 60 days after the end of each financial quarter (but excluding the last financial quarter in respect of which paragraph (a) above shall apply) in each of its Financial Years, the Corporate Guarantor's unaudited consolidated balance sheet and profit and loss accounts for that financial quarter certified as to their correctness by its chief financial officer (commencing with the financial quarter ending 30 September 2019);
- 8.1.7 Reimbursement of MII & MAP Policy premiums
reimburse the Agent on the Agent's written demand the amount of the premium payable by the Agent for the inception or, as the case may be, extension and/or continuance of the MII & MAP Policy (including any insurance tax thereon);
- 8.1.8 Compliance Certificates
deliver to the Agent together with each set of financial statements delivered pursuant to clauses 8.1.6 (a) and (b) as the case may be, a Compliance Certificate together with such supporting information as the Agent may require;
- 8.1.9 Provision of further information
provide the Agent, and procure that the Corporate Guarantor provides the Agent, with such financial or other information concerning the Borrowers, the Corporate Guarantor, the other Group Members and their respective affairs, activities, financial standing, Indebtedness and operations and the performance of the Mortgaged Vessels and any other ship owned by any Group Member as the Agent or any Lender (acting through the Agent) may from time to time reasonably require and upon request therefor provide to the Agent information of any significant nature in respect of a Borrower and/or any other Group Member including, but not limited to, details of any loans borrowed or repaid by any of them, the purchase or sale of any substantial assets (including ships) by any of them and/or the restructuring of any loan of which any of them is a borrower, and all other documentation and information as the Agent or any Lender (acting through the Agent) may from time to time require in order to comply with its, and all other relevant, know-your-customer regulations;

8.1.10 Obligations under Security Documents

duly and punctually perform each of the obligations expressed to be imposed or assumed by them under the Security Documents and Underlying Documents and will procure that each of the other Security Parties, the Technical Managers and the Commercial Manager will, duly and punctually perform each of the obligations expressed to be assumed by it under the Security Documents and the Underlying Documents to which it is a party;

8.1.11 Compliance with ISM Code

comply with, and will procure that any Operator will comply with, and ensure that the Mortgaged Vessels and any Operator comply with the requirements of the ISM Code, including (but not limited to) the maintenance and renewal of valid certificates pursuant thereto throughout the Security Period (as defined in the Mortgages);

8.1.12 Withdrawal of DOC and SMC

immediately inform the Agent if there is any actual withdrawal of their or any Operator's DOC or the SMC of any Mortgaged Vessel;

8.1.13 Issuance of DOC and SMC

and will procure that any Operator will promptly inform the Agent of the receipt by any Borrower or any Operator of notification that its application for a DOC or any application for an SMC for any Mortgaged Vessel has been refused;

8.1.14 ISPS Code Compliance

and will procure that any Technical Manager or any Operator will:

- (a) maintain at all times a valid and current ISSC in respect of each Mortgaged Vessel;
- (b) immediately notify the Agent in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC in respect of a Mortgaged Vessel; and
- (c) procure that each Mortgaged Vessel will comply at all times with the ISPS Code;

8.1.15 Compliance with Laws, Sanctions, Anti-Corruption Laws and payment of taxes

- (a) and shall procure that each Technical Manager and the Commercial Manager will, comply with all relevant Environmental Laws, laws, statutes and regulations (including, but not limited to, laws relating to any trading prohibition imposed by the Flag State, the country of incorporation of the Borrowers or the country of nationality of any crew member of any Vessel by which such Borrower is bound), Sanctions, Anti-Corruption Laws and pay all taxes for which it is liable as they fall due provided, however, that the Borrowers shall not be required to pay and discharge, or cause to be paid and discharged, any such tax, so long as the legality thereof has been contested by them in good faith and by appropriate proceedings or other acts and they shall have set aside on their books adequate reserves with respect thereof; and

- (b) without limiting paragraph (a) above, not employ any Vessel nor allow its employment, operation or management in any manner contrary to any law or regulation including, but not limited to, the ISM Code, the ISPS Code and all Environmental Laws which has or is likely to have a Material Adverse Effect, Sanctions and Anti-Corruption Laws;
- 8.1.16 Charters etc.
- (i) deliver to the Agent a Certified Copy of each Extended Employment Contract upon its execution, (ii) forthwith on the Agent's request execute (a) a Charter Assignment in respect thereof and (b) any notice of assignment required in connection therewith and use reasonable efforts to procure the acknowledgement of any such notice of assignment by the relevant charterer (provided that any failure to procure the same shall not constitute an Event of Default) and (iii) pay all legal and other costs incurred by the Agent in connection with any such Charter Assignments, forthwith following the Agent's demand;
- 8.1.17 Financial Covenants of the Group
- procure that, throughout the Facility Period and as evidenced by the financial statements delivered to the Agent pursuant to Clause 8.1.6:
- (a) the Liquidity of the Group shall not be less than USD 650,000 multiplied by the number of vessels owned by the Corporate Guarantor or any of its subsidiaries;
- (b) the Net Total Debt divided by the Total Assets shall be less than 75%; and
- (c) the ratio of EBITDA to Interest Expense shall at be at least 2 to 1;
- 8.1.18 Indebtedness
- not incur any Indebtedness other than (i) in the ordinary course of trading the Vessels or (ii) under the Term B Loan or (iii) with the prior written consent of the Lenders;
- 8.1.19 Trading
- not permit any Vessel to trade in any area prohibited by the government of the Flag State or in breach of Sanctions;
- 8.1.20 Subordination
- ensure that all Indebtedness of any Borrower to its shareholders or to any other Group Member is fully subordinated to the Loan, and to subordinate to the Loan any Indebtedness issued to a Borrower by the Corporate Guarantor, all in a form acceptable to the Agent (acting on the instructions of the Majority Lenders); and

8.1.21 Sanctions

- (a) without limiting clause 8.1.15, procure that:
 - (i) no Vessel is used by or for the benefit of a Sanctions Restricted Person contrary to Sanctions;
 - (ii) no Vessel is used in trading in any Sanctions Restricted Jurisdiction or in any manner contrary to Sanctions;
 - (iii) no Vessel trades in any manner which would trigger the operation of any sanctions limitation or exclusion clause (or similar) in the Insurances;
- (b) not fund all or part of any payment under the Loan out of proceeds derived directly or to their knowledge (after reasonable enquiry) indirectly from any activity or transaction with a Sanctions Restricted Person, contrary to Sanctions or in a Sanctions Restricted Jurisdiction or which would otherwise cause any party to be in breach of any Sanctions;
- (c) procure that no proceeds to their knowledge (after reasonable enquiry) from activities or business with a Sanctions Restricted Person contrary to Sanctions or in a Sanctions Restricted Jurisdiction are credited to any Earnings Account;
- (d) ensure, and shall procure that each Security Party, each of the Technical Managers and the Commercial Manager will ensure, that:
 - (i) it is not a Sanctions Restricted Person;
 - (ii) it does not directly or, to its knowledge (after reasonable enquiry), indirectly hold an ownership interest in or control a Sanctions Restricted Person;
 - (iii) it is not acting directly or, to its knowledge (after reasonable enquiry), indirectly for the benefit of a Sanctions Restricted Person; and
 - (iv) no proceeds of any Advance shall be made available, to its knowledge (after thorough enquiry), directly or indirectly, to or for the benefit of a Sanctions Restricted Person or otherwise shall be directly or indirectly applied in a manner or for a purpose prohibited by Sanctions.

8.1.22 Delivery of reports

deliver to the Agent upon request as many Certified Copies as the Agent may reasonably require of every report, circular, notice or like document issued by any Security Party to its shareholders or creditors generally, unless the contents of such report, circular, notice or like document has already been disclosed in filings made with the US Securities and Exchange Commission;

8.1.23 Vessel information

provide the Agent promptly on request with all such information as it may from time to time require in relation to each Vessel, her Insurances, her employment, position and engagements, particulars of all towages and salvages, and copies of all charters and other contracts for her employment, or otherwise howsoever concerning her, as well as copies of all original class records held by the Classification Society in relation to each Vessel, all reports of port state control inspections of each Vessel and information on the financial and operating performance of each Vessel in such form as the Agent may approve or require and all such information as it may from time to time require to determine the Valuation Amount of each Vessel in accordance with clause 8.2.2;

8.1.24 Inspection

permit the Agent, upon receipt of at least 15 days written notice, by surveyors or other persons appointed by it for such purpose, to board any Mortgaged Vessel once per calendar year or at any time after the occurrence of an Event of Default which is continuing, provided in each case that the Agent shall use reasonable endeavours to ensure that such inspections or surveys shall not interfere with the operation of such Mortgaged Vessel, for the purpose of inspecting her and to afford all proper facilities for such inspections and for this purpose to give the Agent reasonable advance notice of any intended drydocking of each Vessel (whether for the purpose of classification, survey or otherwise) and to pay the costs in respect of each such inspection or survey;

8.1.25 Anti-Money Laundering

comply, and cause each of its subsidiaries to comply, with any applicable law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council of the European Union) and comparable United States federal and state laws, including without limitation the PATRIOT Act and the Bank Secrecy Act.

8.1.26 Dividends

Provided that (i) no Event of Default has occurred or shall be caused thereby and (ii) no default (howsoever thereunder defined) has occurred or shall be caused thereby in respect of any Indebtedness of the Corporate Guarantor, the Corporate Guarantor may declare or pay dividends or distribute (in cash or in kind) any of its present or future assets, undertakings, rights or revenues.

8.2 Security value

8.2.1 Security shortfall

If at any time the Security Value shall be less than the Required Security Amount, the Agent (acting on the instructions of the Majority Lenders) shall give notice to the Borrowers requiring that such deficiency be remedied and then the Borrowers must either:

- (a) prepay within a period of thirty (30) days of the date of receipt by the Borrowers of the Agent's said notice such part of the Loan as will result in the Security Value after such prepayment (taking into account any other repayment of the Loan made between the date of the notice and the date of such prepayment) being equal to or higher than the Required Security Amount; or

- (b) within thirty (30) days of the date of receipt by the Borrowers of the Agent's said notice provide to the satisfaction of the Agent such further security for the Loan as shall be acceptable to the Majority Lenders having a value for security purposes (as determined by the Agent in its absolute discretion) at the date upon which such further security shall be constituted which, when added to the Security Value, shall not be less than the Required Security Amount as at such date.

The provisions of clauses 4.5 and 4.6 shall apply to prepayments under clause 8.2.1(a) provided that the Agent shall apply such prepayments (i) pro rata against the Advances, (ii) in reduction of the repayment instalments under clause 4.1 (including the Balloon Instalments) pro rata (or in such other manner and order as shall be agreed between the Borrowers and the Lenders at the time of such prepayment) and the amounts of the Loan prepaid hereunder shall not be available to be re-borrowed.

8.2.2 Valuation of Mortgaged Vessels

Each Mortgaged Vessel shall, for the purposes of this Agreement, be valued in USD by taking either (i) the valuation prepared by an Approved Broker appointed by the Borrowers or (ii) if requested by the Agent, the arithmetic mean of valuations prepared by the Approved Broker so appointed by the Borrowers and an Approved Broker appointed by the Agent, such valuation to be made without physical inspection, and on the basis of a sale for prompt delivery for cash at arms' length, on normal commercial terms, as between a willing buyer and a willing seller without taking into account the benefit or burden of any charterparty or other engagement concerning the relevant Mortgaged Vessel and to be dated no more than 30 days prior to the date the Valuation Amount is required to be determined for the purposes of this Agreement.

Valuations shall be obtained:

- (a) on 30 June and 30 December each year, commencing on 30 December 2019; and
- (b) (in addition to (a) above) at any other time as the Agent (acting on the reasonable instructions of the Majority Lenders) shall require.

The valuation of each Mortgaged Vessel determined in accordance with the provisions of this clause 8.2.2 shall be binding upon the Parties until such time as any further such valuation shall be obtained.

8.2.3 Information

The Borrowers undertake with the Banks to supply to the Agent and to the Approved Brokers such information concerning the relevant Mortgaged Vessel and its condition as such shipbrokers may require for the purpose of determining any Valuation Amount.

8.2.4 Costs

All costs in connection with (a) the obtaining and any determining of any Valuation Amount pursuant to clause 8.2.2(a), (b) valuations obtained following the occurrence of an Event of Default which is continuing, unremedied and unwaived and (c) any valuation either of any additional security for the purposes of ascertaining the Security Value at any time or necessitated by the Borrowers electing to constitute additional security pursuant to clause 8.2.1(b), must be paid by the Borrowers. The costs of any other valuations shall be paid by the Lenders.

