

Navios Maritime Partners L.P.
Form 20-F
March 15, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2012

OR

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

OR

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

Date of event requiring this shell company report

For the transition period from to

Commission file number 333-146972

Navios Maritime Partners L.P.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's Name into English)

Republic of Marshall Islands

(Jurisdiction of incorporation or organization)

85 Akti Miaouli Street

Piraeus, Greece 185 38

(011) +30-210-4595000

(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

**Title of each class
Common Units**

**Name of each exchange on which registered
New York Stock Exchange LLC**

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

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

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

60,109,163 Common Units

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

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

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

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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

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

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FORWARD-LOOKING STATEMENTS

This Annual Report should be read in conjunction with the consolidated financial statements and accompanying notes included in this report.

Statements included in this annual report which are not historical facts (including our statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto) are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements which are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, and the markets in which we operate as described in this annual report. In some cases, you can identify the forward-looking statements by the use of words such as may, could, should, would, expect, plan, anticipate, intend, forecast, believe, estimate, predict, propose, potential, terms or other comparable terminology.

Forward-looking statements appear in a number of places and include statements with respect to, among other things:

our ability to make cash distributions on our common units;

our future financial condition or results of operations and our future revenues and expenses;

our anticipated growth strategies;

future charter hire rates and vessel values;

the repayment of debt;

our ability to access debt and equity markets;

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

future supply of, and demand for, drybulk commodities;

increases in interest rates;

our ability to maintain long-term relationships with major commodity traders;

our ability to leverage to our advantage Navios Maritime Holdings Inc.(Navios Holdings) s relationships and reputation in the shipping industry;

our continued ability to enter into long-term, fixed-rate time charters;

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

timely purchases and deliveries of newbuilding vessels;

future purchase prices of newbuildings and secondhand vessels;

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

the expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards, as well as standard regulations imposed by our charterers applicable to our business;

our anticipated incremental general and administrative expenses as a publicly traded limited partnership and our expenses under the management agreement and the administrative services agreement with Navios ShipManagement Inc., a subsidiary of Navios Holdings (the Manager) and for reimbursements for fees and costs of our general partner;

the anticipated taxation of our partnership and our unitholders;

estimated future maintenance and replacement capital expenditures;

expected demand in the drybulk shipping sector in general and the demand for our Panamax, Capesize and Ultra-Handymax vessels in particular;

our ability to retain key executive officers;

customers' increasing emphasis on environmental and safety concerns;

future sales of our common units in the public market; and

our business strategy and other plans and objectives for future operations.

These and other forward-looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and therefore involve a number of risks and uncertainties, including those set forth below, as well as those risks discussed in Item 3. Key Information.

a lack of sufficient cash to pay the minimum quarterly distribution on our common units;

the cyclical nature of the international drybulk shipping industry;

fluctuations in charter rates for drybulk carriers;

the historically high numbers of newbuildings currently under construction in the drybulk industry;

changes in the market values of our vessels and the vessels for which we have purchase options;

an inability to expand relationships with existing customers and obtain new customers;

the loss of any customer or charter or vessel;

the aging of our fleet and resultant increases in operations costs;

damage to our vessels;

general domestic and international political conditions, including wars, terrorism and piracy; and

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other factors detailed from time to time in our periodic reports filed with the Securities and Exchange Commission. The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

PART I**Item 1. Identity of Directors, Senior Management and Advisers**

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information**A. Selected Financial Data**

The selected consolidated historical financial information as of December 31, 2012 and 2011 and operating results for the years ended December 31, 2012, 2011, and 2010, is derived from our audited consolidated financial statements of Navios Maritime Partners L.P. (sometimes referred to as Navios Partners, the Partnership, we or us) which are included elsewhere in this report. The selected consolidated historical financial information as of December 31, 2010, 2009 and 2008 and for the years ended December 31, 2009 and December 31, 2008 have been derived from our audited financial statements not included in this report. This information is qualified by reference to, and should be read in conjunction with, Item 5. Operating and Financial Review and Prospects and our consolidated financial statements and notes thereto included elsewhere in this report.

	Year ended December 31,				
	2012	2011	2010	2009	2008
	(Expressed in thousands of U.S. dollars-except per unit data)				
Statement of Income Data					
Time charter revenues	\$ 205,435	\$ 186,953	\$ 143,231	\$ 92,643	\$ 75,082
Time charter expenses	(12,937)	(13,473)	(12,027)	(13,925)	(11,598)
Direct vessel expenses	(25)	(61)	(92)	(415)	(578)
Management fees	(31,689)	(26,343)	(19,746)	(11,004)	(9,275)
General and administrative expenses	(5,555)	(4,965)	(4,303)	(3,208)	(3,798)
Depreciation and amortization	(71,622)	(63,971)	(41,174)	(15,877)	(11,865)
Write-off of intangible asset		(3,979)			
Interest expense and finance cost, net	(10,127)	(9,244)	(6,360)	(8,048)	(9,216)
Interest income	229	821	1,017	261	301
Compensation expense				(6,082)	
Other income	22,598	272	85	94	23
Other expenses	(409)	(675)	(120)	(117)	(318)
Income before income taxes	\$ 95,898	\$ 65,335	\$ 60,511	\$ 34,322	\$ 28,758
Net income	\$ 95,898	\$ 65,335	\$ 60,511	\$ 34,322	\$ 28,758

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Earnings per unit (basic and diluted):

Common unit (basic and diluted)	\$ 1.61	\$ 1.33	\$ 1.51	\$ 1.47	\$ 1.56
Subordinated unit (basic and diluted)	\$	\$ 0.46	\$ 1.11	\$ 1.09	\$ 1.22
General partner unit (basic and diluted)	\$ 1.95	\$ 1.19	\$ 1.42	\$ 1.40	\$ 1.53

Balance Sheet Data (at period end)

Current assets, including cash	\$ 70,033	\$ 63,558	\$ 55,612	\$ 92,579	\$ 29,058
Vessels, net	721,391	667,213	612,358	299,695	291,340
Total assets	954,952	909,924	840,885	436,756	322,907
Current portion of long-term debt	23,727	36,700	29,200		40,000
Total long-term debt, including current portion	299,709	326,050	321,500	195,000	235,000
Total Owner's Net Investment and Partners' Capital	618,694	559,639	491,503	207,990	76,847

Cash Flow Data

Net cash provided by operating activities	\$ 179,081	\$ 127,464	\$ 96,018	\$ 80,565	\$ 41,744
Net cash used in investing activities	(109,698)	(120,000)	(447,757)	(69,100)	(69,505)
Net cash (used in)/provided by financing activities	(85,329)	(10,664)	325,139	38,039	46,040

Fleet Data:

Vessels at end of period ⁽¹⁾	21	18	16	11	9
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(1) Includes owned and chartered-in vessels.

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B. Capitalization and indebtedness.

Not applicable.

C. Reasons for the offer and use of proceeds.

Not applicable.

D. Risk factors

Risks Inherent in Our Business

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

We may not have sufficient cash available each quarter to pay the minimum quarterly distribution of \$0.35 per common unit following the establishment of cash reserves and payment of fees and expenses. The amount of cash we can distribute on our common units depends principally upon the amount of cash we generate from our operations, which may fluctuate based on numerous factors including, among other things:

the rates we obtain from our charters and the market for long-term charters when we recharter our vessels;

the level of our operating costs, such as the cost of crews and insurance, following the expiration of the fixed term of our management agreement pursuant to which we pay a fixed daily fee until December 2013;

the number of unscheduled off-hire days for our fleet and the timing of, and number of days required for, scheduled inspection, maintenance or repairs of submerged parts, or drydocking, of our vessels;

demand for drybulk commodities;

supply of drybulk vessels;

prevailing global and regional economic and political conditions; and

the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of our business.

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

the level of capital expenditures we make, including those associated with maintaining vessels, building new vessels, acquiring existing vessels and complying with regulations;

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our debt service requirements and restrictions on distributions contained in our debt instruments;

interest rate fluctuations;

the cost of acquisitions, if any;

fluctuations in our working capital needs;

our ability to make working capital borrowings, including the payment of distributions to unitholders; and

the amount of any cash reserves, including reserves for future maintenance and replacement capital expenditures, working capital and other matters, established by our board of directors in its discretion.

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

The cyclical nature of the international drybulk shipping industry may lead to decreases in long-term charter rates and lower vessel values, resulting in decreased distributions to our common unitholders.

The shipping business, including the dry cargo market, is cyclical in varying degrees, experiencing severe fluctuations in charter rates, profitability and, consequently, vessel values. For example, during the period from January 1, 2011 to December 31, 2012, the Baltic Exchange's Panamax time charter average daily rates experienced a low of \$3,336 and a high of \$17,115. Additionally, during the period from January 1, 2011 to December 31, 2012, the Baltic Exchange's Capesize time charter average daily rates experienced a low of \$2,644 and a high of \$32,889 and the Baltic Dry Index experienced a low of 647 points and a high of 2,173 points. We anticipate that the future demand for our drybulk carriers and drybulk charter rates will be dependent upon demand for imported commodities, economic growth in the emerging markets, including the Asia Pacific region, India, Brazil and Russia and the rest of the world, seasonal and regional changes in demand and changes to the capacity of the world fleet. Adverse economic, political, social or other developments can decrease demand and prospects for growth in the shipping industry and thereby could reduce revenue significantly. A decline in demand for commodities transported in drybulk carriers or an increase in supply of drybulk vessels could cause a further decline in charter rates, which could materially adversely affect our results of operations and financial condition. If we sell a vessel at a time when the market value of our vessels has fallen, the sale may be at less than the vessel's carrying amount, resulting in a loss.

The demand for vessels has generally been influenced by, among other factors:

global and regional economic conditions;

developments in international trade;

changes in seaborne and other transportation patterns, such as port congestion and canal closures;

weather and crop yields;

armed conflicts and terrorist activities including piracy;

political developments; and

embargoes and strikes.

The supply of vessel capacity has generally been influenced by, among other factors:

the number of vessels that are in or out of service;

the scrapping rate of older vessels;

port and canal traffic and congestion;

the number of newbuilding deliveries; and

vessel casualties.

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Charter rates in the drybulk shipping industry have decreased from their historically high levels and may decrease further in the future, which may adversely affect our earnings and ability to pay dividends.