8.2.5 Valuation of additional security

For the purposes of this clause 8.2, the market value (i) of any additional security over a ship (other than the Vessels) shall be determined in accordance with clause 8.2.2 and (ii) of any other additional security provided or to be provided to the Banks or any of them shall be determined by the Agent after consultation with the Lenders and the Borrowers.

8.2.6 Documents and evidence

In connection with any additional security provided in accordance with this clause 8.2, the Agent shall be entitled to receive (at the Borrowers' expense) such evidence and documents of the kind referred to in schedule 3 as may in the Agent's opinion be appropriate and such favourable legal opinions as the Agent shall in its absolute discretion require.

8.3 **Negative undertakings**

The Borrowers jointly and severally undertake with each Bank that, from the Execution Date until the end of the Facility Period, they will not, without the prior written consent of the Agent (acting on the reasonable instructions of the Majority Banks):

8.3.1 Negative pledge

permit any Encumbrance (other than a Permitted Encumbrance and, in the case of the Corporate Guarantor only, the Term B Loan) to subsist, arise or be created or extended over all or any part of their respective present or future undertakings, assets, rights or revenues to secure or prefer any present or future Indebtedness or other liability or obligation of any Group Member or any other person;

8.3.2 No merger or transfer

merge or consolidate with any other person or permit any change to the direct or indirect ownership of their shares from that existing at the Execution Date;

8.3.3 Disposals

sell, transfer, assign, create security or option over, pledge, pool, abandon, lend or otherwise dispose of or cease to exercise direct control over any part of their present or future undertaking, assets, rights or revenues (otherwise than by transfers, sales or disposals for full consideration in the ordinary course of trading) whether by one or a series of transactions related or not;

- 8.3.4 Other business or manager
undertake any business other than the ownership and operation of the Vessels or employ anyone other than the Commercial Manager and relevant Technical Manager as, respectively, commercial and technical manager of the Vessels;
- 8.3.5 Acquisitions
acquire any further assets other than the Vessels and rights arising under contracts entered into by or on behalf of the Borrowers in the ordinary course of their businesses of owning, operating and chartering the Vessels;
- 8.3.6 Other obligations
incur any obligations (to any Group Member or otherwise) except for obligations arising under the Underlying Documents or the Security Documents or contracts entered into (or in the case of any obligation to any Group Member, reasonably entered into) in the ordinary course of their business of owning, operating and chartering the Vessels (and for the purposes of this Agreement any obligations incurred under the Management Agreements are deemed to have been reasonably incurred in the ordinary course of business);
- 8.3.7 No borrowing
incur any Borrowed Money except for Borrowed Money pursuant to the Security Documents or as otherwise disclosed in writing by the Borrowers to, and acknowledged and accepted in writing by, the Agent on or prior to the Execution Date other than Borrowed Money borrowed from its Shareholder or any other member of the Group which is fully subordinated and assigned in favour of the Security Trustee on such terms and conditions as the as the Agent and the Majority Lenders may agree in their sole discretion;
- 8.3.8 Repayment of borrowings
repay or prepay the principal of, or pay interest on or any other sum in connection with any of their Borrowed Money except for Borrowed Money pursuant to the Security Documents or under the Term B Loan or as otherwise disclosed in writing by the Borrowers to, and acknowledged and accepted in writing by, the Agent on or prior to the Execution Date;
- 8.3.9 Guarantees
issue any guarantees or otherwise become directly or contingently liable or give security or quasi security for the obligations of any person, firm, or corporation except pursuant to the Security Documents or the Term B Loan and except for (i) guarantees from time to time required in the ordinary course of business and/or by any protection and indemnity or war risks association with which a Vessel is entered, guarantees required to procure the release of such Vessel from any arrest, detention, attachment or levy or guarantees required for the salvage of a Vessel and (ii) such other guarantees to which the Agent and the Majority Lenders shall have consented in writing;

8.3.10 Loans

make any loans or grant any credit (save for normal trade credit in the ordinary course of business) to any person or agree to do so;

8.3.11 Sureties

permit any Indebtedness of any Borrower to any person (other than the Banks pursuant to the Security Documents) to be guaranteed by any person (except for guarantees from time to time required in the ordinary course of business and in the ordinary course by any protection and indemnity or war risks association with which a Vessel is entered, guarantees required to procure the release of such Vessel from any arrest, detention, attachment or levy or guarantees or undertakings required for the salvage of a Vessel or guarantees given under the Term B Loan);

- 8.3.12 Subsidiaries
form or acquire any Subsidiaries;
- 8.3.13 Change of name, manager, flag or class
change the name, Commercial Manager (other than as contemplated by the definition of Commercial Manager), Technical Manager (other than as contemplated by the definition of Technical Manager), flag, Classification or Classification Society of any Vessel;
- 8.3.14 Charters
without the prior written consent of the Agent and then, if such consent is given, only subject to such conditions as the Agent may impose, let or agree to let any Vessel:
- (i) on demise charter for any period; or
 - (ii) save for the Approved Charter, by any time or consecutive voyage charter for a term which exceeds or which by virtue of any optional extensions therein contained may exceed twelve (12) months' duration; or
 - (iii) on terms whereby more than two (2) months' hire (or the equivalent) is payable in advance; or
 - (iv) below a fair and reasonable arms-length rate obtainable at the time when the relevant Vessel is fixed;
- 8.3.15 Nuclear waste
permit any Vessel to carry nuclear waste or radioactive material;
- 8.3.16 Change in constitutional documents
amend or vary its constitutional documents;
- 8.3.17 Employees
employ any person except the Master, officers and crew of the Vessel owned by it;
- 8.3.18 FATCA
become a FATCA FFI or a US Tax Obligor and shall procure that no Security Party shall do so;
- 8.3.19 Anti-corruption law
(and shall procure that none of the other Security Parties or Group Members will) directly or indirectly use the proceeds of the Loan for any purpose which would breach any Anti-Corruption Laws;
- 8.3.20 Accounts
open or maintain any account with any bank or financial institution other than the Earnings Accounts and the Retention Account.

9 **CONDITIONS**

9.1 **Documents and evidence**

The obligation of each Lender to make its Commitment available in respect of any Advance is conditional upon:

- 9.1.1 that, on or before the service of the first Drawdown Notice hereunder, the Agent has received the documents described in Part A of Schedule 3 in form and substance satisfactory to the Agent and its lawyers;
- 9.1.2 that, on or before the drawdown of an Advance, the Agent has received the documents described in Part B of Schedule 3 in respect of the Relevant Vessel (as defined in Schedule 3) in form and substance satisfactory to the Agent and its lawyers;
- 9.1.3 the representations and warranties contained in clause 7 and clauses 4.1 and 4.2 of the Corporate Guarantee being then true and correct as if each was made with respect to the facts and circumstances existing at such time; and
- 9.1.4 no Default having occurred and being continuing and there being no Default which would result from the making of the Loan.

9.2 **Waiver of conditions precedent**

The conditions specified in this clause 9 are inserted solely for the benefit of the Lenders and may be waived by the Agent in whole or in part and with or without conditions only with the consent of the Majority Lenders.

9.3 **Further conditions precedent/conditions subsequent**

Not later than five (5) Banking Days prior to the Drawdown Date and not later than five (5) Banking Days prior to each Interest Payment Date, the Agent (acting on the instructions of the Majority Lenders) may request and the Borrowers must, not later than two (2) Banking Days prior to such date, deliver to the Agent (at the Borrowers' expense) on such request further favourable certificates and/or opinions as to any or all of the matters which are the subject of clauses 7, 8, 9 and 10.

9.4 **English language**

All documents required to be delivered under and/or supplied in connection with any of the Security Documents must either be in the English language or accompanied by an English translation certified by a notary, lawyer or consulate acceptable to the Agent.

10 **EVENTS OF DEFAULT**

10.1 **Events**

Each of the following events shall constitute an Event of Default (whether such event shall occur voluntarily or involuntarily or by operation of law or regulation or in connection with any judgment, decree or order of any court or other authority or otherwise, howsoever):

- 10.1.1 **Non-payment:** any Security Party fails to pay any sum payable by it under any of the Security Documents at the time, in the currency and in the manner stipulated in the Security Documents or the Underlying Documents (and so that, for this purpose, sums payable (i) under clauses 3.1 and 4.1 shall be treated as having been paid at the stipulated time if (aa) received by the Agent within three (3) Banking Days of the dates therein referred to and (bb) such delay in receipt is caused by administrative or other delays or errors within the banking system and (ii) on demand shall be treated as having been paid at the stipulated time if paid within three (3) Banking Days of demand); or
- 10.1.2 **Breach of Insurance and certain other obligations:** any Owner or, as the context may require, any Technical Manager or any other person fails to obtain and/or maintain the Insurances for any of the Mortgaged Vessels or if any insurer in respect of such Insurances cancels the Insurances or disclaims liability by reason, in either case, of mis-statement in any proposal for the Insurances or for any other failure or default on the part of a Borrowers or any other person or a Borrower commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by them under clause 8; or
- 10.1.3 **Breach of other obligations:** any Security Party, any Technical Managers or the Commercial Manager commits any breach of or omits to observe any of its obligations or undertakings expressed to be assumed by it under any of the Security Documents (other than those referred to in clauses 10.1.1 and 10.1.2 above) unless such breach or omission, in the opinion of the Agent (following consultation with the Banks) is capable of remedy, in which case the same shall constitute an Event of Default if it has not been remedied within fifteen calendar (15) days of the occurrence thereof; or
- 10.1.4 **Misrepresentation:** any representation or warranty made or deemed to be made or repeated by or in respect of any Security Party in or pursuant to any of the Security Documents or in any notice, certificate or statement referred to in or delivered under any of the Security Documents is or proves to have been incorrect or misleading in any material respect; or
- 10.1.5 **Cross-default:** any Indebtedness of the Group (including, but not limited to, the Term B Loan) in an amount exceeding in aggregate fifteen million Dollars (USD 15,000,000) or any Indebtedness of any Borrower is not paid when due (subject to applicable grace or cure periods) or any such Indebtedness of any Borrower or any other Security Party becomes (whether by declaration or automatically in accordance with the relevant agreement or instrument

constituting the same) due and payable prior to the date when it would otherwise have become due (unless as a result of the exercise by the relevant Borrower or other Security Party of a voluntary right of prepayment), or any creditor of any Borrower or any other Security Party becomes entitled to declare any such Indebtedness due and payable or any facility or commitment available to any Borrower or any other Security Party relating to Indebtedness is withdrawn, suspended or cancelled by reason of any default (however described) of the person concerned; or

- 10.1.6 **Execution:** any uninsured judgment or order made against any Security Party is not stayed, appealed against or complied with within thirty (30) days or a creditor attaches or takes possession of, or a distress, execution, sequestration or other process is levied or enforced upon or sued out against, any of the undertakings, assets, rights or revenues of any Security Party and is not discharged within forty (40) days; or
- 10.1.7 **Insolvency:** any Security Party is unable or admits inability to pay its debts as they fall due; suspends making payments on any of its debts or announces an intention to do so; becomes insolvent; or any Security Party has negative net worth (taking into account contingent liabilities); or suffers the declaration of a moratorium in respect of any of its Indebtedness; or
- 10.1.8 **Reduction or loss of capital:** a meeting is convened by any Security Party (other than the Corporate Guarantor) without the Agent's prior written consent, for the purpose of passing any resolution to purchase, reduce or redeem any of its share capital without the Agent's prior written consent; or
- 10.1.9 **Dissolution:** any corporate action, Proceedings or other steps are taken to dissolve or wind-up any Security Party or an order is made or resolution passed for the dissolution or winding up of any Security Party or a notice is issued convening a meeting for such purpose; or
- 10.1.10 **Administration:** any petition is presented, notice given or other steps are taken anywhere to appoint an administrator of any Security Party or the Agent reasonably believes that any such petition or other step is imminent or an administration order is made in relation to any Security Party; or
- 10.1.11 **Appointment of receivers and managers:** any administrative or other receiver of any Security Party is appointed anywhere or any material part of its assets and/or undertaking or any other steps are taken to enforce any Encumbrance over all or any material part of the assets of any Security Party; or
- 10.1.12 **Compositions:** any corporate action, legal proceedings or other procedures or steps are taken, or negotiations commenced, by any Security Party or by any of its creditors (other than the Corporate Guarantor) or any legal proceedings are taken in respect of the Corporate Guarantor, with a view to the general readjustment or rescheduling of all or part of its Indebtedness or to proposing any kind of composition, compromise or arrangement involving such company and any of its creditors; or
- 10.1.13 **Analogous proceedings:** there occurs, in relation to any Security Party, in any country or territory in which any of them carries on business or to the jurisdiction of whose courts any part of their assets is subject, any event which, in the reasonable opinion of the Agent, appears in that country or territory to correspond with, or have an effect equivalent or similar to, any of those mentioned in clauses 10.1.6 to 10.1.12 (inclusive) or any Security Party otherwise becomes subject, in any such country or territory, to the operation of any law relating to insolvency, bankruptcy or liquidation; or