The industry's current charter rates have significantly decreased from their historic highs reached in the second quarter of 2008. If the drybulk shipping industry, which has been highly cyclical, is depressed in the future when our charters expire or at a time when we may want to sell a vessel, our earnings and available cash flow may be adversely affected. We cannot assure you that we will be able to successfully charter our vessels in the future or renew our existing charters at rates sufficient to allow us to operate our business profitably, to meet our obligations, including payment of debt service to our lenders, or to pay dividends to our unitholders. Our ability to renew the charters on our vessels on the expiration or termination of our current charters, or on vessels that we may acquire in the future, the charter rates payable under any replacement charters and vessel values will depend upon, among other things, economic conditions in the sectors in which our vessels operate at that time, changes in the supply and demand for vessel capacity and changes in the supply and demand for the transportation of commodities.

All of our time charters are scheduled to expire on dates ranging from May 2013 to September 2022. If, upon expiration or termination of these or other contracts, long-term recharter rates are lower than existing rates, particularly considering that we intend to enter into long-term charters, or if we are unable to obtain replacement charters, our earnings, cash flow and our ability to make cash distributions to our unitholders could be materially adversely affected.

The market values of our vessels, which have declined from historically high levels, may fluctuate significantly, which could cause us to breach covenants in our credit facilities and result in the foreclosure on our mortgaged vessels.

Factors that influence vessel values include:

number of newbuilding deliveries;

number of vessels scrapped or otherwise removed from the total fleet;

changes in environmental and other regulations that may limit the useful life of vessels;

changes in global drybulk commodity supply;

types and sizes of vessels;

development of an increase in use of other modes of transportation;

cost of vessel acquisitions;

governmental or other regulations;

prevailing level of charter rates; and

general economic and market conditions affecting the shipping industry.

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If the market values of our owned vessels decrease, we may breach covenants contained in our credit facilities. We purchased the majority of our vessels from Navios Holdings based on market prices that were for certain vessels at historically high levels. If we breach the covenants in our credit facilities and are unable to remedy any relevant breach, our lenders could accelerate our debt and foreclose on the collateral, including our vessels. Any loss of vessels would significantly decrease our ability to generate positive cash flow from operations and therefore service our debt. In addition, if the book value of a vessel is impaired due to unfavorable market conditions, or a vessel is sold at a price below its book value, we would incur a loss.

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

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

These expenditures could increase as a result of changes in:

the cost of our labor and materials;

the cost of suitable replacement vessels;

customer/market requirements;

increases in the size of our fleet; and

governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment.

Our significant maintenance and replacement capital expenditures will reduce the amount of cash we have available for distribution to our unitholders. Any costs associated with scheduled drydocking until December 31, 2013 are included in a daily fee that we pay the Manager under a management agreement. In October 2011, we fixed the rate with the Manager for the period from November 17, 2011 until December 31, 2013 at: (a) \$4,650 daily rate per owned Ultra-Handymax vessel, (b) \$4,550 daily rate per Panamax vessel and (c) \$5,650 daily rate per Capesize vessel, while the term of the management agreement is until December 31, 2017. From January 1, 2014 to December 31, 2017, we expect that we will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of our fleet, which may result in significantly higher fees for that period. In the event our management agreement is not renewed, we will separately deduct estimated capital expenditures associated with drydocking from our operating surplus in addition to estimated replacement capital expenditures.

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

If we expand the size of our fleet in the future, we generally will be required to make significant installment payments for acquisitions of vessels even prior to their delivery and generation of revenue. Depending on whether we finance our expenditures through cash from operations or by issuing debt or equity securities, our ability to make cash distributions to unitholders may be diminished or our financial leverage could increase or our unitholders could be diluted.

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The actual cost of a vessel varies significantly depending on the market price, the size and specifications of the vessel, governmental regulations and maritime self-regulatory organization standards.

If we purchase additional vessels in the future, we generally will be required to make installment payments prior to their delivery. If we finance these acquisition costs by issuing debt or equity securities, we will increase the aggregate amount of interest payments or minimum quarterly distributions we must make prior to generating cash from the operation of the vessel. We filed a shelf registration statement on November 2, 2010, under which we may sell any combination of securities (debt or equity) for up to a total of \$500.0 million, approximately of which \$354.6 million of which is currently available.

To fund the remaining portion of these and other capital expenditures, we will be required to use cash from operations or incur borrowings or raise capital through the sale of debt or additional equity securities. Use of cash from operations will reduce cash available for distributions to unitholders. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for necessary future capital expenditures could have a material adverse effect on our business, results of operations and financial condition and on our ability to make cash distributions. Even if we successfully obtain necessary funds, the terms of such financings could limit our ability to pay cash distributions to unitholders. In addition, incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional preferred and common equity securities may result in significant unitholder dilution and would increase the aggregate amount of cash required to meet our quarterly distributions to our preferred unitholders and minimum quarterly distribution to our common unitholders, which could have a material adverse effect on our ability to make cash distributions to all of our unitholders.

Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities and our interest rates under our credit facilities may fluctuate and may impact our operations.

As of December 31, 2012, all of our facilities were fully drawn and the total borrowings under our credit facilities amounted to \$299.7 million. We have the ability to incur additional debt, subject to limitations in our credit facilities. Our level of debt could have important consequences to us, including the following:

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

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

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

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

Our ability to service our debt depends upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. Our ability to service debt under our credit facilities also will depend on market interest rates, since the interest rates applicable to our borrowings will fluctuate with the London Interbank Offered Rate, or LIBOR, or the prime rate. We do not currently hedge against increases in such rates and, accordingly, significant increases in such rate would require increased debt levels and reduce distributable cash. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to affect any of these remedies on satisfactory terms, or at all.

Our credit facilities contain restrictive covenants, which may limit our business and financing activities.

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On July 31, 2012, we entered into a credit facility for \$290.45 million in order to refinance and merge two existing credit facilities. On August 8, 2012, we entered into another credit facility, and borrowed an amount of \$44.0 million. As of December 31, 2012 the outstanding loan balance under Navios Partners credit facilities was \$299.7 million.

The operating and financial restrictions and covenants in our credit facilities and any future credit facilities could adversely affect our ability to finance future operations or capital needs or to engage, expand or pursue our business activities. For example, our credit facilities require the consent of our lenders or limit our ability to, among other items:

incur or guarantee indebtedness;

charge, pledge or encumber the vessels;

merge or consolidate;

change the flag, class or commercial and technical management of our vessels;

make cash distributions;

make new investments; and

sell or change the ownership or control of our vessels.

Our credit facilities also require us to comply with the International Safety Management Code, or ISM Code, and International Ship and Port Facilities Security Code, or ISPS Code, and to maintain valid safety management certificates and documents of compliance at all times.

In addition, our credit facilities require us to:

maintain a required security amount of over 140%;

maintain minimum free consolidated liquidity of at least the higher of \$20.0 million and the aggregate of interest and principal falling due during the previous six months;

maintain a ratio of EBITDA to interest expense of at least 5.00 : 1.00;

maintain a ratio of total liabilities to total assets (as defined in our credit facilities) of less than 0.65 : 1.00; and

maintain a minimum net worth to \$250.0 million.

Our ability to comply with the covenants and restrictions that are contained in our credit facilities and any other debt instruments we may enter into in the future may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we are in breach of any of the restrictions, covenants, ratios or tests in our credit facilities, especially if we trigger a cross

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default currently contained in certain of our loan agreements, a significant portion of our obligations may become immediately due and payable, and our lenders' commitment to make further loans to us may terminate. We may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, our obligations under our credit facilities are secured by certain of our vessels, and if we are unable to repay borrowings under such credit facilities, lenders could seek to foreclose on those vessels.

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

Our payment of principal and interest on the debt will reduce cash available for distribution on our common units. In addition, our credit facilities prohibit the payment of distributions if we are not in compliance with certain financial covenants or upon the occurrence of an event of default.

Events of default under our credit facilities include, among other things, the following:

failure to pay any principal, interest, fees, expenses or other amounts when due;

failure to observe any other agreement, security instrument, obligation or covenant beyond specified cure periods in certain cases;

default under other indebtedness;

an event of insolvency or bankruptcy;

material adverse change in the financial position or prospects of us or our general partner;

failure of any representation or warranty to be materially correct; and

failure of Navios Holdings or its affiliates (as defined in the credit facilities agreements) to own at least 20% of us. We anticipate that any subsequent refinancing of our current debt or any new debt will have similar restrictions.

We depend on Navios Holdings and its affiliates to assist us in operating and expanding our business.

Pursuant to a management agreement between us and the Manager, the Manager provides to us significant commercial and technical management services (including the commercial and technical management of our vessels, vessel maintenance and crewing, purchasing and insurance and shipyard supervision). In addition, pursuant to an administrative services agreement between us and the Manager, the Manager provides to us significant administrative, financial and other support services. Our operational success and ability to execute our growth strategy depends significantly upon the Manager's satisfactory performance of these services. Our business will be harmed if the Manager fails to perform these services satisfactorily, if the Manager cancels either of these agreements, or if the Manager stops providing these services to us. We may also in the future contract with Navios Holdings for it to have newbuildings constructed on our behalf and to incur the construction-related financing. We would purchase the vessels on or after delivery based on an agreed-upon price.

Our ability to enter into new charters and expand our customer relationships will depend largely on our ability to leverage our relationship with Navios Holdings and its reputation and relationships in the shipping industry. If Navios Holdings suffers material damage to its reputation or relationships, it may harm our ability to:

renew existing charters upon their expiration;

obtain new charters;

successfully interact with shipyards during periods of shipyard construction constraints;

obtain financing on commercially acceptable terms; or

maintain satisfactory relationships with suppliers and other third parties.

If our ability to do any of the things described above is impaired, it could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

As we expand our business, we may have difficulty managing our growth, which could increase expenses.

We intend to seek to grow our fleet, either through purchases, the increase of the number of chartered-in vessels or through the acquisitions of businesses. The addition of vessels to our fleet or the acquisition of new businesses will impose significant additional responsibilities on our management and staff. We will also have to increase our customer base to provide continued employment for the new vessels. Our growth will depend on:

locating and acquiring suitable vessels;

identifying and consummating acquisitions or joint ventures;

integrating any acquired business successfully with our existing operations;

enhancing our customer base;

managing our expansion; and

obtaining required financing.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel, and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection therewith or that our acquisitions will perform as expected, which could materially adversely affect our results of operations and financial condition.