- 10.1.14 **Cessation of business:** any Security Party suspends or ceases or threatens to suspend or cease to carry on its business without the prior written consent of the Agent, such consent not to be unreasonably withheld (it being agreed that a sale of a Vessel by the Borrower who is the owners thereof shall not constitute an Event of Default provided that the Borrowers comply with clause 4.4); or
- 10.1.15 **Seizure:** all or a material part of the undertaking, assets, rights or revenues of, or shares or other ownership interests in, any Security Party are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any Government Entity; or
- 10.1.16 **Invalidity:** any of the Security Documents and the Underlying Documents shall at any time and for any reason become invalid or unenforceable or otherwise cease to remain in full force and effect, or if the validity or enforceability of any of the Security Documents and the Underlying Documents shall at any time and for any reason be contested by any Security Party which is a party thereto, or if any such Security Party shall deny that it has any, or any further, liability thereunder; or
- 10.1.17 **Unlawfulness:** any Unlawfulness occurs or it becomes impossible or unlawful at any time for any Security Party, to fulfil any of the covenants and obligations expressed to be assumed by it in any of the Security Documents or for a Bank to exercise the rights or any of them vested in it under any of the Security Documents; or
- 10.1.18 **Repudiation:** any Security Party repudiates any of the Security Documents or does or causes or permits to be done any act or thing evidencing an intention to repudiate any of the Security Documents; or
- 10.1.19 **Encumbrances enforceable:** any Encumbrance (other than Permitted Liens) in respect of any of the property (or part thereof) which is the subject of any of the Security Documents becomes enforceable; or
- 10.1.20 **Arrest:** a Mortgaged Vessel is arrested, confiscated, seized, taken in execution, impounded, forfeited, detained in exercise or purported exercise of any possessory lien or other claim or otherwise taken from the possession of its Owner and that Owner shall fail to procure the release of such Mortgaged Vessel within a period of thirty (30) days thereafter (this clause does not include capture of a Vessel by pirates for up to 12 months (but does apply if such capture exceeds 12 months) if relevant underwriters confirm in writing (in terms satisfactory to the Lenders) within ninety (90) day of capture, that such capture will be covered by the relevant Borrower's war risks insurance); or
- 10.1.21 **Registration:** the registration of a Mortgaged Vessel under the laws and flag of the relevant Flag State is cancelled or terminated without the prior written consent of the Majority Banks; or
- 10.1.22 **Unrest:** the Flag State of a Mortgaged Vessel or the country in which any Security Party is incorporated or domiciled becomes involved in hostilities or civil war or there is a seizure of power in the Flag State by unconstitutional means (which hostilities or civil war or seizure of power would reasonably be expected to have a Material Adverse Effect) unless the Owner of the Vessel registered in such Flag State shall have transferred its Vessel onto a new flag acceptable to the Banks within sixty (60) days of the start of such hostilities or civil war or seizure of power; or

- 10.1.23 **Environmental Incidents:** an Environmental Incident occurs which gives rise, or may give rise, to an Environmental Claim which could, in the opinion of the Agent be expected to have a Material Adverse Effect (i) on the business, assets or financial condition of any Security Party or the Group taken as a whole or (ii) on the security constituted by any of the Security Documents or the enforceability of that security in accordance with its terms; or
- 10.1.24 **P&I:** an Owner or a Technical Manager or any other person fails or omits to comply with any requirements of the protection and indemnity association or other insurer with which a Mortgaged Vessel is entered for insurance or insured against protection and indemnity risks (including oil pollution risks) to the effect that any cover (including, without limitation, any cover in respect of liability for Environmental Claims arising in jurisdictions where such Mortgaged Vessel operates or trades) is or may be liable to cancellation, qualification or exclusion at any time; or
- 10.1.25 **Material events:** any other event occurs or circumstance arises which, in the opinion of the Agent (following consultation with the Banks), is likely materially and adversely to affect either (i) the ability of any Security Party to perform all or any of its obligations under or otherwise to comply with the terms of any of the Security Documents or (ii) the security created by any of the Security Documents; or
- 10.1.26 **Required Authorisations:** any Required Authorisation is revoked or withheld or modified (the effect of which would be to have a Material Adverse Effect) or is otherwise not granted or fails to remain in full force and effect or if any exchange control or other law or regulation shall exist which would make any transaction under the Security Documents or the continuation thereof, unlawful or would prevent the performance by any Security Party of any term of any of the Security Documents;
- 10.1.27 **Ownership/management:** there is any change in the direct or indirect ownership of any Borrower or any Vessel (from that disclosed pursuant to paragraph (h) of Schedule 2, Part A) or a change of Commercial Manager (other than as contemplated by the definition of Commercial Manager) or Technical Manager (other than as contemplated by the definition of Technical Manager) of any Vessel without the prior written consent of the Agent;
- 10.1.28 **Change of Control:** the “Permitted Holders” own less than 15% of the issued share capital of the Corporate Guarantor or there is a change of control (as defined in the definition of “subsidiary” in clause 1.2) in respect of the Shareholder; or
- 10.1.28 **Anti-Money Laundering:** any Security Party is in breach of or fails to observe any law, requirement, measure or procedure implemented to combat “money laundering” as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council of the European Union or comparable United States federal and state laws, including without limitation the PATRIOT Act and the Bank Secrecy Act.

10.2 **Acceleration**

The Agent may, and if so requested by the Majority Lenders shall, without prejudice to any other rights of the Lenders, at any time after the happening of an Event of Default so long as the same is continuing by notice to the Borrowers declare that:

10.2.1 the obligation of each Lender to make its Commitment available shall be terminated, whereupon the Commitment shall immediately be cancelled; and/or

10.2.2 the Loan and all interest accrued and all other sums payable whensoever under the Security Documents have become due and payable, whereupon the same shall, immediately or otherwise in accordance with the terms of such notice, become due and payable.

10.3 **Demand basis**

If, under clause 10.2.2, the Agent has declared the Loan to be due and payable on demand, at any time thereafter the Agent may (and if so instructed by the Majority Lenders shall) by further written notice to the Borrowers demand repayment of the Loan on such date as may be specified whereupon the Loan shall become due and payable accordingly with all interest accrued and all other sums payable under this Agreement.

11 **INDEMNITIES**

11.1 **General indemnity**

The Borrowers agree to indemnify each Bank on demand, without prejudice to any of such Bank's other rights under any of the Security Documents, against any loss (including loss of Margin) or expense (including, without limitation, any Break Costs) which such Bank shall certify as sustained by it (a) as a consequence of any Default, any prepayment of the Loan being made under clauses 4.2, 4.3, 4.5, 8.2.1(a) or 12.1 or any other repayment or prepayment of the Loan or part thereof being made otherwise than on an Interest Payment Date relating to the part of the Loan prepaid or repaid; and/or any Advance not being made for any reason (excluding any default by the Agent, the Security Trustee or any Lender) after the Drawdown Notice for such Advance has been given or (b) in connection with Sanctions.

11.2 **Environmental indemnity**

The Borrowers shall indemnify each Bank on demand and hold it harmless from and against all costs, claims, expenses, payments, charges, losses, demands, liabilities, actions, Proceedings, penalties, fines, damages, judgements, orders, sanctions or other outgoings of whatever nature which may be incurred or made or asserted whensoever against such Bank at any time, whether before or after the repayment in full of principal and interest under this Agreement, arising howsoever out of an Environmental Claim made or asserted against such Bank which would not have been, or been capable of being, made or asserted against such Bank had it not entered into any of the Security Documents or been involved in any of the resulting or associated transactions.

11.3 **Capital adequacy and reserve requirements indemnity**

The Borrowers shall promptly indemnify each Lender on demand against any cost incurred or loss suffered by such Lender as a result of its complying with (i) the minimum reserve requirements from time to time of the European Central Bank (ii) any capital adequacy directive of the European Union and/or (iii) any revised framework for international convergence of capital measurements and capital standards and/or any regulation imposed by any Government Entity in connection therewith, and/or in connection with maintaining required reserves with a relevant national central bank to the extent that such compliance or maintenance relates to such Lender's Commitment and/or Contribution or deposits obtained by it to fund the whole or part thereof and to the extent such cost or loss is not recoverable by such Lender under clause 12.2.

12 **UNLAWFULNESS AND INCREASED COSTS**

12.1 **Unlawfulness**

If, regardless of any other provision of this Agreement, by reason of:

- (a) the introduction of or any change in any applicable law or regulation or Sanctions or any change in the interpretation or application thereof; or
- (b) compliance by a Lender with any directive, request or requirement (whether or not having the force of law) of any central bank or Government Entity,

it becomes unlawful or it is prohibited by or contrary to such directive request or requirement for any Lender to contribute to an Advance or to maintain its Commitment or fund its Contribution to the Loan or any Advance or to maintain or give effect to any of its obligations in connection howsoever with this Agreement, such Lender shall promptly, through the Agent, give notice to the Borrowers whereupon (a) such Lender's Contribution and Commitment shall be reduced to zero and (b) the Borrowers shall be obliged to prepay such Lender's Contribution either (i) immediately or (ii) on a future date (specified in the Agent's notice) not being earlier than the latest date permitted by the relevant law, regulation, directive, request or requirement together with interest accrued to the date of prepayment and all other sums payable whensoever by the Borrowers under this Agreement.

12.2 **Increased costs**

If the result of any change (which occurs after the Execution Date) in, or in the interpretation or application of, or the introduction of, any law or any regulation, request or requirement or the effect of complying with any applicable directive, request or requirement (whether or not having the force of law, but, if not having the force of law, with which a Lender or, as the case may be, its holding company habitually complies) of any central bank or Government Entity (including, but not limited to, the 1988 Basle Convergence Agreement and including those relating to Taxation or any kind of liquidity, stock or capital adequacy controls, reserve assets, cash ratio deposits and special deposits or other banking or monetary controls or requirements which affect the manner in which a Lender or its holding company allocates capital resources to the Lender's obligations hereunder), is to:

- 12.2.1 subject any Lender to Taxes or change the basis of Taxation of any Lender with respect to any payment under any of the Security Documents (other than Taxes or Taxation on the overall net income, profits or gains of such Lender imposed in the jurisdiction in which its principal or lending office under this Agreement is located); and/or
- 12.2.2 increase the cost to, or impose an additional cost on, any Lender or its holding company in making or keeping such Lender's Commitment available or maintaining or funding all or part of such Lender's Contribution; and/or
- 12.2.3 reduce the amount payable or the effective return to any Lender under any of the Security Documents; and/or
- 12.2.4 reduce any Lender's or its holding company's rate of return on its overall capital by reason of a change in the manner in which it is required to allocate capital resources to such Lender's obligations under any of the Security Documents; and/or
- 12.2.5 require any Lender or its holding company to make a payment or forgo a return on or calculated by reference to any amount received or receivable by such Lender under any of the Security Documents; and/or
- 12.2.6 require any Lender or its holding company to incur or sustain a loss (including a loss of future potential profits) by reason of being obliged to deduct all or part of its Contribution or the Loan from its capital for regulatory purposes,
then and in each such case (subject to clause 12.3):
 - (a) such Lender shall notify, via the Agent, the Borrowers in writing of such event promptly upon its becoming aware of the same; and
 - (b) the Borrowers shall on demand made at any time whether or not such Lender's Contribution has been repaid, pay to the Agent for the account of such Lender the amount which such Lender specifies (in a certificate setting forth the basis of the computation of such amount but not including any matters which such Lender or its holding company regards as confidential) is required to compensate such Lender and/or (as the case may be) its holding company for such liability to Taxes, cost, reduction, payment , forgone return or loss.