Our growth depends on continued growth in demand for drybulk commodities and the shipping of drybulk cargoes.

Our growth strategy focuses on expansion in the drybulk shipping sector. Accordingly, our growth depends on continued growth in world and regional demand for drybulk commodities and the shipping of drybulk cargoes, which could be negatively affected by a number of factors, such as declines in prices for drybulk commodities, or general political and economic conditions.

Reduced demand for drybulk commodities and the shipping of drybulk cargoes would have a material adverse effect on our future growth and could harm our business, results of operations and financial condition. In particular, Asian Pacific economies and India have been the main driving force behind the current increase in seaborne drybulk trade and the demand for drybulk carriers. A negative change in economic

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conditions in any Asian Pacific country, but particularly in China, Japan or India, may have a material adverse effect on our business, financial condition and results of operations, as well as our future prospects, by reducing demand and resultant charter rates.

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Our growth depends on our ability to expand relationships with existing customers and obtain new customers, for which we will face substantial competition.

Long-term time charters have the potential to provide income at pre-determined rates over more extended periods of time. However, the process for obtaining longer term time charters is highly competitive and generally involves a lengthy, intensive and continuous screening and vetting process and the submission of competitive bids that often extends for several months. In addition to the quality, age and suitability of the vessel, longer term shipping contracts tend to be awarded based upon a variety of other factors relating to the vessel operator, including:

the operator's environmental, health and safety record;

compliance with International Maritime Organization, or IMO, standards and the heightened industry standards that have been set by some energy companies;

shipping industry relationships, reputation for customer service, technical and operating expertise;

shipping experience and quality of ship operations, including cost-effectiveness;

quality, experience and technical capability of crews;

the ability to finance vessels at competitive rates and overall financial stability;

relationships with shipyards and the ability to obtain suitable berths;

construction management experience, including the ability to procure on-time delivery of new vessels according to customer specifications;

willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and

competitiveness of the bid in terms of overall price.

It is likely that we will face substantial competition for long-term charter business from a number of experienced companies. Many of these competitors have significantly greater financial resources than we do. It is also likely that we will face increased numbers of competitors entering into our transportation sectors, including in the drybulk sector. Many of these competitors have strong reputations and extensive resources and experience. Increased competition may cause greater price competition, especially for long-term charters.

As a result of these factors, we may be unable to expand our relationships with existing customers or obtain new customers for long-term charters on a profitable basis, if at all. However, even if we are successful in employing our vessels under longer term charters, our vessels will not be available for trading in the spot market during an upturn in the drybulk market cycle, when spot trading may be more profitable. If we cannot successfully employ our vessels in profitable time charters our results of operations and operating cash flow could be adversely affected.

We may be unable to make or realize expected benefits from acquisitions, and implementing our growth strategy through acquisitions may harm our business, financial condition and operating results.

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Our growth strategy focuses on a gradual expansion of our fleet. Any acquisition of a vessel may not be profitable to us at or after the time we acquire it and may not generate cash flow sufficient to justify our investment. In addition, our growth strategy exposes us to risks that may harm our business, financial condition and operating results, including risks that we may:

fail to realize anticipated benefits, such as new customer relationships, cost-savings or cash flow enhancements;

be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;

decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions;

significantly increase our interest expense or financial leverage if we incur additional debt to finance acquisitions;

incur or assume unanticipated liabilities, losses or costs associated with the business or vessels acquired; or

incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

If we purchase any newbuilding vessels, delays, cancellations or non-completion of deliveries of newbuilding vessels could harm our operating results.

If we purchase any newbuilding vessels, the shipbuilder could fail to deliver the newbuilding vessel as agreed or their counterparty could cancel the purchase contract if the shipbuilder fails to meet its obligations. In addition, under charters we may enter into that are related to a newbuilding, if our delivery of the newbuilding to our customer is delayed, we may be required to pay liquidated damages during the delay. For prolonged delays, the customer may terminate the charter and, in addition to the resulting loss of revenues, we may be responsible for additional, substantial liquidated damages.

The completion and delivery of newbuildings could be delayed, cancelled or otherwise not completed because of:

quality or engineering problems;

changes in governmental regulations or maritime self-regulatory organization standards;

work stoppages or other labor disturbances at the shipyard;

bankruptcy or other financial crisis of the shipbuilder;

a backlog of orders at the shipyard;

political or economic disturbances;

weather interference or catastrophic event, such as a major earthquake or fire;

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requests for changes to the original vessel specifications;

shortages of or delays in the receipt of necessary construction materials, such as steel;

inability to finance the construction or conversion of the vessels; or

inability to obtain requisite permits or approvals.

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If delivery of a vessel is materially delayed, it could materially adversely affect our results of operations and financial condition and our ability to make cash distributions.

The loss of a customer, charter or vessel could result in a loss of revenues and cash flow in the event we are unable to replace such customer, charter or vessel.

For the fiscal year ended December 31, 2012, we had 18 charter counterparties, the most significant of which were Cosco Bulk Carrier Co., Ltd., Mitsui O.S.K. Lines, Ltd. and Samsun Logix, and which accounted for approximately 22.8%, 16.0% and 13.0%, respectively, of total revenues. For the fiscal year ended December 31, 2011, we had 15 charter counterparties, the most significant of which were Cosco Bulk Carrier Co., Ltd., Mitsui O.S.K. Lines, Ltd. and Samsun Logix, and which accounted for approximately 22.2%, 18.5% and 13.2%, respectively, of total revenues. For the year ended December 31, 2010, we had 12 charter counterparties, the most significant of which were Mitsui O.S.K. Lines, Ltd., Cargill International S.A. and Cosco Bulk Carrier Co. Ltd., and which accounted for approximately 27.7%, 11.8% and 11.2%, respectively, of total revenues. No other customers accounted for 10% or more of total revenue for any of the years presented.

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;

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.

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 newbuilding would not generate revenues during its construction, and we may be unable to charter any replacement vessel on terms as favorable to us as those of the terminated charter.

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.

To mitigate this risk we have insured certain of our long-term charter-out contracts until the end of 2016, either through a AA rated European Union insurance provider up to a maximum cash payment of \$120.0 million or through a separate agreement with Navios Holdings up to a maximum cash payment of \$20.0 million. Our agreements provide that if the charterer goes into payment default, the respective insurer will reimburse us for the charter payments under the terms of the cover (subject to applicable deductibles and other customary limitations for such type of insurance).

In January 2011, Korea Line Corporation (KLC) which is the charterer of the Navios Melodia filed for receivership. The charter contract was affirmed and will be performed by KLC on its original terms, provided that during an interim suspension period the sub-charterer pays Navios Partners directly.

The risks and costs associated with vessels increase as the vessels age.

As of March 14, 2013, the vessels in our fleet have an average age of approximately 6.3 years and most drybulk vessels have an expected life of approximately 25-28 years. We may acquire older vessels in the future. In some instances, charterers prefer newer vessels that are more fuel

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efficient than older vessels. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers as well. Governmental regulations, safety or other equipment standards related to the age of the vessels may require expenditures for alterations or the addition of new equipment, to our vessels and may restrict the type of activities in which these vessels may engage. We cannot assure you that as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. If we sell vessels, we may have to sell them at a loss, and if charterers no longer charter out vessels due to their age, it could materially adversely affect our earnings.

Vessels may suffer damage and we may face unexpected drydocking costs, which could affect our cash flow and financial condition.

If our owned vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. We may have to pay drydocking costs that insurance does not cover. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, could decrease our revenues and earnings substantially, particularly if a number of vessels are damaged or drydocked at the same time. Under the terms of our management agreement with the Manager, only the costs of routine drydocking repairs are included in the daily management fee of \$4,650 per owned Ultra-Handymax vessel, \$4,550 per owned Panamax vessel and \$5,650 per owned Capesize vessel, which are fixed until December 31, 2013. From January 1, 2014 to December 31, 2017, we expect that we will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of our fleet.

We are subject to various laws, regulations and conventions, including environmental and safety laws that could require significant expenditures both to maintain compliance with such laws and to pay for any uninsured environmental liabilities including any resulting from a spill or other environmental incident.

The shipping business and vessel operation are materially affected by government regulation in the form of international conventions, national, state and local laws, and regulations in force in the jurisdictions in which vessels operate, as well as in the country or countries of their registration. Governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations and customer requirements or competition, may require us to make capital and other expenditures. Because such conventions, laws and regulations are often revised, we cannot predict the ultimate cost of complying with such conventions, laws and regulations, or the impact thereof on the fair market price or useful life of our vessels. In order to satisfy any such requirements, we may be required to take any of our vessels out of service for extended periods of time, with corresponding losses of revenues. In the future, market conditions may not justify these expenditures or enable us to operate our vessels, particularly older vessels, profitably during the remainder of their economic lives. This could lead to significant asset write downs. In addition, violations of environmental and safety regulations can result in substantial penalties and, in certain instances, seizure or detention of our vessels.

Additional conventions, laws and regulations may be adopted that could limit our ability to do business, require capital expenditures or otherwise increase our cost of doing business, which may materially adversely affect our operations, as well as the shipping industry generally. In various jurisdictions legislation has been enacted, or is under consideration, that would impose more stringent requirements on air pollution and water discharges from our vessels. For example, the International Maritime Organization (IMO) periodically proposes and adopts amendments to revise the International Convention for the Prevention of Pollution from Ships (MARPOL), such as the revision to Annex VI which came into force on July 1, 2010. The revised Annex VI implements a phased reduction of the sulfur content of fuel and allows for stricter sulfur limits in designated emission control areas (ECAs). Thus far, ECAs have been formally adopted for the Baltic Sea and the North Sea including the English Channel. The North American ECA came into effect on August 1, 2012, and the United States Caribbean Sea ECA came into force on January 1, 2013, having effect from January 1, 2014. These ECAs will limit SO_x, NO_x and particulate matter emissions. In California has adopted more stringent low sulfur fuel requirements within California regulated waters. In addition, the IMO, the U.S. and states within the U.S. have proposed or implemented requirements relating to the management of ballast water to prevent the harmful effects of foreign invasive species.