For the purposes of this clause 12.2 “**holding company**” means the company or entity (if any) within the consolidated supervision of which a Lender is included.

12.3 **Exception**

Nothing in clause 12.2 shall entitle any Lender to receive any amount relating to compensation for any such liability to Taxes, increased or additional cost, reduction, payment, foregone return or loss to the extent that the same is the subject of an additional payment under clause 6.6.

13 **APPLICATION OF MONEYS, SET OFF, PRO-RATA PAYMENTS AND MISCELLANEOUS**

13.1 **Application of moneys**

All moneys received by the Agent and/or the Security Trustee under or pursuant to any of the Security Documents and expressed to be applicable in accordance with the provisions of this clause 13.1 or in a manner determined in the Security Trustee’s or (as the case may be) the Agent’s discretion, shall be applied in the following manner:

13.1.1 first, in or towards payment, on a pro-rata basis, of any unpaid costs and expenses of the Banks or any of them under any of the Security Documents;

13.1.2 secondly, in or towards payment of any fees payable to the Agent or any of the other Banks under, or in relation to, the Security Documents which remain unpaid;

13.1.3 thirdly, in or towards payment to the Lenders, on a pro rata basis, of any accrued interest owing in respect of the Loan which shall have become due under any of the Security Documents but remains unpaid;

13.1.4 fourthly, in or towards payment to the Lenders, on a pro rata basis according to their respective Contributions, of any principal in respect of the Loan (whether the same is due and payable or not); and

13.1.5 fifthly, in or towards payment to the Lenders, on a pro rata basis, for any loss suffered by reason of any such payment in respect of principal not being effected on an Interest Payment Date relating to the part of the Loan repaid and which amounts are so payable under this Agreement;

13.1.6 sixthly in or towards payment to the relevant person of any other sum which shall have become due under any of the Security Documents but remains unpaid (and, if more than one such sum so remains unpaid, on a pro rata basis);

13.1.7 seventhly, the surplus (if any) shall be paid to the Borrowers or to whomsoever else may then be entitled to receive such surplus.

13.2 **Set-off**

13.2.1 Each Borrower irrevocably authorises each Bank (without prejudice to any of such Bank’s rights at law, in equity or otherwise), at any time and without notice to the Borrowers, to apply any credit balance to which any Borrower is then entitled standing upon any account of any Borrower with any branch of such Bank in or towards satisfaction of any sum due and payable from the Borrowers to such Bank under any of the Security Documents. For this purpose, each Bank is authorised to purchase with the moneys standing to the credit of such account such other currencies as may be necessary to effect such application.

- 13.2.2 No Bank shall be obliged to exercise any right given to it by this clause 13.2. Each Bank shall notify the Borrowers through the Agent forthwith upon the exercise or purported exercise of any right of set off giving full details in relation thereto and the Agent shall inform the other Banks.
- 13.2.3 Nothing in this clause 13.2 shall be effective to create a charge or other security interest.
- 13.3 **Pro rata payments**
- 13.3.1 If at any time any Lender (the “**Recovering Lender**”) receives or recovers any amount owing to it by the Borrowers under this Agreement (other than pursuant to any other Security Document) by direct payment, set-off or in any manner other than by payment through the Agent pursuant to clauses 6.1 or 6.9 (not being a payment received from a Transferee Bank or a sub-participant in such Lender’s Contribution or any other payment of an amount due to the Recovering Lender for its sole account pursuant to clauses 3.6, 5, 6.6, 11.1, 11.2, 11.3, 12.1, or 12.2), the Recovering Lender shall, within two (2) Banking Days of such receipt or recovery (a “**Relevant Receipt**”) notify the Agent of the amount of the Relevant Receipt. If the Relevant Receipt exceeds the amount which the Recovering Lender would have received if the Relevant Receipt had been received by the Agent and distributed pursuant to clause 6.1 or 6.10 (as the case may be) then:
- (a) within two (2) Banking Days of demand by the Agent, the Recovering Lender shall pay to the Agent an amount equal (or equivalent) to the excess;
 - (b) the Agent shall treat the excess amount so paid by the Recovering Lender as if it were a payment made by the Borrowers and shall distribute the same to the Lenders (other than the Recovering Lenders) in accordance with clause 6.10; and
 - (c) as between the Borrowers and the Recovering Lender the excess amount so re-distributed shall be treated as not having been paid but the obligations of the Borrowers to the other Lenders shall, to the extent of the amount so re-distributed to them, be treated as discharged.
- 13.3.2 If any part of the Relevant Receipt subsequently has to be wholly or partly refunded by the Recovering Lender (whether to a liquidator or otherwise) each Lender to which any part of such Relevant Receipt was so re-distributed shall on request from the Recovering Lender repay to the Recovering Lender such Lender’s pro-rata share of the amount which has to be refunded by the Recovering Lender.
- 13.3.3 Each Lender shall on request supply to the Agent such information as the Agent may from time to time request for the purposes of this clause 13.3.
- 13.3.4 Notwithstanding the foregoing provisions of this clause 13.3, no Recovering Lender shall be obliged to share any Relevant Receipt which it receives or recovers pursuant to Proceedings taken by it to recover any sums owing to it under this Agreement with any other party which has a legal right to, but does not, either join in such Proceedings or commence and diligently pursue separate Proceedings to enforce its rights in the same or another court (unless the Proceedings instituted by the Recovering Lender are instituted by it without prior notice having been given to such party through the Agent).

- 13.4 **No release**
For the avoidance of doubt it is hereby declared that failure by any Recovering Lender to comply with the provisions of clause 13.3 shall not release any other Recovering Lender from any of its obligations or liabilities under clause 13.3.
- 13.5 **No charge**
The provisions of this clause 13 shall not, and shall not be construed so as to, constitute a charge or create or declare a trust by a Lender over all or any part of a sum received or recovered by it in the circumstances mentioned in clause 13.3.
- 13.6 **Further assurance**
Each Borrower undertakes with each Bank that the Security Documents shall both at the date of execution and delivery thereof and throughout the Facility Period be valid and binding obligations of the Security Parties party thereto which, with the rights of each Lender thereunder, are enforceable in accordance with their respective terms and that they will, at their expense, execute, sign, perfect and do, and will procure the execution, signing, perfecting and doing by each of the other Security Parties of, any and every such further assurance, document, act or thing as in the reasonable opinion of the Majority Lenders may be necessary or desirable for perfecting the security contemplated or constituted by the Security Documents.
- 13.7 **Conflicts**
In the event of any conflict between this Agreement and any of the other Security Documents, the provisions of this Agreement shall prevail.
- 13.8 **No implied waivers, remedies cumulative**
No failure or delay on the part of any of the Banks to exercise any power, right or remedy under any of the Security Documents shall operate as a waiver thereof, nor shall any single or partial exercise by any Bank of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy. The remedies provided in the Security Documents are cumulative and are not exclusive of any remedies provided by law. No waiver by any Bank shall be effective unless it is in writing.
- 13.9 **Severability**
If any provision of this Agreement is prohibited, invalid, illegal or unenforceable in any jurisdiction, such prohibition, invalidity, illegality or unenforceability shall not affect or impair howsoever the remaining provisions thereof or affect the validity, legality or enforceability of such provision in any other jurisdiction.
- 13.10 **Force Majeure**
Regardless of any other provision of this Agreement, none of the Banks shall be liable for any failure to perform the whole or any part of this Agreement resulting directly or indirectly from (i) the action or inaction or purported action of any governmental or local authority (ii) any strike, lockout, boycott or blockade (including any strike, lockout, boycott or blockade effected by or upon any Bank or any of its representatives or employees) (iii) any act of God (iv) any act of war (whether declared or not) or terrorism (v) any failure of any information technology or other operational systems or equipment affecting any Bank or (vi) any other circumstances whatsoever outside any Bank's control.

13.11 **Amendments**

This Agreement may be amended or varied only by an instrument in writing executed by all parties hereto who irrevocably agree that the provisions of this clause 13.11 may not be waived or modified except by an instrument in writing to that effect signed by all of them.

13.12 **Counterparts**

This Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same agreement which may be sufficiently evidenced by one counterpart.

13.13 **English language**

All documents required to be delivered under and/or supplied whensoever in connection howsoever with any of the Security Documents and all notices, communications, information and other written material whatsoever given or provided in connection howsoever therewith must either be in the English language or accompanied by an English translation certified by a notary, lawyer or consulate acceptable to the Agent.

13.14 **Contractual recognition of bail-in**

Notwithstanding any other term of any Security Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Security Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

- (a) any Bail-In Action in relation to any such liability, including (without limitation):
 - (i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;
 - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and
 - (iii) a cancellation of any such liability; and
- (b) a variation of any term of any Security Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

14 ACCOUNTS AND RETENTIONS

14.1 General

Each Borrower undertakes with each Bank that it will ensure that:

- 14.1.1 it will on or before the first Drawdown Date, open an Earnings Account in its name; and
- 14.1.2 all moneys payable to any Borrower in respect of the Earnings of its Mortgaged Vessel shall, unless and until the Agent (acting on the instructions of the Majority Lenders) directs to the contrary, be paid to its Earnings Account, Provided however that if any of the moneys paid to an Earnings Account are payable in a currency other than USD the Account Bank shall then convert such moneys into USD at the Account Bank's spot rate of exchange at the relevant time for the purchase of USD with such currency and the term "spot rate of exchange" shall include any premium and costs of exchange payable in connection with the purchase of USD with such currency.

14.2 Earnings Accounts: withdrawals

Any sums standing to the credit of the Earnings Accounts may be applied from time to time (i) firstly to make the payments required under this Agreement, (ii) secondly, subject to there being no breach of clauses 14.3 and 14.4 and to no Event of Default having occurred, in the operation of the Vessels (operating and voyage expenses) and (iii) thirdly, subject to no Event of Default having occurred and to there being at any time sufficient funds to maintain or pay amounts due under (i) and (ii) above as they fall due, for the general corporate purposes of the Borrowers.

14.3 **Minimum Balance**

The Borrowers shall deposit on the first Drawdown date and maintain thereafter throughout the Facility Period a balance of USD 250,000 on each Earnings Account.

14.4 **Retention Account: credits and withdrawals**

14.4.1 The Borrowers undertake with each Bank that, throughout the Facility Period, they will procure that, on each Retention Date there is paid (whether from the Earnings Accounts or elsewhere) to the Retention Account, the Retention Amount for such date.

14.4.2 Unless and until there shall occur an Event of Default (whereupon the provisions of clause 14.5 shall apply), all Retention Amounts credited to the Retention Account together with interest from time to time accruing or at any time accrued thereon must be applied by the Account Bank (and the Borrowers hereby irrevocably authorise the Account Bank so to apply the same) upon each Repayment Date and/or on each day that interest is payable on the Loan or an Advance pursuant to clause 3.1, in or towards payment to the Agent of the instalment then falling due for repayment or, as the case may be, the amount of interest then due. Each such application by the Account Bank shall constitute a payment in or towards satisfaction of the Borrowers' corresponding payment obligations under this Agreement but shall be strictly without prejudice to the obligations of the Borrowers to make any such payment to the extent that the aforesaid application by the Account Bank is insufficient to meet the same.

14.4.3 Unless the Agent (acting on the instructions of the Majority Banks) otherwise agrees in writing and subject to clause 14.4.2, Borrowers shall not be entitled to withdraw any moneys from the Retention Account at any time during the Facility Period.

14.5 **Application of accounts**

At any time after the occurrence of an Event of Default, the Agent may (and on the instructions of the Majority Lenders shall), without notice to the Borrowers, instruct the Account Bank to apply all moneys then standing to the credit of the Earnings Accounts and/or the Retention Account (together with interest from time to time accruing or accrued thereon) in or towards satisfaction of any sums due to the Banks or any of them under the Security Documents in the manner specified in clause 13.1.

14.6 **Charging of accounts**

The Earnings Accounts, the Retention Account and all amounts from time to time respectively standing to the credit thereof shall be subject to the security constituted and the rights conferred by, respectively, the Earnings Account Pledges and the Retention Account Pledge.

15 **ASSIGNMENT, TRANSFER AND LENDING OFFICE**

15.1 **Benefit and burden**

This Agreement shall be binding upon, and enure for the benefit of, the Banks and the Borrowers and their respective successors in title.