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The operation of vessels is also affected by the requirements set forth in the International Safety Management (ISM) Code. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive Safety Management System that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe vessel operation and describing procedures for dealing with emergencies. Further to this, the IMO has introduced the first ever mandatory measures for an international greenhouse gas reduction regime for a global industry sector. These Energy Efficiency measures took effect on January 1, 2013 and apply to all ships of 400 gross tonnage and above. They include the development of a ship energy efficiency management plan (SEEMP) which is akin to a safety management plan, with which the industry will have to comply. The failure of a ship owner or bareboat charterer to comply with the ISM Code and IMO measures may subject such party to increased liability, may decrease available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports.

For all vessels, including those operated under our fleet at present, international liability for oil pollution is governed by the International Convention on Civil Liability for Bunker Oil Pollution Damage (the Bunker Convention). In 2001, the IMO adopted the Bunker Convention, which imposes strict liability on shipowners for pollution damage and response costs incurred in contracting states caused by discharges, or threatened discharges, of bunker oil from all classes of ships. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance to cover their liability for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime, including liability limits calculated in accordance with the Convention on Limitation of Liability for Maritime Claims 1976, as amended (the 1976 Convention), discussed in more detail in the following paragraph. The Bunker Convention became effective in contracting states on November 21, 2008 and as of January 31, 2013 was in effect in 68 states. In non-contracting states, liability for such bunker oil pollution typically is determined by the national or other domestic laws in the jurisdiction where the spillage occurs.

The right of vessel owners to limit liability incurred under the Bunker Convention depends on the applicable national or international regime. The 1976 Convention is the most widely applicable international regime limiting maritime pollution liability. Rights to limit liability under the 1976 Convention are forfeited where a spill is caused by a shipowner's intentional or reckless conduct. Certain jurisdictions have ratified the IMO's Protocol of 1996 to the 1976 Convention, referred to herein as the Protocol of 1996. The Protocol of 1996 provides for substantially higher liability limits in those jurisdictions than the limits set forth in the 1976 Convention. Finally, some jurisdictions, such as the United States, are not a party to either the 1976 Convention or the Protocol of 1996, and, therefore, a shipowner's rights to limit liability for maritime pollution in such jurisdictions may be uncertain.

Environmental legislation in the United States merits particular mention as it is in many respects more onerous than international laws, representing a high-water mark of regulation with which ship owners and operators must comply, and of liability likely to be incurred in the event of non-compliance or an incident causing pollution. Such regulation may become even stricter if laws are changed as a result of the April 2010 Deepwater Horizon oil spill in the Gulf of Mexico. In the United States, the OPA establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from cargo and bunker oil spills from vessels, including tankers. The OPA covers all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States territorial sea and its 200 nautical mile exclusive economic zone. Under the OPA, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or substantial threats of discharges, of oil from their vessels. In response to the 2010 Deepwater Horizon oil incident in the Gulf of Mexico, the U.S. House of Representatives passed and the U.S. Senate considered but did not pass a bill to strengthen certain requirements of the OPA; similar legislation may be introduced in the future 112th Congress.

In addition to potential liability under the federal OPA, vessel owners may in some instances incur liability on an even more stringent basis under state law in the particular state where the spillage occurred. For example, California regulations prohibit the discharge of oil, require an oil contingency plan be filed with the state, require that the ship owner contract with an oil response organization and require a valid certificate of financial responsibility, all prior to the vessel entering state waters.

In the last decade, the EU has become increasingly active in the field of regulation of maritime safety and protection of the environment. In some areas of regulation the EU has introduced new laws without attempting to procure a corresponding amendment to international law. Notably, the EU adopted in 2005 a directive, as amended in 2009, on ship-source pollution, imposing criminal sanctions for pollution not only where pollution is caused by intent or recklessness (which would be an offence under MARPOL), but also where it is caused by serious negligence. The concept of serious negligence may be interpreted in practice to be little more than ordinary negligence. The directive could therefore result in criminal liability being incurred in circumstances where it would not be incurred under international law. Criminal liability for a pollution incident could not only result in us incurring substantial penalties or fines, but may also, in some jurisdictions, facilitate civil liability claims for greater compensation than would otherwise have been payable.

We maintain insurance coverage for each owned vessel in our fleet against pollution liability risks in the amount of \$1.0 billion in the aggregate for any one event. The insured risks include penalties and fines as well as civil liabilities and expenses resulting from accidental pollution.

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However, this insurance coverage is subject to exclusions, deductibles and other terms and conditions. If any liabilities or expenses fall within an exclusion from coverage, or if damages from a catastrophic incident exceed the aggregate liability of \$1.0 billion for any one event, our cash flow, profitability and financial position would be adversely impacted.

Climate change and government laws and regulations related to climate change could negatively impact our financial condition.

Regarding climate change in particular, we are and will be, directly and indirectly, subject to the effects of climate change and may, directly or indirectly, be affected by government laws and regulations related to climate change. A number of countries have adopted or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. In the U.S., the United States Environmental Protection Agency (U.S. EPA) has declared greenhouse gases to be dangerous pollutants and has issued greenhouse gas reporting requirements for emissions sources in certain industries (which do not include the shipping industry). The U.S. EPA is also considering petitions to regulate greenhouse gas emissions from marine vessels.

In addition, while the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which requires adopting countries to implement national programs to reduce greenhouse gas emissions, the IMO intends to develop limits on greenhouse gases from international shipping. It has responded to the global focus on climate change and greenhouse gas emissions by developing specific technical and operational efficiency measures and a work plan for market-based mechanisms in 2011. These include the mandatory measures of the ship energy efficiency management plan (SEEMP), outlined above, and an energy efficiency design index (EEDI) for new ships. The IMO is also considering its position on market-based measures through an expert working group, which was expected to report back to its Marine Environment Protection Committee in late 2012. Among the numerous proposals being considered by the working group are the following: a port state levy based on the amount of fuel consumed by the vessel on its voyage to the port in question; a global emissions trading scheme which would allocate emissions allowances and set an emissions cap; and an international fund establishing a global reduction target for international shipping, to be set either by the UNFCCC or the IMO. At its 64th session on 1 to 5 October 2012, the MEPC indicated that 2015 was the target year for Member States to identify market-based measures for international shipping.

In December 2011, UN climate change talks took place in Durban and concluded with an agreement referred to as the Durban Platform for Enhanced Action. The Durban Conference did not result in any proposals specifically addressing the shipping industry's role in climate change but the progress that has been made by the IMO in this area was widely acknowledged throughout the negotiating bodies of the UNFCCC process.

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The European Union announced in April 2007 that it planned to expand the European Union emissions trading scheme by adding vessels, and a proposal from the European Commission was expected if no global regime for reduction of seaborne emissions had been agreed to by the end of 2011. That deadline has now expired and it remains to be seen what position the EU takes in this regard in the period ahead. As of January 31, 2013 the Commission has stopped short of proposing that emissions from ships be included in the EU's emissions-trading scheme (ETS). However on October 1, 2012 it announced that it would propose measures to monitor, verify and report on greenhouse-gas emissions from the shipping sector in early 2013. This may be seen as indicative of an intention to maintain pressure on the international negotiating process.

We cannot predict with any degree of certainty what effect, if any possible climate change and government laws and regulations related to climate change will have on our operations, whether directly or indirectly. While we believe that it is difficult to assess the timing and effect of climate change and pending legislation and regulation related to climate change on our business, we believe that climate change, including the possible increase in severe weather events resulting from climate change, and government laws and regulations related to climate change may affect, directly or indirectly, (i) the cost of the vessels we may acquire in the future, (ii) our ability to continue to operate as we have in the past, (iii) the cost of operating our vessels, and (iv) insurance premiums, deductibles and the availability of coverage. As a result, our financial condition could be negatively impacted by significant climate change and related governmental regulation, and that impact could be material.

The loss of key members of our senior management team could disrupt the management of our business.

We believe that our success depends on the continued contributions of the members of our senior management team, including Ms. Angeliki Frangou, our Chairman and Chief Executive Officer. The loss of the services of Ms. Frangou or one of our other executive officers or those of Navios Holdings who provide us with significant managerial services could impair our ability to identify and secure new charter contracts, to maintain good customer relations and to otherwise manage our business, which could have a material adverse effect on our financial performance and our ability to compete.

We are subject to vessel security regulations and will incur costs to comply with recently adopted regulations and we may be subject to costs to comply with similar regulations that may be adopted in the future in response to terrorism.

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002, or MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea, or SOLAS, created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect in July 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created ISPS Code. Among the various requirements are:

on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;

on-board installation of ship security alert systems;

the development of vessel security plans; and

compliance with flag state security certification requirements.

Furthermore, additional security measures could be required in the future which could have a significant financial impact on us. The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid International Ship Security Certificate, or ISSC, that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. We will implement the various security measures addressed by the MTSA, SOLAS and the ISPS Code and take measures for the vessels to attain compliance with all applicable security requirements within the prescribed time periods. Although management does not believe these additional requirements will have a material financial impact on our operations, there can be no assurance that there will not be an interruption in operations to bring vessels into compliance with the applicable requirements and any such interruption could cause a decrease in charter revenues. Furthermore, additional security measures could be required in the future which could have a significant financial impact on us.

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The operation of ocean-going vessels entails the possibility of marine disasters including damage or destruction of the vessel due to accident, the loss of a vessel due to piracy or terrorism, damage or destruction of cargo and similar events that may cause a loss of revenue from affected vessels and damage our business reputation, which may in turn lead to loss of business.

The operation of ocean-going vessels entails certain inherent risks that may materially adversely affect our business and reputation, including:

damage or destruction of vessel due to marine disaster such as a collision;

the loss of a vessel due to piracy and terrorism;

cargo and property losses or damage as a result of the foregoing or less drastic causes such as human error, mechanical failure and bad weather;

environmental accidents as a result of the foregoing; and

business interruptions and delivery delays caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions.

Any of these circumstances or events could substantially increase our costs. For example, the costs of replacing a vessel or cleaning up a spill could substantially lower our revenues by taking vessels out of operation permanently or for periods of time. The involvement of our vessels in a disaster or delays in delivery or damages or loss of cargo may harm our reputation as a safe and reliable vessel operator and cause us to lose business.

The operation of vessels, such as dry bulk carriers, has certain unique risks. With a dry bulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, dry bulk cargoes are often heavy, dense, easily shift, and react badly to water exposure. In addition, dry bulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach to the sea. Hull breaches in dry bulk carriers may lead to the flooding of the vessels holds. If a dry bulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads leading to the loss of a vessel.

The total loss or damage of any of our vessels or cargoes could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss that could negatively impact our business, financial condition, results of operations, cash flows and ability to pay distributions.

A failure to pass inspection by classification societies could result in one or more vessels being unemployable unless and until they pass inspection, resulting in a loss of revenues from such vessels for that period and a corresponding decrease in operating cash flows.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and with SOLAS. Our owned fleet is currently enrolled with American Bureau of Shipping, Nippon Kaiji Kiokai, Bureau Veritas and Lloyd's Register.

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A vessel must undergo an annual survey, an intermediate survey and a special survey. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Our vessels are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be drydocked every two to three years for inspection of the underwater parts of such vessel.

If any vessel fails any annual survey, intermediate survey or special survey, the vessel may be unable to trade between ports and, therefore, would be unemployable, potentially causing a negative impact on our revenues due to the loss of revenues from such vessel until she is able to trade again.

We are subject to inherent operational risks that may not be adequately covered by our insurance.

The operation of ocean-going vessels in international trade is inherently risky. Although we carry insurance for our fleet against risks commonly insured against by vessel owners and operators, including hull and machinery insurance, war risks insurance and protection and indemnity insurance (which include environmental damage and pollution insurance), all risks may not be adequately insured against, and any particular claim may not be paid. We do not currently maintain off-hire insurance, which would cover the loss of revenue during extended vessel off-hire periods, such as those that occur during an unscheduled drydocking due to damage to the vessel from accidents. Accordingly, any extended vessel off-hire, due to an accident or otherwise, could have a material adverse effect on our business and our ability to pay distributions to our unitholders. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material.

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could harm our business, financial condition and operating results. Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain. In addition, the insurance that may be available to us may be significantly more expensive than our existing coverage.

Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. Our insurance policies also contain deductibles, limitations and exclusions which can result in significant increased overall costs to us.

Because we obtain some of our insurance through protection and indemnity associations, we may also be subject to calls, or premiums, in amounts based not only on our own claim records, but also the claim records of all other members of the protection and indemnity associations.

We may be subject to calls, or premiums, in amounts based not only on our claim records but also the claim records of all other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. Our payment of these calls could result in significant expenses to us, which could have a material adverse effect on our business, results of operations and financial condition.

Because we generate all of our revenues in U.S. dollars but incur a portion of our expenses in other currencies, exchange rate fluctuations could cause us to suffer exchange rate losses thereby increasing expenses and reducing income.

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 at present predominantly U.S. dollar-denominated. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase thereby decreasing our income or vice versa if the U.S. dollar increases in value. For example, as of December 31, 2012, the value of the U.S. dollar as compared to the Euro decreased by approximately 2.0% compared with the respective value as of December 31, 2011. A greater percentage of our transactions and expenses in the future may be denominated in currencies other than the U.S. dollar.

Our operations expose us to global political risks, such as wars and political instability that may interfere with the operation of our vessels causing a decrease in revenues from such vessels.

We are an international company and primarily conduct our operations outside the United States. Changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered will affect us. In the past, political conflicts, particularly in the Persian Gulf, resulted in attacks on vessels, mining of waterways and other efforts to disrupt shipping in the

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area. For example, in October 2002, the vessel Limburg, which was not affiliated with us, was attacked by terrorists in Yemen. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Following the terrorist attack in New York City on September 11, 2001, and the military response of the United States, the likelihood of future acts of terrorism may increase, and our vessels may face higher risks of being attacked in the Middle East region and interruption of operations causing a decrease in revenues. In addition, future hostilities or other political instability in regions where our vessels trade could affect our trade patterns and adversely affect our operations by causing delays in shipping on certain routes or making shipping impossible on such routes, thereby causing a decrease in revenues.

In addition, a government could requisition title or seize our vessels during a war or national emergency. Requisition of title occurs when a government takes a vessel and becomes the owner. A government could also requisition our vessels for hire, which would result in the government's taking control of a vessel and effectively becoming the charterer at a dictated charter rate. Requisition of one or more of our vessels would have a substantial negative effect on us as we would potentially lose all revenues and earnings from the requisitioned vessels and permanently lose the vessels. Such losses might be partially offset if the requisitioning government compensated us for the requisition.

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

The shipping industry has historically been affected by acts of piracy in regions such as the South China Sea and the Gulf of Aden. In 2009 acts of piracy saw a steep rise, particularly off the coast of Somalia in the Gulf of Aden. A recent and significant example of the heightened level of piracy came in February 2011 when the M/V Irene SL, a crude oil tanker which was not affiliated with us, was captured by pirates in the Arabian Sea while carrying crude oil estimated to be worth approximately \$200 million. In December 2009, the Navios Apollon, one of our vessels, was seized by pirates 800 miles off the coast of Somalia while transporting fertilizer from Tampa, Florida to Rozi, India and was released on February 27, 2010. These piracy attacks resulted in regions (in which our vessels are deployed) being characterized by insurers as war risk zones or Joint War Committee (JWC) war and strikes listed areas. Premiums payable for such insurance coverage could increase significantly and such insurance coverage may be more difficult to obtain. Crew costs, including those due to employing onboard security guards, could increase in such circumstances. In addition, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not on-hire for a certain number of days and it is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition, results of operations and cash flows. Acts of piracy on ocean-going vessels have increased in frequency, which could adversely affect our business and operations.

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Disruptions in world financial markets and the resulting governmental action in the United States and in other parts of the world could have a material adverse impact on our ability to obtain financing, our results of operations, financial condition and cash flows and could cause the market price of our common units to decline.

Concerns relating to the European sovereign debt crisis have recently intensified. While Greece, Portugal and Ireland have been the most affected countries thus far, with each agreeing to a rescue package with the European Union and the International Monetary Fund, there are fears that other European countries may be further affected by increasing public debt burdens and weakening economic growth prospects. On January, 13, 2012, Standard and Poor's Rating Services downgraded the long-term ratings for nine Eurozone nations, including France, Italy and Spain. Since then, Standard and Poor's, Moody's Investors Service and other credit ratings agencies have further downgraded certain Eurozone nations, most recently with Fitch Ratings' downgrade of Italy's sovereign rating on March 8, 2013. Such downgrades could negatively affect those countries' ability to access the public debt markets at reasonable rates or at all, materially affecting the financial conditions of banks in those countries, including those with which we maintain cash deposits and equivalents, or on which we rely on to finance our vessel and new business acquisitions.

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. We maintain cash deposits and equivalents in excess of government-provided insurance limits at banks in Greek and other European banks, which may expose us to a loss of cash deposits or cash equivalents.

The United States and other parts of the world are exhibiting volatile economic trends and were recently in a recession. Despite signs of recovery, the outlook for the world economy remains uncertain. For example, the credit markets worldwide have experienced significant contraction, de-leveraging and reduced liquidity, and the U.S. federal government, state governments and foreign governments have implemented and are considering a broad variety of governmental action and/or new regulation of the financial markets. Additionally, uncertainty regarding tax policy and government spending in the United States have created an uncertain environment which could reduce demand for our services. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The Securities and Exchange Commission (the "SEC"), other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws. Recently, a number of financial institutions have experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings or are in regulatory enforcement actions. These issues, along with the reprising of credit risk and the difficulties currently experienced by financial institutions have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets, many lenders have increased margins on lending rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts), or have refused to refinance existing debt at all. Additionally, certain banks that have historically been significant lenders to the shipping industry have reduced or ceased lending activities in the shipping industry. New banking regulations, including larger capital requirements and the resulting policies adopted by lenders, could reduce lending activities. We may experience difficulties obtaining financing commitments, including commitments to refinance our existing debt as balloon payments come due under our credit facilities, in the future if lenders are unwilling to extend financing to us or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. Due to the fact that we would possibly cover all or a portion of the cost of any new vessel acquisition with debt financing, such uncertainty, combined with restrictions imposed by our current debt, could hamper our ability to finance vessels or new business acquisitions.

In addition, the economic uncertainty worldwide has markedly reduced demand for shipping services and has decreased shipping rates, which may adversely affect our results of operations and financial condition. Currently, the economies of China, Japan, other Pacific Asian countries and India are the main driving force behind the development in seaborne transportation. Reduced demand from such economies has driven decreased rates and vessel values.

We could face risks attendant to changes in economic environments, changes in interest rates, tax policies, and instability in certain securities markets, among other factors. Major market disruptions and the uncertainty in market conditions and the regulatory climate in the U.S., Europe and worldwide could adversely affect our business or impair our ability to borrow amounts under any future financial arrangements. The current market conditions may last longer than we anticipate. These recent and developing economic and governmental factors could have a material adverse effect on our results of operations, financial condition or cash flows.

Maritime claimants could arrest our vessels, which could interrupt our cash flow.

Crew members, suppliers of goods and services to a vessel, shippers of cargo, and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages against such vessel. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of funds to have the arrest lifted. We are not currently aware of the existence of any such maritime lien on our vessels.

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In addition, in some jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert sister ship liability against one vessel in our fleet for claims relating to another ship in the fleet.

Navios Holdings and its affiliates may compete with us.

Pursuant to the omnibus agreement that we entered into with Navios Holdings in connection with the closing of the IPO, referred to herein as the Omnibus Agreement, Navios Holdings and its controlled affiliates (other than us, our general partner and our subsidiaries) generally agreed not to acquire or own Panamax or Capesize drybulk carriers under time charters of three or more years without the consent of our general partner. The Omnibus Agreement, however, contains significant exceptions that allow Navios Holdings or any of its controlled affiliates to compete with us under specified circumstances which could harm our business. In addition, concurrently with the successful consummation of the initial business combination by Navios Maritime Acquisition Corporation, or Navios Acquisition, on May 28, 2010, because of the overlap between Navios Acquisition, Navios Holdings and us, with respect to possible acquisitions under the terms of our Omnibus Agreement, we entered into a business opportunity right of first refusal agreement which provides the types of business opportunities in the marine transportation and logistics industries, we, Navios Holdings and Navios Acquisition must share with the each other.

Common unitholders have limited voting rights and our partnership agreement restricts the voting rights of common unitholders owning more than 4.9% of our common units.

Holders of our common units have only limited voting rights on matters affecting our business. We hold a meeting of the limited partners every year to elect one or more members of our board of directors and to vote on any other matters that are properly brought before the meeting. Common unitholders may only elect four of the seven members of our board of directors. The elected directors are elected on a staggered basis and serve for three year terms. Our general partner in its sole discretion has the right to appoint the remaining three directors and to set the terms for which those directors will serve. The partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management. Unitholders will have no right to elect our general partner and our general partner may not be removed except by a vote of the holders of at least 66 2 / 3% of the outstanding units, including any units owned by our general partner and its affiliates, voting together as a single class.