15.2 **No assignment by Borrowers**

No Borrower may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Lenders.

15.3 **Transfers by Banks**

any Lender (the "**Transferor Lender**") may at any time, without the consent of, but after consultation with, the Borrowers, cause all or any part of its rights, benefits and/or obligations under this Agreement and the other Security Documents to be transferred to (i) another Lender, (ii) another branch, subsidiary or affiliate of a Lender, (iii) another first class international bank or financial institution, (iv) any member of the European System of Central Banks, (v) a trust corporation, insurance company, fund, capital investment company or other person which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets or (vi) (without prior notification to, nor prior consent from, the Borrowers) following the occurrence of an Event of Default which is continuing, any other person (in each case a "**Transferee Lender**"), in each case by delivering to the Agent a Transfer Certificate duly completed and duly executed by the Transferor Lender and the Transferee Lender **provided** that any Transferee Lender shall, before transferring its right, benefits and obligations to any other bank or financial institution, give notice thereof to the other Lenders, who shall have the option, to be exercised by notice in writing, to acquire all its part of the rights, benefits and obligations of the Transferee Lender, in which case the Transferor Lender shall transfer the same to that Lender or Lenders in accordance with this clause 15.3. No such transfer is binding on, or effective in relation to, the Borrowers or the Agent unless (i) it is effected or evidenced by a Transfer Certificate which complies with the provisions of this clause 15.3 and is signed by or on behalf of the Transferor Lender, the Transferee Lender and the Agent (on behalf of itself, the Borrowers and the other Banks) and (ii) such transfer of rights under the other Security Documents has been effected and registered. Upon signature of any such Transfer Certificate by the Agent, which signature shall be effected as promptly as is practicable after such Transfer Certificate has been delivered to the Agent, and subject to the terms of such Transfer Certificate, such Transfer Certificate shall have effect as set out below.

The following further provisions shall have effect in relation to any Transfer Certificate:

- 15.3.1 a Transfer Certificate may be in respect of a Lender's rights in respect of all, or part of, its Commitment and shall be in respect of the same proportion of its Contribution;
- 15.3.2 a Transfer Certificate shall only be in respect of rights and obligations of the Transferor Lender in its capacity as a Lender and shall not transfer its rights and obligations (if applicable) as the Agent and/or Security Trustee, or in any other capacity, as the case may be and such other rights and obligations may only be transferred in accordance with any applicable provisions of this Agreement;
- 15.3.3 a Transfer Certificate shall take effect in accordance with English law as follows:
- (a) to the extent specified in the Transfer Certificate, the Transferor Lender's payment rights and all its other rights (other than those referred to in clause 15.3.2 above) under this Agreement are assigned to the Transferee Lender absolutely, free of any defects in the Transferor Lender's title and of any rights or equities which the Borrowers had against the Transferor Lender and the Transferee Lender assumes all obligations of the Transferor Lender as are transferred by such Transfer Certificate;
 - (b) the Transferor Lender's Commitment is discharged to the extent specified in the Transfer Certificate;
 - (c) the Transferee Lender becomes a Lender with a Contribution and/or a Commitment in respect of the Loan of the amounts specified in the Transfer Certificate;
 - (d) the Transferee Lender becomes bound by all the provisions of this Agreement and the Security Documents which are applicable to the Lenders generally, including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent and the Security Trustee and to the extent that the Transferee Lender becomes bound by those provisions, the Transferor Lender ceases to be bound by them;
 - (e) an Advance or part of an Advance which the Transferee Lender makes after the Transfer Certificate comes into effect ranks in point of priority and security in the same way as it would have ranked had it been made by the Transferor Lender, assuming that any defects in the Transferor Lender's title and any rights or equities of any Security Party against the Transferor Lender had not existed; and
 - (f) the Transferee Lender becomes entitled to all the rights under this Agreement which are applicable to the Lenders generally, including but not limited to those relating to the Majority Lenders and those under clauses 3.6, 5 and 12 and to the extent that the Transferee Lender becomes entitled to such rights, the Transferor Lender ceases to be entitled to them;
- 15.3.4 the rights and equities of the Borrowers or of any other Security Party referred to above include, but are not limited to, any right of set-off and any other kind of cross-claim; and
- 15.3.5 the Borrowers, the Account Bank, the Security Trustee, the Agent and the Lenders hereby irrevocably authorise and instruct the Agent to sign any such Transfer Certificate on their behalf and undertake not to withdraw, revoke or qualify such authority or instruction at any time. Promptly upon its signature of any Transfer Certificate, the Agent shall notify the Borrowers, the Transferor Lender and the Transferee Lender.

15.4 **Reliance on Transfer Certificate**

15.4.1 The Agent shall be entitled to rely on any Transfer Certificate believed by it to be genuine and correct and to have been presented or signed by the persons by whom it purports to have been presented or signed, and shall not be liable to any of the parties to this Agreement and the Security Documents for the consequences of such reliance.

15.4.2 The Agent shall at all times during the continuation of this Agreement maintain a register in which it shall record the name, Commitments, Contributions and administrative details (including the lending office) from time to time of the Lenders holding a Transfer Certificate and the date at which the transfer referred to in such Transfer Certificate held by each Lender was transferred to such Lender, and the Agent shall make the said register available for inspection by any Lender or the Borrowers during normal banking hours upon receipt by the Agent of reasonable prior notice requesting the Agent to do so.

15.4.3 The entries on the said register shall, in the absence of manifest error, be conclusive in determining the identities of the Commitments, the Contributions and the Transfer Certificates held by the Lenders from time to time and the principal amounts of such Transfer Certificates and may be relied upon by all parties to this Agreement.

15.5 **Transfer fees and expenses**

Any Transferor Lender who causes the transfer of all or any part of its rights, benefits and/or obligations under the Security Documents in accordance with the foregoing provisions of this clause 15, must, on each occasion, pay to the Agent a transfer fee of three thousand Dollars (USD 3,000) and, in addition, be responsible for all other costs and expenses (including, but not limited to, reasonable legal fees and expenses) associated therewith and all value added tax thereon, as well as those of the Agent (in addition to its fee as aforesaid) in connection with such transfer.

15.6 **Documenting transfers**

If any Lender assigns all or any part of its rights or transfers all or any part of its rights, benefits and/or obligations as provided in clause 15.3, each Borrower undertakes, immediately on being requested to do so by the Agent and at the cost of the Transferor Lender, to enter into, and procure that the other Security Parties shall (at the cost of the Transferor Lender) enter into, such documents as may be necessary or desirable to transfer to the Transferee Lender all or the relevant part of such Lender's interest in the Security Documents and all relevant references in this Agreement to such Lender shall thereafter be construed as a reference to the Transferor Lender and/or its Transferee Lender (as the case may be) to the extent of their respective interests.

15.7 **Sub-Participation, securitisation, subrogation assignment**

15.7.1 A Lender may sub-participate or include in a securitisation or similar transaction all or any part of its rights and/or obligations under or in connection with the Security Documents without the prior consent of the Borrowers, any Security Party, the Agent or the Security Trustee and the Lenders may assign, in any manner and terms all or any part of those rights to an insurer or surety who has become subrogated to them.

15.7.2 The Borrowers shall, and shall procure that each Security Party shall, do everything desirable or necessary to assist the Lenders (or any of them) to achieve a successful (in the opinion of the Lender concerned) securitisation (or similar transaction) or any sub-participation or subrogation assignment.

15.8 **Lending office**

Each Lender shall lend through its office at the address specified in schedule 1 or, as the case may be, in any relevant Transfer Certificate or through any other office of such Lender selected from time to time by it through which such Lender wishes to lend for the purposes of this Agreement. If the office through which a Lender is lending is changed pursuant to this clause 15.8, such Lender shall notify the Agent promptly of such change and the Agent shall notify the Borrowers, the Security Trustee, the Account Bank and the other Lenders.

15.9 **Disclosure of information**

A Bank may disclose to any of its branches and affiliates, its head office, any relevant fiscal authorities a prospective assignee, transferee or to any other person who may propose entering into contractual relations with such Bank in relation to this Agreement such information about the Borrowers and/or the other Security Parties and/or the Loan and/or the Security Documents as such Bank shall consider appropriate in relation to any transfer and/or enforcement hereunder.

16 **AGENT AND SECURITY TRUSTEE**

16.1 **Appointment of the Agent**

Each Lender irrevocably appoints the Agent as its agent for the purposes of this Agreement and such of the Security Documents to which it may be appropriate for the Agent to be party. Accordingly each of the Lenders hereby authorises the Agent:

16.1.1 to execute such documents as may be approved by the Majority Lenders for execution by the Agent; and

16.1.2 (whether or not by or through employees or agents) to take such action on such Lender's behalf and to exercise such rights, remedies, powers and discretions as are specifically delegated to the Agent by any Security Document, together with such powers and discretions as are reasonably incidental thereto.

16.2 **Agent's actions**

Any action taken by the Agent under or in relation to any of the Security Documents whether with requisite authority or on the basis of appropriate instructions received from the Majority Lenders (or as otherwise duly authorised) shall be binding on all the Banks.

16.3 **Agent's and Agent's duties**

16.3.1 The Agent shall promptly notify each Lender of (i) the contents of each notice, certificate or other document received by it from the Borrowers under or pursuant to clauses 8.1.1, 8.1.6, 8.1.9, 8.1.10, 8.1.13 and 8.1.17 and (ii) any information it receives which is material to the Borrowers' ability to repay the Loan; and

16.3.2 The Agent shall (subject to the other provisions of this clause 16) take (or instruct the Security Trustee to take) such action or, as the case may be, refrain from taking (or authorise the Security Trustee to refrain from taking) such action with respect to the exercise of any of its rights, remedies, powers and discretions as agent, as the Majority Lenders may direct.

16.4 **Security Trustee's and Agent's rights**

The Security Trustee and the Agent may:

16.4.1 in the exercise of any right, remedy, power or discretion in relation to any matter, or in any context, not expressly provided for by this Agreement or any of the other Security Documents, act or, as the case may be, refrain from acting (or authorise the Security Trustee to act or refrain from acting) in accordance with the instructions of the Lenders, and shall be fully protected in so doing;

16.4.2 unless and until it has received directions from the Majority Lenders, take such action or, as the case may be, refrain from taking such action (or authorise the Security Trustee to take or refrain from taking such action) in respect of a Default of which the Agent has actual knowledge as it shall consider advisable in the best interests of the Lenders (but shall not be obliged to do so);

16.4.3 refrain from acting (or authorise the Security Trustee to refrain from acting) in accordance with any instructions of the Lenders to institute any Proceedings arising out of or in connection with any of the Security Documents until it and/or the Security Trustee has been indemnified and/or secured to its satisfaction against any and all costs, expenses or liabilities (including legal fees) which it would or might incur as a result;

16.4.4 deem and treat (i) each Lender as the person entitled to the benefit of the Contribution of such Lender for all purposes of this Agreement unless and until a notice shall have been filed with the Agent pursuant to clause 15.3 and shall have become effective, and (ii) the office set opposite the name of each of the Lenders in schedule 1 as its lending office unless and until a written notice of change of lending office shall have been received by the Agent and the Agent may act upon any such notice unless and until the same is superseded by a further such notice;

- 16.4.5 rely as to matters of fact which might reasonably be expected to be within the knowledge of any Security Party upon a certificate signed by any director or officer of the relevant Security Party on behalf of the relevant Security Party; and
- 16.4.6 do anything which is in its opinion necessary or desirable to comply with any law or regulation in any jurisdiction.

16.5 **No Liability of Agent**

Neither of the Security Trustee, the Agent nor any of their respective employees and agents shall:

- 16.5.1 be obliged to make any enquiry as to the use of any of the proceeds of the Loan unless (in the case of the Agent) so required in writing by a Lender, in which case the Agent shall promptly make the appropriate request to the Borrowers; or
- 16.5.2 be obliged to make any enquiry as to any breach or default by the Borrowers or any other Security Party in the performance or observance of any of the provisions of the Security Documents or as to the existence of a Default unless (in the case of the Agent) the Agent has actual knowledge thereof or has been notified in writing thereof by a Bank, in which case the Agent shall promptly notify the Banks of the relevant event or circumstance; or
- 16.5.3 be obliged to enquire whether or not any representation or warranty made by the Borrowers or any other Security Party pursuant to this Agreement or any of the other Security Documents is true; or
- 16.5.4 be obliged to do anything (including, without limitation, disclosing any document or information) which would, or might in its opinion, be contrary to any law or regulation or be a breach of any duty of confidentiality or otherwise be actionable or render it liable to any person; or
- 16.5.5 be obliged to account to any Lender for any sum or the profit element of any sum received by it for its own account; or
- 16.5.6 be obliged to institute any Proceedings arising out of or in connection with any of the Security Documents other than on the instructions of the Majority Lenders; or
- 16.5.7 be liable to any Lender for any action taken or omitted under or in connection with any of the Security Documents unless caused by its gross negligence or wilful misconduct.