Our partnership agreement further restricts common unitholders' voting rights by providing that if any person or group owns beneficially more than 4.9% of the common units then outstanding, any such common units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, except for purposes of nominating a person for election to our board, determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such common unitholders in excess of 4.9% will effectively be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote. Our general partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected independent directors.

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Our general partner and its affiliates, including Navios Holdings, own a significant interest in us and have conflicts of interest and limited fiduciary and contractual duties, which may permit them to favor their own interests to the detriment of unitholders.

Navios Holdings indirectly owns the 2.0% general partner interest and a 21.4% limited partner interest in us, and owns and controls our general partner. All of our officers and three of our directors are directors and/or officers of Navios Holdings and its affiliates, and our Chief Executive Officer is also the Chief Executive Officer of Navios Acquisition and Navios Holdings. As such these individuals have fiduciary duties to Navios Holdings and Navios Acquisition that may cause them to pursue business strategies that disproportionately benefit Navios Holdings or Navios Acquisition or which otherwise are not in our best interests or those of our unitholders. Conflicts of interest may arise between Navios Acquisition, Navios Holdings and their respective affiliates including our general partner, on the one hand, and us and our unitholders on the other hand. As a result of these conflicts, our general partner and its affiliates may favor their own interests over the interests of our unitholders. These conflicts include, among others, the following situations:

neither our partnership agreement nor any other agreement requires our general partner or Navios Holdings or its affiliates to pursue a business strategy that favors us or utilizes our assets, and Navios Holdings' officers and directors have a fiduciary duty to make decisions in the best interests of the stockholders of Navios Holdings, which may be contrary to our interests;

our general partner and our board of directors are allowed to take into account the interests of parties other than us, such as Navios Holdings, in resolving conflicts of interest, which has the effect of limiting their fiduciary duties to our unitholders;

our general partner and our directors have limited their liabilities and reduced their fiduciary duties under the laws of the Marshall Islands, while also restricting the remedies available to our unitholders, and, as a result of purchasing common units, unitholders are treated as having agreed to the modified standard of fiduciary duties and to certain actions that may be taken by our general partner and our directors, all as set forth in the partnership agreement;

our general partner and our board of directors will be involved in determining the amount and timing of our asset purchases and sales, capital expenditures, borrowings, issuances of additional partnership securities and reserves, each of which can affect the amount of cash that is available for distribution to our unitholders;

our general partner may have substantial influence over our board of directors' decision to cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make incentive distributions.

our general partner is entitled to reimbursement of all reasonable costs incurred by it and its affiliates for our benefit;

our partnership agreement does not restrict us from paying our general partner or its affiliates for any services rendered to us on terms that are fair and reasonable or entering into additional contractual arrangements with any of these entities on our behalf; and

our general partner may exercise its right to call and purchase our common units if it and its affiliates own more than 80% of our common units.

Although a majority of our directors will be elected by common unitholders, our general partner will likely have substantial influence on decisions made by our board of directors.

Our officers face conflicts in the allocation of their time to our business.

Navios Holdings and Navios Acquisition conduct businesses and activities of their own in which we have no economic interest. If these separate activities are significantly greater than our activities, there will be material competition for the time and effort of our officers, who also provide

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services to Navios Acquisition, Navios Holdings and its affiliates. Our officers are not required to work full-time on our affairs and are required to devote time to the affairs of Navios Acquisition, Navios Holdings and their respective affiliates. Each of our Chief Executive Officer and our Chief Financial Officer is also an executive officer of Navios Holdings, and our Chief Executive Officer is the Chief Executive Officer of Navios Acquisition and Navios Holdings.

Our partnership agreement limits our general partner's and our directors' fiduciary duties to our unitholders and restricts the remedies available to unitholders for actions taken by our general partner or our directors.

Our partnership agreement contains provisions that reduce the standards to which our general partner and directors would otherwise be held by Marshall Islands law. For example, our partnership agreement:

permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. Where our partnership agreement permits, our general partner may consider only the interests and factors that it desires, and in such cases it has no fiduciary duty or obligation to give any consideration to any interest of, or factors affecting us, our affiliates or our unitholders. Decisions made by our general partner in its individual capacity will be made by its sole owner, Navios Holdings. Specifically, pursuant to our partnership agreement, our general partner will be considered to be acting in its individual capacity if it exercises its call right, pre-emptive rights or registration rights, consents or withholds consent to any merger or consolidation of the partnership;

appoints any directors or votes for the election of any director, votes or refrains from voting on amendments to our partnership agreement that require a vote of the outstanding units, voluntarily withdraws from the partnership, transfers (to the extent permitted under our partnership agreement) or refrains from transferring its units, general partner interest or incentive distribution rights or votes upon the dissolution of the partnership;

provides that our general partner and our directors are entitled to make other decisions in good faith if they reasonably believe that the decision is in our best interests;

generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of our board of directors and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be fair and reasonable to us and that, in determining whether a transaction or resolution is fair and reasonable, our board of directors may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and

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

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

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Fees and cost reimbursements, which the Manager determines for services provided to us, are significant, are payable regardless of profitability and reduce our cash available for distribution.

Under the terms of our management agreement with the Manager, we pay a daily fee of \$4,650 per owned Ultra-Handymax vessel, \$4,550 per owned Panamax vessel and \$5,650 per owned Capesize vessel for technical and commercial management services provided to us by the Manager from November 17, 2011 until December 31, 2013. The term of the management agreement is until December 31, 2017.

The daily fee paid to the Manager includes all costs incurred in providing certain commercial and technical management services to us. While this fee is fixed until December 31, 2013, we expect that we will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of our fleet until December 31, 2017, which may result in significantly higher fees that period. All of the fees we are required to pay to the Manager under the management agreement are payable without regard to our financial condition or results of operations. In addition, the Manager provides us with administrative services, including the services of our officers and directors, pursuant to an administrative services agreement which has a term until December 31, 2017, and we reimburse the Manager for all costs and expenses reasonably incurred by it in connection with the provision of those services. The fees and reimbursement of expenses to the Manager are payable regardless of our profitability and could materially adversely affect our ability to pay cash distributions to unitholders.

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

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

The vote of the holders of at least $66 \frac{2}{3}$ % of all the then outstanding common units, voting together as a single class is required to remove the general partner. Navios Holdings currently owns 21.4% of the total number of outstanding common units.

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

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

Our partnership agreement contains provisions limiting the ability of unitholders to call meetings of unitholders, to nominate directors and to acquire information about our operations as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

Unitholders' voting rights are further restricted by the partnership agreement provision providing that if any person or group owns beneficially more than 4.9% of the common units then outstanding, any such common units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, except for purposes of nominating a person for election to our board, determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such common unitholders in excess of 4.9% will be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote. Our general partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.

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

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

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Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. In addition, our partnership agreement does not restrict the ability of the members of our general partner from transferring their respective membership interests in our general partner to a third party.

In establishing cash reserves, our board of directors may reduce the amount of cash available for distribution to unitholders.

Our partnership agreement requires our general partner to deduct from operating surplus cash reserves that it determines are necessary to fund our future operating expenditures. These reserves also will affect the amount of cash available for distribution to our unitholders. Our board of directors may establish reserves for distributions on the subordinated units, but only if those reserves will not prevent us from distributing the full minimum quarterly distribution, plus any arrearages, on the common units for the following four quarters. Our partnership agreement requires our board of directors each quarter to deduct from operating surplus estimated maintenance and replacement capital expenditures, as opposed to actual expenditures, which could reduce the amount of available cash for distribution. The amount of estimated maintenance and replacement capital expenditures deducted from operating surplus is subject to review and change by our board of directors at least once a year, provided that any change must be approved by the conflicts committee of our board of directors.

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

If at any time our general partner and its affiliates, including Navios Holdings, own more than 80% of the common units, our general partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, unitholders may be required to sell their common units at an undesirable time or price and may not receive any return on their investment. Unitholders may also incur a tax liability upon a sale of their units.

As of March 14, 2013, Navios Holdings owned 14,223,763 common units and 1,332,334 general partner units, representing a 23.4% interest in us based on all outstanding common units and general partnership units.

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

As a limited partner in a partnership organized under the laws of the Marshall Islands, unitholders could be held liable for our obligations to the same extent as a general partner if they participate in the control of our business. Our general partner generally has unlimited liability for the obligations of the partnership, such as its debts and environmental liabilities, except for those contractual obligations of the partnership that are expressly made without recourse to our general partner.

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

Our partnership agreement will allow us to make working capital borrowings to pay distributions. Accordingly, we can make distributions on all our units even though cash generated by our operations may not be sufficient to pay such distributions. Any working capital borrowings by us to make distributions will reduce the amount of working capital borrowings we can make for operating our business.

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

An increase in interest rates may cause a corresponding decline in demand for equity investments in general, and in particular for yield-based equity investments such as our common units. Any such increase in interest rates or reduction in demand for our common units resulting from other relatively more attractive investment opportunities may cause the trading price of our common units to decline. In addition, our interest expense will increase, since initially our debt will bear interest at a floating rate, subject to any interest rate swaps we may enter into the future.

Unitholders may have liability to repay distributions.

Under some circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under the Marshall Islands Act, we may not make a distribution to unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Marshall Islands law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Marshall Islands law will be liable to the limited partnership for the distribution amount. Assignees who become substituted limited partners are liable for the obligations of the assignor to make contributions to the partnership that are known to the assignee at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement. Liabilities to partners on account of their partnership interest and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

Tax Risks

In addition to the following risk factors, you should read Item 4. Information on the Partnership and Item 10. Additional Information for a more complete discussion of the expected material U.S. federal and non-U.S. income tax considerations relating to us and the ownership and disposition of common units.

U.S. tax authorities could treat us as a passive foreign investment company, which could have adverse U.S. federal income tax consequences to U.S. unitholders.

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes if at least 75.0% of its gross income for any taxable year consists of certain types of passive income, or at least 50.0% of the average value of the entity's assets produce or are held for the production of those types of passive income. For purposes of these tests, passive income generally includes dividends, interest, gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute passive income. U.S. unitholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and projected method of operation, and on opinion of counsel, we believe that we were not a PFIC for our 2012 taxable year, and we expect that we will not become a PFIC with respect to any other taxable year. Our U.S. counsel, Thompson Hine LLP, is of the opinion that (1) the income we receive from time chartering activities and the assets we own that are engaged in generating such income should not be treated as passive income or assets, respectively, and (2) so long as our income from time charters exceeds 25.0% of our gross income from all sources for each taxable year after our initial taxable year and the fair market value of our vessels contracted under time charters exceeds 50.0% of the average fair market value of all of our assets for each taxable year after our initial taxable year, we should not be a PFIC for any taxable year. This opinion is based on representations and projections provided by us to our counsel regarding our assets, income and charters, and its validity is conditioned on the accuracy of such representations and projections. We expect that all of the vessels in our fleet will be engaged in time chartering activities and intend to treat our income from those activities as non-passive income, and the vessels engaged in those activities as non-passive assets, for PFIC purposes. However, no assurance can be given that the Internal Revenue Service, or the IRS, will accept this position.

We may have to pay tax on U.S.-source income, which would reduce our earnings.

Under the Internal Revenue Code, or the Code, 50.0% of the gross shipping income of a vessel owning or chartering corporation that is attributable to transportation that either begins or ends, but that does not both begin and end, in the United States is characterized as U.S.-source shipping income. U.S.-source shipping income generally is subject to a 4.0% U.S. federal income tax without allowance for deduction or, if such U.S.-source shipping income is effectively connected with the conduct of a trade or business in the United States, U.S. federal corporate income tax (the highest statutory rate presently is 35.0%) as well as a branch profits tax (presently imposed at a 30.0% rate on effectively connected earnings) applies, unless that corporation qualifies for exemption from tax under Section 883 of the Code.

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Based on an opinion of counsel, and certain assumptions and representations, we believe that we will qualify for this statutory tax exemption, and we will take this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances, including some that may be beyond our control that could cause us to lose the benefit of this tax exemption. Furthermore, our board of directors could determine that it is in our best interests to take an action that would result in this tax exemption not applying to us in the future. In addition, our conclusion that we qualify for this exemption, as well as the conclusions in this regard of our counsel, Thompson Hine LLP, is based upon legal authorities that do not expressly contemplate an organizational structure such as ours; specifically, although we have elected to be treated as a corporation for U.S. federal income tax purposes, we are organized as a limited partnership under Marshall Islands law. Therefore, we can give no assurances that the IRS will not take a different position regarding our qualification for this tax exemption.

If we were not entitled to the Section 883 exemption for any taxable year, we generally would be subject to a 4.0% U.S. federal gross income tax with respect to our U.S.-source shipping income or, if such U.S. source shipping income were effectively connected with the conduct of a trade or business in the United States, U.S. federal corporate income tax as well as a branch profits tax for those years. Our failure to qualify for the Section 883 exemption could have a negative effect on our business and would result in decreased earnings available for distribution to our unitholders.

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

We intend that our affairs and the business of each of our controlled affiliates will be conducted and operated in a manner that minimizes income taxes imposed upon us and these controlled affiliates or which may be imposed upon you as a result of owning our common units. However, because we are organized as a partnership, there is a risk in some jurisdictions that our activities and the activities of our subsidiaries may be attributed to our unitholders for tax purposes and, thus, that you will be subject to tax in one or more non-U.S. countries, including Greece, as a result of owning our common units if, under the laws of any such country, we are considered to be carrying on business there. If you are subject to tax in any such country, you may be required to file a tax return with and to pay tax in that country based on your allocable share of our income. We may be required to reduce distributions to you on account of any withholding obligations imposed upon us by that country in respect of such allocation to you. The United States may not allow a tax credit for any foreign income taxes that you directly or indirectly incur.

We believe we can conduct our activities in such a manner that our unitholders should not be considered to be carrying on business in Greece solely as a consequence of the acquisition, holding, disposition or redemption of our common units. However, the question of whether either we or any of our controlled affiliates will be treated as carrying on business in any particular country, including Greece, will be largely a question of fact to be determined based upon an analysis of contractual arrangements, including the management agreement and the administrative services agreement we will enter into with the Manager, and the way we conduct business or operations, all of which may change over time. Furthermore, the laws of Greece or any other country may change in a manner that causes that country's taxing authorities to determine that we are carrying on business in such country and are subject to its taxation laws. Any foreign taxes imposed on us or any subsidiaries will reduce our cash available for distribution.

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Item 4. Information on the Partnership

A. History and Development of the Partnership

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 Holdings, a vertically integrated seaborne shipping and logistics company with over 55 years of operating history in the drybulk 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% general partner interest in Navios Partners.

Navios Partners is engaged in the seaborne transportation services of a wide range of drybulk commodities including iron ore, coal, grain and fertilizer, chartering its vessels under medium to long-term charters. The operations of Navios Partners are managed by the Manager from its offices in Piraeus, Greece.

Pursuant to the IPO on November 16, 2007, Navios Partners entered into the following agreements:

(a) a management agreement, as amended, with the Manager pursuant to which the Manager provides Navios Partners commercial and technical management services;

(b) an administrative services agreement, as amended, with the Manager pursuant to which the Manager provides Navios Partners administrative services; and

(c) the Omnibus Agreement with Navios Holdings, 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.

On January 1, 2012, in accordance with the terms of the partnership agreement, all of the outstanding subordinated units, excluding the subordinated Series A units, converted into 7,621,843 shares of common units and on June 29, 2012, the outstanding subordinated Series A units converted into 1,000,000 shares of common units.

As of December 31, 2012, there were outstanding: 60,109,163 common units, and 1,226,721 general partnership units. Navios Holdings owned a 25.2% interest in Navios Partners, which included the 2% general partner interest. As of March 14, 2013, Navios Holdings owned 14,223,763 common units and 1,332,334 general partnership units, representing a 23.4% interest, which includes the 2% general partner interest.

Equity Offerings and Issuances

2013

On February 6, 2013, Navios Partners completed its public offering of 4,500,000 common units at \$14.15 per unit and raised gross proceeds of approximately \$63.7 million to fund its fleet expansion. The net proceeds of this offering, including the underwriting discount and excluding offering costs of \$0.3 million were approximately \$60.8 million. Pursuant to this offering, Navios Partners issued 91,837 general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$1.3 million. On the same date, Navios Partners completed the exercise of the option previously granted to the underwriters in connection with the offering and issued 675,000 additional common units at the public offering price less the underwriting discount. As a result of the exercise of the option, Navios Partners raised additional gross proceeds of \$9.6 million and net proceeds, including the underwriting discount, of approximately \$9.1 million and issued 13,776 additional general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$0.2 million.

2012

On May 8, 2012, Navios Partners completed its public offering of 4,600,000 common units at \$15.68 per unit and raised gross proceeds of approximately \$72.1 million to fund its fleet expansion. The net proceeds of this offering were approximately \$68.7 million. Pursuant to this offering, Navios Partners issued 93,878 additional general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$1.5 million.

2011

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On April 13, 2011, Navios Partners completed its public offering of 4,000,000 common units at \$19.68 per unit and raised gross proceeds of approximately \$78.7 million to fund its fleet expansion. The net proceeds of this offering, including the underwriting discount and excluding offering costs of \$0.2 million were approximately \$75.2 million. Pursuant to this offering, Navios Partners issued 81,633 additional general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$1.6 million. On the same date, Navios Partners completed the exercise of the over-allotment option previously granted to the underwriters in connection with the offering and issued 600,000 additional common units at the public offering price less the underwriting discount. As a result of the exercise of the over-allotment option, Navios Partners raised additional gross proceeds of \$11.8 million and net proceeds, including the underwriting discount, of approximately \$11.3 million and issued 12,245 additional general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$0.2 million.

On May 19, 2011, Navios Partners acquired from Navios Holdings the Navios Orbiter, a 76,602 dwt Panamax vessel built in 2004, for a purchase price of \$52.0 million, and the Navios Luz, a 179,144 dwt Capesize vessel built in 2010, for a purchase price of \$78.0 million. Upon delivery of the vessels, the remaining term of their charter-out contracts were: for the Navios Orbiter 2.9 years at a net rate of \$38,052 per day and for the Navios Luz 9.5 years at a net rate of \$29,356 per day. The purchase price of the vessels consisted of 507,916 common units of Navios Partners issued to Navios Holdings and cash of \$120.0 million. The common units were issued at \$19.6883 per unit, which reflects the NYSE's volume weighted average price of the common units for the ten-business day period prior to the acquisition of the vessels. Navios Partners financed the cash portion of the purchase price with a \$35.0 million drawdown under the May 2011 Credit Facility. As a result of the issuance of common units to the seller, Navios Partners issued 10,366 additional general partnership units to its General Partner. The net proceeds from the issuance of the general partnership units were \$0.2 million. For accounting purposes, the transaction was valued based on the closing price of the day of the transaction. Favorable lease terms recognized through this transaction amounted to \$20.9 million for the Navios Orbiter and \$22.9 million for the Navios Luz and were related to the acquisition of the rights on the time charter-out contract of the vessels. The amounts of \$31.1 million for the Navios Orbiter and \$55.1 million for the Navios Luz were classified under vessels, net.

Vessel Acquisitions

On June 15, 2012, Navios Partners acquired from Navios Holdings the Navios Buena Ventura, a 179,259 dwt Capesize vessel built in 2010, for a cash purchase price of \$67.5 million. Upon delivery of the vessel, the remaining term of its charter-out contract was 8.4 years at a net rate of \$29,356 per day.

On June 29, 2012, Navios Partners entered into an agreement with a third party for the acquisition of the Navios Soleil, a 57,337 dwt Ultra-Handymax vessel built in 2009, for a cash purchase price of \$20.7 million. The vessel was delivered on July 24, 2012.

On June 29, 2012, Navios Partners entered into an agreement with a third party for the acquisition of the Navios Helios, a 77,075 dwt Panamax vessel built in 2005, for a cash purchase price of \$20.8 million. The vessel was delivered on July 27, 2012.

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The acquisition of the three vessels was financed with the proceeds from the offering of 4,600,000 common units on May 8, 2012 described above and the balance with bank financing.