For the purposes of this clause 16, neither of the Security Trustee or the Agent shall be treated as having actual knowledge of any matter of which the corporate finance or any other division outside the agency or loan administration department of the Security Trustee or the Agent or the person for the time being acting as the Security Trustee or the Agent may become aware in the context of corporate finance, advisory or lending activities from time to time undertaken by the Security Trustee or the Agent or, as the case may be, the Security Trustee or Agent for any Security Party or any other person which may be a trade competitor of any Security Party or may otherwise have commercial interests similar to those of any Security Party.

16.6 **Non –reliance on Security Trustee or Agent**

Each Lender acknowledges that it has not relied on any statement, opinion, forecast or other representation made by the Security Trustee or the Agent to induce it to enter into any of the Security Documents and that it has made and will continue to make, without reliance on the Security Trustee or the Agent and based on such documents as it considers appropriate, its own appraisal of the creditworthiness of the Security Parties and its own independent investigation of the financial condition, prospects and affairs of the Security Parties in connection with the making and continuation of such Lender’s Commitment or Contribution under this Agreement. Neither of the Security Trustee and the Agent shall have any duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect to any Security Party whether coming into its possession before the making of any Advance or the Loan or at any time or times thereafter other than as provided in clause 16.3.1.

16.7 **No responsibility on the Security Trustee or Agent for Borrowers’ performance**

Neither of the Security Trustee or the Agent shall have any responsibility or liability to any Lender:

16.7.1 on account of the failure of any Security Party to perform its obligations under any of the Security Documents; or

16.7.2 for the financial condition of any Security Party; or

16.7.3 for the completeness or accuracy of any statements, representations or warranties in any of the Security Documents or any document delivered under any of the Security Documents; or

16.7.4 for the execution, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of any of the Security Documents or of any certificate, report or other document executed or delivered under any of the Security Documents; or

16.7.5 to investigate or make any enquiry into the title of the Borrowers or any other Security Party to the Vessels or any other security or any part thereof; or

16.7.6 for taking or omitting to take any other action under or in relation to any of the Security Documents or any aspect of any of the Security Documents; or

16.7.7 on account of the failure of the Security Trustee to perform or discharge any of its duties or obligations under the Security Documents; or

16.7.8 otherwise in connection with the Security Documents or their negotiation or for acting (or, as the case may be, refraining from acting) in accordance with the instructions of the Lenders.

16.8 **Reliance on documents and professional advice**

Each of the Security Trustee and the Agent shall be entitled to rely on any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper person and shall be entitled to rely as to legal or other professional matters on opinions and statements of any legal or other professional advisers selected or approved by it (including those in the Security Trustee’s or Agent’s employment).

16.9 **Other dealings**

Each of the Security Trustee and the Agent may, without any liability to account to the Lenders, accept deposits from, and generally engage in any kind of banking or other business with, and provide advisory or other services to, any Security Party or any company in the same group of companies as such Security Party or any of the Lenders as if it were not the Security Trustee or Agent.

16.10 **Rights of Agent, Agent as Lender; no partnership**

With respect to its own Commitment and Contribution (if any) the Security Trustee and the Agent shall have the same rights and powers under the Security Documents as any other Lender and may exercise the same as though it were not performing the duties and functions delegated to it under this Agreement and the term "Lenders" shall, unless the context clearly otherwise indicates, include the Security Trustee and the Agent in their respective individual capacity as a Lender. This Agreement shall not be construed so as to constitute a partnership between the parties or any of them.

16.11 **Amendments and waivers**

16.11.1 Subject to clause 16.11, the Security Trustee and/or the Agent (as the case may be) may, with the consent of the Majority Lenders (or if and to the extent expressly permitted by the other provisions of any of the Security Documents) and, if so instructed by the Majority Lenders, shall:

16.11.2 agree (or authorise the Security Trustee to agree) amendments or modifications to any of the Security Documents with the Borrowers and/or any other Security Party; and/or

16.11.3 vary or waive breaches of, or defaults under, or otherwise excuse performance of, any provision of any of the other Security Documents by the Borrowers and/or any other Security Party (or authorise the Security Trustee to do so).

Any such action so authorised and effected by the Agent shall be documented in such manner as the Security Trustee and/or the Agent (as the case may be) shall (with the approval of the Majority Lenders) determine, shall be promptly notified to the Lenders by the Security Trustee and/or the Agent (as the case may be) and (without prejudice to the generality of clause 16.2) shall be binding on the Lenders.

16.11.4 Except with the prior written consent of the Lenders, the Security Trustee and the Agent shall have no authority on behalf of the Lenders to agree (or authorise the Security Trustee to agree) with the Borrowers and/or any other Security Party any amendment or modification to any of the Security Documents or to grant (or authorise the Security Trustee to grant) waivers in respect of breaches or defaults or to vary or excuse (or authorise the Security Trustee to vary or excuse) performance of or under any of the Security Documents by the Borrowers and/or any other Security Party, if the effect of such amendment, modification, waiver or excuse would be to:

- (a) reduce the Margin, postpone the due date or reduce the amount of any payment of principal, interest or other amount payable by any Security Party under any of the Security Documents;
- (b) change the currency in which any amount is payable by any Security Party under any of the Security Documents;
- (c) increase any Lender's Commitment;
- (d) extend any Maturity Date;
- (e) change any provision of any of the Security Documents which expressly or impliedly requires the approval or consent of all the Lenders such that the relevant approval or consent may be given otherwise than with the sanction of all the Lenders;
- (f) change the order of distribution under clauses 6.10 and 13.1;
- (g) change this clause 16.11;
- (h) change the definition of "Majority Lenders" in clause 1.2;
- (i) release any Security Party from the security constituted by any Security Document (except as required by the terms thereof or by law) or change the terms and conditions upon which such security or guarantee may be, or is required to be, released.

16.12 **Reimbursement and indemnity by Lenders**

Each Lender shall reimburse the Security Trustee and the Agent (rateably in accordance with such Lender's Commitment or, after the first Advance or the Loan has been drawn, its Contribution,) to the extent that the Security Trustee or the Agent is not reimbursed by the Borrowers, for the costs, charges and expenses incurred by the Security Trustee or the Agent which are expressed to be payable by the Borrowers under clause 5.3 including (in each case), without limitation, the fees and expenses of legal or other professional advisers provided that, if following any payment to the Security Trustee or the Agent by a Lender under this clause the Security Trustee or the Agent receives payment from the Borrowers in respect of the same costs, fees or expenses, the Security Trustee or the Agent shall upon receipt thereof reimburse the relevant Lender. Each Lender must on demand indemnify the Security Trustee or the Agent (rateably in accordance with such Lender's Commitment or, after the first Advance or the Loan has been drawn, its Contribution) against all liabilities, damages, costs and claims whatsoever incurred by the Security Trustee in connection with any of the Security Documents or the performance of its duties under any of the Security Documents or any action taken or omitted by the Security Trustee or, as the case may be, the Agent, under any of the Security Documents, unless such liabilities, damages, costs or claims arise from the Security Trustee's or as the case may be, the Agent's own gross negligence or wilful misconduct.

16.13 **Retirement of the Agent**

- 16.13.1 The Agent may, having given to the Borrowers and each of the Lenders not less than fifteen (15) days' notice of its intention to do so, retire from its appointment as the Agent under this Agreement, provided that no such retirement shall take effect unless there has been appointed by the Lenders as a successor agent:

- (a) a company in the same group of companies as the Agent,
- (b) a Lender nominated by the Majority Lenders or, failing such a nomination,
- (c) any reputable and experienced bank or financial institution nominated by the retiring Agent.

and written confirmation (in a form acceptable to the Lenders) of such acceptance agreeing to be bound by this Agreement in the capacity of the Agent as if it had been an original party to this Agreement.

Any corporation into which the retiring Agent and/or the retiring Security Trustee (as the case may be) may be merged or converted or any corporation with which the Security Trustee and/or the Agent (as the case may be) may be consolidated or any corporation resulting from any merger, conversion, amalgamation, consolidation or other reorganisation to which the Security Trustee or the Agent (as the case may be) shall be a party shall, to the extent permitted by applicable law, be the successor Agent or Security Trustee under this Agreement and the other Security Documents without the execution or filing of any document or any further act on the part of any of the parties to the Security Documents save that notice of any such merger, conversion, amalgamation, consolidation or other reorganisation shall forthwith be given to each Security Party and the Lenders. Prior to any such successor being appointed, the Agent agrees to consult with the Borrowers and the Lenders as to the identity of the proposed successor and to take account of any reasonable objections which the Borrowers and the Lenders may raise to such successor being appointed.

- 16.13.2 If the Majority Lenders, acting reasonably, are of the opinion that the Security Trustee or Agent is unable to fulfil its respective obligations under this Agreement in a professional and acceptable manner, then they may require the Security Trustee or Agent, by written notice, to resign in accordance with clause 16.13.1, which the Agent shall promptly do, and the terms of clause 16.13.1 shall apply to the appointment of any substitute Security Trustee or Agent, save that the same shall be appointed by the Majority Lenders and not by all of the Lenders.
- 16.13.3 Upon any such successor as aforesaid being appointed, the retiring Agent or, as the case may be, the Security Trustee shall be discharged from any further obligation under the Security Documents (but shall continue to have the benefit of this clause 16 in respect of any action it has taken or refrained from taking prior to such discharge) and its successor and each of the other parties to this Agreement shall have the same rights and obligations among themselves as they would have had if such successor had been a party to this Agreement in place of the retiring Agent or Security Trustee. The retiring Agent or Agent shall (at its own expense) provide its successor with copies of such of its records as its successor reasonably requires to carry out its functions under the Security Documents.

16.14 **Appointment and retirement of Security Trustee**

16.14.1 Appointment

Each of the Banks irrevocably appoints the Security Trustee as its Security Trustee and trustee for the purposes of the Security Documents, in each case on the terms set out in this Agreement. Accordingly, each of the Lenders and the Agent hereby authorises the Security Trustee (whether or not by or through employees or agents) to take such action on its behalf and to exercise such rights, remedies, powers and discretions as are specifically delegated to the Security Trustee by this Agreement and/or the Security Documents, together with such powers and discretions as are reasonably incidental thereto.

16.14.2 Retirement

Without prejudice to clause 16.13, the Security Trustee may, having given to the Borrowers and each of the Lenders not less than fifteen (15) days' notice of its intention to do so, retire from its appointment as Security Trustee under this Agreement and any Trust Deed, provided that no such retirement shall take effect unless there has been appointed by the Lenders and the Agent as a successor Security Trustee and trustee:

- (a) a company in the same group of companies of the Security Trustee nominated by the Security Trustee which the Lenders hereby irrevocably and unconditionally agree to appoint or, failing such nomination,
- (b) a Lender or trust corporation nominated by the Majority Lenders or, failing such a nomination,
- (c) any bank or trust corporation nominated by the retiring Security Trustee,

and, in any case, such successor Security Trustee and trustee shall have duly accepted such appointment by delivering to the Agent (i) written confirmation (in a form acceptable to the Agent) of such acceptance agreeing to be bound by this Agreement in the capacity of Security Trustee as if it had been an original party to this Agreement and (ii) a duly executed Trust Deed.

Any corporation into which the retiring Security Trustee may be merged or converted or any corporation with which the Security Trustee may be consolidated or any corporation resulting from any merger, conversion, amalgamation, consolidation or other reorganisation to which the Security Trustee shall be a party shall, to the extent permitted by applicable law, be the successor Security Trustee under this Agreement, any Trust Deed and the other Security Documents without the execution or filing of any document or any further act on the part of any of the parties to this Agreement, any Trust Deed and the other Security Documents save that notice of any such merger, conversion, amalgamation, consolidation or other reorganisation shall forthwith be given to each Security Party and the Lenders. Prior to any such successor being appointed, the Security Trustee agrees to consult with the Borrowers as to the identity of the proposed successor and to take account of any reasonable objections which the Borrowers may raise to such successor being appointed.

Upon any such successor as aforesaid being appointed, the retiring Security Trustee shall be discharged from any further obligation under the Security Documents (but shall continue to have the benefit of this clause 16 in respect of any action it has taken or refrained from taking prior to such discharge) and its successor and each of the other parties to this Agreement shall have the same rights and obligations among themselves as they would have had if such successor had been a party to this Agreement in place of the retiring Security Trustee. The retiring Security Trustee shall (at its own expense) provide its successor with copies of such of its records as its successor reasonably requires to carry out its functions under the Security Documents.

16.15 **Powers and duties of the Security Trustee**

16.15.1 The Security Trustee shall have no duties, obligations or liabilities to any of the Lenders and the Agent beyond those expressly stated in any of the Security Documents. Each of the Agent and the Lenders hereby authorises the Security Trustee to enter into and execute:

- (a) each of the Security Documents to which the Security Trustee is or is intended to be a party; and
- (b) any and all such other Security Documents as may be approved by the Agent in writing (acting on the instructions of the Majority Lenders) for entry into by the Security Trustee,

and, in each and every case, to hold any and all security thereby created upon trust for the Lenders and the Agent for the time being in the manner contemplated by this Agreement.

16.15.2 Subject to clause 16.15.3 the Security Trustee may, with the prior consent of the Majority Lenders communicated in writing by the Agent, concur with any of the Security Parties to:

- (a) amend, modify or otherwise vary any provision of the Security Documents to which the Security Trustee is or is intended to be a party; or
- (b) waive breaches of, or defaults under, or otherwise excuse performance of, any provision of the Security Documents to which the Security Trustee is or is intended to be a party; or
- (c) give any consents to any Security Party in respect of any provision of any Security Document.

Any such action so authorised and effected by the Security Trustee shall be promptly notified to the Lenders and the Agent by the Security Trustee and shall be binding on the other Banks.

16.15.3 The Security Trustee shall not concur with any Security Party with respect to any of the matters described in clause 16.11.4 without the consent of the Lenders communicated in writing by the Agent.

16.15.4 The Security Trustee shall (subject to the other provisions of this clause 16) take such action or, as the case may be, refrain from taking such action, with respect to any of its rights, powers and discretions as Security Trustee and trustee, as the Agent may direct. Subject as provided in the foregoing provisions of this clause, unless and until the Security Trustee has received such instructions from the Agent, the Security Trustee may, but shall not be obliged to, take (or refrain from taking) such action under or pursuant to the Security Documents referred to in clause 16.14 as the Security Trustee shall deem advisable in the best interests of the Banks provided that (for the avoidance of doubt), to the extent that this clause might otherwise be construed as authorising the Security Trustee to take, or refrain from taking, any action of the nature referred to in clause 16.15.2—and for which the prior consent of the Lenders is expressly required under clause 16.15.3—clauses 16.15.2 and 16.15.3 shall apply to the exclusion of this clause.

- 16.15.5 None of the Lenders nor the Agent shall have any independent power to enforce any of the Security Documents referred to in clause 16.14 or to exercise any rights, discretions or powers or to grant any consents or releases under or pursuant to such Security Documents or any of them or otherwise have direct recourse to the security and/or guarantees constituted by such Security Documents or any of them except through the Security Trustee.
- 16.15.6 For the purpose of this clause 16, the Security Trustee may, rely and act in reliance upon any information from time to time furnished to the Security Trustee by the Agent (whether pursuant to clause 16.15.7 or otherwise) unless and until the same is superseded by further such information, so that the Security Trustee shall have no liability or responsibility to any party as a consequence of placing reliance on and acting in reliance upon any such information unless the Security Trustee has actual knowledge that such information is inaccurate or incorrect.
- 16.15.7 Without prejudice to the foregoing each of the Agent and the Lenders (whether directly or through the Agent) shall provide the Security Trustee with such written information as it may reasonably require for the purpose of carrying out its duties and obligations under the Security Documents referred to in clause 16.14.
- 16.16 **Trust provisions**
- 16.16.1 The trusts constituted or evidenced in or by this Agreement and the Trust Deed shall remain in full force and effect until whichever is the earlier of:
- (a) the expiration of a period of eighty (80) years from the Execution Date; and
 - (b) receipt by the Security Trustee of confirmation in writing by the Agent that there is no longer outstanding any Indebtedness (actual or contingent) which is secured or guaranteed or otherwise assured by or under any of the Security Documents,
- and the parties to this Agreement declare that the perpetuity period applicable to this Agreement and the trusts declared by the Trust Deed shall for the purposes of the Perpetuities and Accumulations Act 1964 be the period of eighty (80) years from the Execution Date.
- 16.16.2 In its capacity as trustee in relation to the Security Documents specified in clause 16.14, the Security Trustee shall, without prejudice to any of the powers, discretions and immunities conferred upon trustees by law (and to the extent not inconsistent with the provisions of any of those Security Documents), have all the same powers and discretions as a natural person acting as the beneficial owner of such property and/or as are conferred upon the Security Trustee by any of those Security Documents.
- 16.16.3 It is expressly declared that, in its capacity as trustee in relation to the Security Documents specified in clause 16.14, the Security Trustee shall be entitled, subject to the consent of the Lenders, to invest moneys forming part of the security and which, in the opinion of the Security Trustee, may not be paid out promptly following receipt in the name or under the control of the Security Trustee in any of the investments for the time being authorised by law for the investment by trustees of trust moneys or in any other property or investments whether similar to the aforesaid or not or by placing the same on deposit in the name or under the control of the Security Trustee as the Security Trustee may think fit without being under any duty to diversify its investments and the Security Trustee may at any time vary or transpose any such property

or investments for or into any others of a like nature and shall not be responsible for any loss due to depreciation in value or otherwise of such property or investments. Any investment of any part or all of the security may, at the discretion of the Security Trustee, be made or retained in the names of nominees.

16.17 Independent action by Banks

None of the Banks shall enforce, exercise any rights, remedies or powers or grant any consents or releases under or pursuant to, or otherwise have a direct recourse to the security and/or guarantees constituted by any of the Security Documents without the prior written consent of the Majority Lenders but, provided such consent has been obtained, it shall not be necessary for any other Bank to be joined as an additional party in any Proceedings for this purpose.

16.18 Common Agent and Security Trustee

The Agent and the Security Trustee have entered into the Security Documents in their separate capacities (a) as agent for the Lenders under and pursuant to this Agreement (in the case of the Agent) and (b) as Security Trustee and trustee for the Lenders and the Agent under and pursuant to this Agreement, to hold the guarantees and/or security created by the Security Documents specified in clause 16.14 on the terms set out in such Security Documents (in the case of the Security Trustee). If and when the Agent and the Security Trustee are the same entity and any Security Document provides for the Agent to communicate with or provide instructions to the Security Trustee (and vice versa), all parties to this Agreement agree that any such communications or instructions on such occasions are unnecessary and are hereby waived.

16.19 Co-operation to achieve agreed priorities of application

The Lenders and the Agent shall co-operate with each other and with the Security Trustee and any receiver under the Security Documents in realising the property and assets subject to the Security Documents and in ensuring that the net proceeds realised under the Security Documents after deduction of the expenses of realisation are applied in accordance with clause 13.1.

16.20 The Prompt distribution of proceeds

Moneys received by any of the Banks (whether from a receiver or otherwise) pursuant to the exercise of (or otherwise by virtue of the existence of) any rights and powers under or pursuant to any of the Security Documents shall (after providing for all costs, charges, expenses and liabilities and other payments ranking in priority) be paid to the Agent for distribution (in the case of moneys so received by any of the Banks other than the Agent or the Security Trustee) and shall be distributed by the Agent or, as the case may be, the Security Trustee (in the case of moneys so received by the Agent or, as the case may be, the Security Trustee) in each case in accordance with clause 13.1. The Agent or, as the case may be, the Security Trustee shall make each such application and/or distribution as soon as is practicable after the relevant moneys are received by, or otherwise become available to, the Agent or, as the case may be, the Security Trustee save that (without prejudice to any other provision contained in any of the Security Documents) the Agent or, as the case may be, the Security Trustee (acting on the instructions of the Majority Lenders) or any receiver may credit any moneys received by it to a suspense account for so long and in such manner as the Agent or such receiver may from time to time determine with a view to preserving the rights of the Agent and/or the Security Trustee and/or the Account Bank and/or the Lenders or any of them to provide for the whole of their respective claims against the Borrowers or any other person liable.

16.21 **Reconventioning**

After consultation with the Borrowers and the Lenders and notwithstanding clause 16.11, the Agent shall be entitled to make such amendments to this Agreement as it may determine to be necessary to take account of any changes in market practices as a consequence of the European Monetary Union (whether as to the settlement or rounding of obligations, business days, the calculation of interest or otherwise whatsoever). So far as possible such amendments shall be such as to put the parties in the same position as if the event or events giving rise to the need to amend this Agreement had not occurred. Any amendment so made to this Agreement by the Agent shall be promptly notified to the other parties hereto and shall be binding on all parties hereto.

16.22 **Exclusivity**

Without prejudice to the Borrowers' rights, in certain instances, to give their consent thereunder, clauses 15 and 16 are for the exclusive benefit of the Banks.

17 **NOTICES AND OTHER MATTERS**

17.1 **Notices**

17.1.1 unless otherwise specifically provided herein, every notice under or in connection with this Agreement shall be given in English by letter delivered personally and/or sent by post and/or transmitted by fax and/or electronically;

17.1.2 in this clause "notice" includes any demand, consent, authorisation, approval, instruction, certificate, request, waiver or other communication.

17.2 **Addresses for communications, effective date of notices**

17.2.1 Subject to clause 17.2.2, clause 17.2.5 and 17.3 notices to the Borrowers shall be deemed to have been given and shall take effect when received in full legible form by the Borrowers at the address and/or the fax number appearing below (or at such other address or fax number as the Borrowers may hereafter specify for such purpose to the Agent by notice in writing);

Address c/o Navios Shipmanagement Inc.
 85 Akti Miaouli
 185 38 Piraeus
 Greece

Fax no: + 30 210 453 1984

17.2.2 notwithstanding the provisions of clause 17.2.1 or clause 17.2.5, a notice of Default and/or a notice given pursuant to clause 10.2 or clause 10.3 to the Borrowers shall be deemed to have been given and shall take effect when delivered, sent or transmitted by the Banks or any of them to the Borrowers to the address or fax number referred to in clause 17.2.1;

17.2.3 subject to clause 17.2.5, notices to the Agent and/or Account Bank and/or Security Trustee shall be deemed to be given, and shall take effect, when received in full legible form by the Agent and/or the Security Trustee at the address and/or the fax number address appearing below (or at any such other address or fax number as the Agent and/or the Security Trustee (as appropriate) may hereafter specify for such purpose to the Borrowers and the other Lenders by notice in writing);

Agent: Crédit Agricole Corporate and Investment Bank
Address: 12, place des Etats-Unis
CS 70052
92547 Montrouge Cedex
France
Fax: + 33 1 41 89 19 34
Attn: Agency and Middle Office Shipping – Clementine Costil / Romy Roussel
Email: clementine.costil@ca-cib.com / romy.rousseau@ca-cib.com

With copy to:

Attn: Shipping Metier – Typhaine Hirgorom
Fax: + 33 1 41 89 29 87
Email: typhaine.hirgorom@ca-cib.com

- 17.2.4 subject to clause 17.2.5 and 17.3, notices to a Lender shall be deemed to be given and shall take effect when received in full legible form by such Lender at its address and/or fax number specified in schedule 1 or in any relevant Transfer Certificate (or at any other address or fax number as such Lender may hereafter specify for such purpose to the other Banks); and
- 17.2.5 if under clause 17.2.1 or clause 17.2.3 a notice would be deemed to have been given and been effective on a day which is not a working day in the place of receipt or is outside the normal business hours in the place of receipt, the notice shall be deemed to have been given and to have taken effect at the opening of business on the next working day in such place.
- 17.3 **Electronic Communication**
- 17.3.1 Any communication to be made by and/or between the Banks or any of them and the Security Parties or any of them under or in connection with the Security Documents or any of them may be made by electronic mail or other electronic means, if and provided that all such parties:
- (a) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
 - (b) notify each other of any change to their electronic mail address or any other such information supplied by them.
- 17.3.2 Any electronic communication made by and/or between the Banks or any of them and the Security Parties or any of them will be effective only when actually received in readable form and, in the case of any electronic communication made by the Borrowers or the Lenders to the Agent, only if it is addressed in such manner as the Agent shall specify for this purpose.
- 17.4 **Notices through the Agent**
- Every notice under this Agreement or (unless otherwise provided therein) any other Security Document to be given by the Borrowers to any other party, shall be given to the Agent for onward transmission as appropriate and every notice under this Agreement to be given to the Borrowers shall (except as otherwise provided in the Security Documents) be given to the Borrowers by the Agent.

18 **BORROWERS' OBLIGATIONS**

18.1 **Joint and several**

Regardless of any other provision in any of the Security Documents, all obligations and liabilities whatsoever of the Borrowers herein contained are joint and several and shall be construed accordingly. Each of the Borrowers agrees and consents to be bound by the Security Documents to which it becomes a party notwithstanding that the other Borrower may not do so or be effectually bound and notwithstanding that any of the Security Documents may be invalid or unenforceable against the other Borrower, whether or not the deficiency is known to any Bank.

18.2 **Borrowers as principal debtors**

Each Borrower acknowledges that it is a principal and original debtor in respect of all amounts which may become payable by the Borrowers in accordance with the terms of any of the Security Documents and agrees that each Bank may continue to treat it as such, whether or not such Bank is or becomes aware that such Borrower is or has become a surety for the other Borrower.

18.3 **Indemnity**

The Borrowers undertake to keep the Banks fully indemnified on demand against all claims, damages, losses, costs and expenses arising from any failure of any Borrower to perform or discharge any purported obligation or liability of that Borrower which would have been the subject of this Agreement or any other Security Document had it been valid and enforceable and which is not or ceases to be valid and enforceable against the other Borrower on any ground whatsoever, whether or not known to any Bank including, without limitation, any irregular exercise or absence of any corporate power or lack of authority of, or breach of duty by, any person purporting to act on behalf of the other Borrower (or any legal or other limitation, whether under the Limitation Acts or otherwise or any disability or death, bankruptcy, unsoundness of mind, insolvency, liquidation, dissolution, winding up, administration, receivership, amalgamation, reconstruction or any other incapacity of any person whatsoever (including, in the case of a partnership, a termination or change in the composition of the partnership) or any change of name or style or constitution of any Security Party)).

18.4 **Liability unconditional**

None of the obligations or liabilities of the Borrowers under any Security Document shall be discharged or reduced by reason of:

- 18.4.1 the death, bankruptcy, unsoundness of mind, insolvency, liquidation, dissolution, winding-up, administration, receivership, amalgamation, reconstruction or other incapacity of any person whatsoever (including, in the case of a partnership, a termination or change in the composition of the partnership) or any change of name or style or constitution of any Borrower or any other person liable;

18.4.2 any Bank granting any time, indulgence or concession to, or compounding with, discharging, releasing or varying the liability of, any Borrower or any other person liable or renewing, determining, varying or increasing any accommodation, facility or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting, varying any compromise, arrangement or settlement or omitting to claim or enforce payment from any Borrower or any other person liable; or

18.4.3 anything done or omitted which but for this provision might operate to exonerate the Borrowers or all of them.

18.5 **Recourse to other security**

No Bank shall be obliged to make any claim or demand or to resort to any security or other means of payment now or hereafter held by or available to them for enforcing any of the Security Documents against any Borrower or any other person liable and no action taken or omitted by any Bank in connection with any such security or other means of payment will discharge, reduce, prejudice or affect the liability of the Borrowers under the Security Documents to which any of them is, or is to be, a party.

18.6 **Waiver of Borrowers' rights**

Each Borrower agrees with the Banks that, throughout the Facility Period, it will not, without the prior written consent of the Agent:

18.6.1 exercise any right of subrogation, reimbursement and indemnity against the other Borrower or any other person liable under the Security Documents;

18.6.2 demand or accept repayment in whole or in part of any Indebtedness now or hereafter due to such Borrower from the other Borrower or from any other person liable for such Indebtedness or demand or accept any guarantee against financial loss or any document or instrument created or evidencing an Encumbrance in respect of the same or dispose of the same;

18.6.3 take any steps to enforce any right against the other Borrower or any other person liable in respect of any such moneys; or

18.6.4 claim any set-off or counterclaim against the other Borrower or any other Security Party or claim or prove in competition with any Bank in the liquidation of the other Borrower or any other person liable or have the benefit of, or share in, any payment from or composition with, the other Borrower or any other person liable or any security granted under any Security Document now or hereafter held by any Bank for any moneys owing under this Agreement or for the obligations or liabilities of any other person liable but so that, if so directed by the Agent, it will prove for the whole or any part of its claim in the liquidation of the other Borrower or other person liable on terms that the benefit of such proof and all money received by it in respect thereof shall be held on trust for the Banks and applied in or towards discharge of any moneys owing under this Agreement in such manner as the Agent shall require.

19 **GOVERNING LAW**

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

20 **JURISDICTION**

20.1 **Exclusive Jurisdiction**

For the benefit of the Banks, and subject to clause 20.4 below, the Borrowers hereby irrevocably agree that the courts of England shall have exclusive jurisdiction:

20.1.1 to settle any disputes or other matters whatsoever arising under or in connection with this Agreement or any non-contractual obligation arising out of or in connection with this Agreement and any disputes or other such matters arising in connection with the negotiation, validity or enforceability of this Agreement or any part thereof, whether the alleged liability shall arise under the laws of England or under the laws of some other country and regardless of whether a particular cause of action may successfully be brought in the English courts; and

20.1.2 to grant interim remedies or other provisional or protective relief.

20.2 **Submission and service of process**

Each Borrower accordingly irrevocably and unconditionally submits to the jurisdiction of the English courts. Without prejudice to any other mode of service each Borrower:

20.2.1 irrevocably empowers and appoints Hill Dickinson Services (London) Ltd. at present of The Broadgate Tower, 20 Primrose Street, London EC2A 2EW, England, as its agent to receive and accept on its behalf any process or other document relating to any proceedings before the English courts in connection with this Agreement;

20.2.2 agrees to maintain such an agent for service of process in England from the date hereof until the end of the Facility Period;

20.2.3 agrees that failure by a process agent to notify the Borrowers of service of process will not invalidate the proceedings concerned;

20.2.4 without prejudice to the effectiveness of service of process on its agent under clause 20.2.1 above but as an alternative method, consents to the service of process relating to any such proceedings by mailing or delivering a copy of the process to its address for the time being applying under clause 17.2;

20.2.5 agrees that if the appointment of any person mentioned in clause 20.2.1 ceases to be effective, the Borrowers shall immediately appoint a further person in England to accept service of process on its behalf in England and, failing such appointment within seven (7) days the Agent shall thereupon be entitled and is hereby irrevocably authorised by the Borrowers in those circumstances to appoint such person by notice to the Borrowers.

20.3 **Forum non conveniens and enforcement abroad**

Each Borrower:

20.3.1 waives any right and agrees not to apply to the English court or other court in any jurisdiction whatsoever to stay or strike out any proceedings commenced in England on the ground that England is an inappropriate forum and/or that Proceedings have been or will be started in any other jurisdiction in connection with any dispute or related matter falling within clause 20.1; and

20.3.2 agrees that a judgment or order of an English court in a dispute or other matter falling within clause 20.1 shall be conclusive and binding on the Borrowers and may be enforced against them in the courts of any other jurisdiction.

20.4 **Right of Security Trustee, but not Borrowers, to bring proceedings in any other jurisdiction**

20.4.1 Nothing in this clause 20 limits the right of any Lender to bring Proceedings, including third party proceedings, against any one or all Borrowers, or to apply for interim remedies, in connection with this Agreement in any other court and/or concurrently in more than one jurisdiction;

20.4.2 the obtaining by any Lender of judgment in one jurisdiction shall not prevent such Lender from bringing or continuing proceedings in any other jurisdiction, whether or not these shall be founded on the same cause of action.

20.5 **Enforceability despite invalidity of Agreement**

Without prejudice to the generality of clause 13.9, the jurisdiction agreement contained in this clause 20 shall be severable from the rest of this Agreement and shall remain valid, binding and in full force and shall continue to apply notwithstanding this Agreement or any part thereof being held to be avoided, rescinded, terminated, discharged, frustrated, invalid, unenforceable, illegal and/or otherwise of no effect for any reason.

20.6 **Effect in relation to claims by and against non-parties**

20.6.1 For the purpose of this clause "Foreign Proceedings" shall mean any Proceedings except proceedings brought or pursued in England arising out of or in connection with (i) or in any way related to any of the Security Documents or any assets subject thereto or (ii) any action of any kind whatsoever taken by any Bank pursuant thereto or which would, if brought by any or all of the Borrowers against the Banks, have been required to be brought in the English courts;

20.6.2 no Borrower shall bring or pursue any Foreign Proceedings against any Bank and shall use its best endeavours to prevent persons not party to this Agreement from bringing or pursuing any Foreign Proceedings against any Bank;

20.6.3 If, for any reason whatsoever, any Security Party and/or any person connected howsoever with any Security Party brings or pursues against any Bank any Foreign Proceedings, the Borrowers shall indemnify such Bank on demand in respect of any and all claims, losses, damages, demands, causes of action, liabilities, costs and expenses (including, but not limited to, legal costs) of whatsoever nature howsoever arising from or in connection with such Foreign Proceedings which such Bank (or the Agent on its behalf) certifies as having been incurred by it;

20.6.4 the Banks and the Borrowers hereby agree and declare that the benefit of this clause 20 shall extend to and may be enforced by any officer, employee, agent or business associate of any of the Banks against whom a Borrower brings a claim in connection howsoever with any of the Security Documents or any assets subject thereto or any action of any kind whatsoever taken by, or on behalf of or for the purported benefit of any Bank pursuant thereto or which, if it were brought against any Bank, would fall within the material scope of clause 20.1. In those circumstances this clause 20 shall be read and construed as if references to any Bank were references to such officer, employee, agent or business associate, as the case may be.

IN WITNESS whereof the parties to this Agreement have caused this Agreement to be duly executed on the date first above written.

SIGNED as a deed for and on behalf of
CHILALI CORP.
by **FRANCISCO TAZELAAR**
(as Borrower under and pursuant to
a power of attorney dated 21 May 2019)

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in the presence of
STAVROULA MYLONA
Ince
Akti Miaouli 47-49
Piraeus 185 36 Greece

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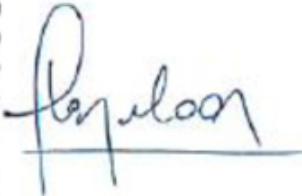

SIGNED as a deed for and on behalf of
MICAELA SHIPPING CORPORATION
by **FRANCISCO TAZELAAR**
(as Borrower under and pursuant to
a power of attorney dated 21 May 2019)

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)
)


in the presence of
STAVROULA MYLONA
Ince
Akti Miaouli 47-49
Piraeus 185 36 Greece

)


SIGNED as a deed for and on behalf of
PANDORA MARINE INC.
by **FRANCISCO TAZELAAR**
(as Borrower under and pursuant to
a power of attorney dated 21 May 2019)

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)
)


in the presence of
STAVROULA MYLONA
Ince
Akti Miaouli 47-49
Piraeus 185 36 Greece

)


SIGNED as a deed for and on behalf of
SURF MARITIME CO.
by **FRANCISCO TAZELAAR**
(as Borrower under and pursuant to
a power of attorney dated 21 May 2019)

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)
)


in the presence of



STAVROULA MYLONA
Ince
Akti Miaouli 47-49
Piraeus 185 36 Greece

SIGNED by PANAGIOTIS FOKAS)
for and on behalf of)
CRÉDIT AGRICOLE CORPORATE)
AND INVESTMENT BANK)
(as a Lender))



in the presence of)

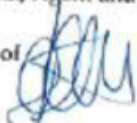


STAVROULA MYLONAS
Ince
Akti Miaouli 47-49
Piraeus 185 36 Greece

SIGNED by PANAGIOTIS FOKAS)
for and on behalf of)
CRÉDIT AGRICOLE CORPORATE)
AND INVESTMENT BANK)
(as Account Bank, Agent and Security Trustee))



in the presence of)



STAVROULA MYLONA
Ince
Akti Miaouli 47-49
Piraeus 185 36 Greece