On May 19, 2011, Navios Partners acquired from Navios Holdings the Navios Luz, for a purchase price of \$78.0 million, and the Navios Orbiter, for a purchase price of \$52.0 million. Favorable lease terms recognized through this transaction amounted to \$22.9 million for the Navios Luz and \$20.9 million for the Navios Orbiter and were related to the acquisition of the rights on the time charter-out contracts of the vessels. The purchase price for the two vessels consisted of the issuance of 507,916 common units valued at \$10.0 million to Navios Holdings and cash of \$120.0 million. The number of common units issued was calculated based on a price of \$19.6883 per common unit, which was the NYSE volume weighted average trading price of the common units for the ten business day period immediately prior to the date of the acquisition of the vessel. For accounting purposes, the transaction was valued based on the closing price of the day of the transaction, which was \$19.61. The amounts of \$31.1 million for the Navios Orbiter and \$55.1 million for the Navios Luz were classified under vessels, net.

B. Business Overview**Introduction**

We are an international owner and operator of drybulk carriers formed by Navios Holdings (NYSE: NM), a vertically integrated seaborne shipping company with over 55 years of operating history in the drybulk shipping industry. Our vessels are chartered-out under medium to long-term time charters with an average remaining term of approximately three years to a strong group of counterparties, including Cosco Bulk Carrier Co. Ltd., Mitsui O.S.K. Lines Ltd., Constellation Energy Group and Rio Tinto.

Our Fleet

Our fleet consists of 12 Panamax vessels, seven Capesize vessels and two Ultra-Handymax vessels. Our fleet of high quality dry cargo vessels has an average age of approximately six years, which is significantly younger than the current industry average of about ten years. Panamax vessels are highly flexible vessels capable of carrying a wide range of drybulk commodities, including iron ore, coal, grain and fertilizer and of being accommodated in most major discharge ports, while Capesize vessels are primarily dedicated to the carriage of iron ore and coal. Ultra-Handymax vessels are similar to Panamax vessels although with less carrying capacity and generally have self-loading and discharging gear on board to accommodate undeveloped ports. We may from time to time purchase additional vessels, including vessels from Navios Holdings.

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

The following table provides summary information about our fleet:

Owned Vessels	Type	Built	Capacity (DWT)	Charter-out Expiration Date	Charter-Out Rate ⁽¹⁾
Navios Apollon	Ultra-Handymax	2000	52,073	February 2013	\$ 12,500 ⁽²⁾
				February 2014	\$ 13,500 ⁽²⁾
Navios Soleil	Ultra-Handymax	2009	57,337	December 2013	\$ 8,906
Navios Gemini S	Panamax	1994	68,636	February 2014	\$ 24,225
Navios Libra II	Panamax	1995	70,136	September 2015	\$ 12,000 ⁽²⁾
Navios Felicity	Panamax	1997	73,867	June 2013	\$ 26,169
Navios Galaxy I	Panamax	2001	74,195	February 2018	\$ 21,937
Navios Helios	Panamax	2005	77,075	September 2013	\$ 9,738
Navios Hyperion	Panamax	2004	75,707	April 2014	\$ 37,953
Navios Alegria	Panamax	2004	76,466	February 2014	\$ 16,984 ⁽³⁾
Navios Orbiter	Panamax	2004	76,602	April 2014	\$ 38,052
Navios Hope	Panamax	2005	75,397	August 2013	\$ 17,562
Navios Sagittarius	Panamax	2006	75,756	November 2018	\$ 26,125
Navios Fantastiks	Capesize	2005	180,265	March 2014	\$ 14,678 ⁽⁴⁾
Navios Aurora II	Capesize	2009	169,031	November 2019	\$ 41,325

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Navios Pollux	Capesize	2009	180,727	July 2019	\$ 42,250
Navios Fulvia	Capesize	2010	179,263	September 2015	\$ 50,588
Navios Melodia ⁽⁵⁾	Capesize	2010	179,132	September 2022	\$ 29,356 ⁽⁶⁾
Navios Luz	Capesize	2010	179,144	November 2020	\$ 29,356 ⁽⁷⁾
Navios Buena Ventura	Capesize	2010	179,259	October 2020	\$ 29,356 ⁽⁷⁾
Long-term Chartered-in Vessels					
Navios Prosperity ⁽⁸⁾	Panamax	2007	82,535	June 2013	\$ 12,000 ⁽¹⁰⁾
Navios Aldebaran ⁽⁹⁾	Panamax	2008	76,500	May 2013	\$ 14,725

- (1) Net time charter-out rate per day (net of commissions). These rates do not include insurance proceeds received upfront in December 2012.
- (2) Profit sharing 50% on the actual results above the period rates.
- (3) Profit sharing 50% above \$16,984/ day based on Baltic Exchange Panamax TC Average.
- (4) Amount represents daily rate of mitigation proceeds following the default of the original charterer.
- (5) In January 2011, Korea Line Corporation (KLC) filed for receivership. The charter was affirmed and will be performed by KLC on its original terms, provided that during an interim suspension period the sub-charterer pays Navios Partners directly.
- (6) Profit sharing 50% above \$37,500/ day based on Baltic Exchange Capesize TC Average.
- (7) Profit sharing 50% above \$38,500/ day based on Baltic Exchange Capesize TC Average.
- (8) The Navios Prosperity is chartered-in for seven years until June 2014 and we have options to extend for two one-year periods. We have the option to purchase the vessel after June 2012 at a purchase price that is initially 3.8 billion Yen (\$44.2 million based upon the exchange rate at December 31, 2012) declining each year by 145 million Yen (\$1.7 million based upon the exchange rate at December 31, 2012).
- (9) The Navios Aldebaran is chartered-in for seven years until March 2015 and we have options to extend for two one-year periods. We have the option to purchase the vessel after March 2013 at a purchase price that is initially 3.6 billion Yen (\$41.9 million based upon the exchange rate at December 31, 2012) declining each year by 150 million Yen (\$1.8 million based upon the exchange rate at December 31, 2012).
- (10) Profit sharing: The owners will receive 100% of the first \$1,500 in profits above the base rate and thereafter all profits will be split 50% to each party.

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Business Opportunities

We believe that the following factors create opportunities for us to successfully execute our business plan and grow our business:

Additional demand for seaborne transportation of drybulk commodities. The marine industry is fundamental to international trade, as it is the only practical and cost effective means of transporting large volumes of basic commodities and finished products over long distances. In 2012, approximately 3.5 billion tons of drybulk cargo was transported by sea, comprising more than one-third of all international seaborne trade. From 2003 to 2012, trade in all drybulk commodities experienced an aggregate increase of 53%. The increase in demand and ton-mile demand for drybulk carriers has been driven by increasing global industrial production and consumption and international trade, economic growth and urbanization in China, Russia, Brazil, India and the Far East, with attendant increases in steel production, power generation and grain consumption. World growth continued to recover during 2012 and we believe that these global market dynamics will be the major growth factors for the foreseeable future.

Demand for long-term time charter contracts with modern drybulk vessels. There are several factors impacting the current and future supply of drybulk vessels available for cargos. We expect to benefit from these trends as many customers are seeking longer-term time charter contracts in order to secure tonnage for the carriage of their drybulk shipments. These trends are being driven by the following factors. First, there are currently several inefficient infrastructure bottlenecks due to long-term under-investment in global transportation infrastructure that are causing delays in cargo discharging and loading at main exporting terminals worldwide. These delays, coupled with increasing voyage lengths from producers to consumers requiring additional ton-miles to service the demands of the global drybulk trade, are reducing the supply of vessels available for hire at any particular time. Second, scrapping of older tonnage has reduced net fleet growth over the past two years: owners scrapped over 23 million DWT in 2011 and over 33 M DWT in 2012. As of the beginning of 2013 over 13% of the industry's drybulk vessels were 20 or more years old and, with an economic and commercial life of approximately 25 years, many of these vessels will need to be disposed of in the coming years.

Our Competitive Strengths

We believe that our future prospects for success are enhanced by the following aspects of our business:

Stable and growing cash flows. We believe that the medium to long-term, fixed-rate nature of our charters will provide a stable base of revenue. In addition, we believe that the potential opportunity to purchase additional vessels from Navios Holdings and through the secondary market provides visible future growth in our revenue and distributable cash flow. We believe that our management agreement, which has been extended until December 31, 2017, provides for a fixed management fee until December 31, 2013, will continue to provide us with predictable expenses. From January 2014 to December 2017, we expect that we will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of our fleet, which may make our cash flows less predictable.

Strong relationship with Navios Holdings. We believe our relationship with Navios Holdings and its affiliates provides us with numerous benefits that are key to our long-term growth and success, including Navios Holdings' expertise in commercial management and Navios Holdings' reputation within the shipping industry and its network of strong relationships with many of the world's drybulk raw material producers, agricultural traders and exporters, industrial end-users, shipyards, and shipping companies. We also benefit from Navios Holdings' expertise in technical management through its in-house technical manager, which provides efficient operations and maintenance for our vessels at costs significantly below the industry average for vessels of a similar age. Navios Holdings' expertise in fleet management is reflected in Navios Holdings' history of a low number of off-hire days and in its record of no material incidents giving rise to loss of life or pollution or other environmental liability.

High-quality, flexible fleet. Our fleet consists of 12 modern, Panamax vessels, seven modern Capesize vessels and two Ultra-Handymax vessels. The average age of the vessels in our fleet is significantly lower than the average age of the world drybulk fleet. Our fleet had an average age of 6.3 years as of February 2013, compared to a current industry average age of about 10.0 years. Panamax vessels are highly flexible vessels capable of carrying a wide range of drybulk commodities, including iron ore, coal, grain

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and fertilizer, and of being accommodated in most major discharge ports. Ultra-Handymax vessels are similar to Panamax vessels although with less carrying capacity and generally have self-loading and discharging gear on board to accommodate undeveloped ports. Capesize vessels are primarily dedicated to the carriage of iron ore and coal. We believe that our high-quality, flexible fleet provides us with a competitive advantage in the time charter market, where vessel age, flexibility and quality are of significant importance in competing for business.

Operating visibility through long-term charters with strong counterparties. All of our vessels are chartered-out under medium to long-term time charters with an average remaining charter duration of approximately three years to a strong group of counterparties consisting of, amongst others: Cosco Bulk Carrier Co. Ltd., Mitsui O.S.K. Lines Ltd., Rio Tinto and Constellation Energy. We believe our existing charter coverage with strong counterparties provides us with predictable contracted revenues and operating visibility.

Business Strategies

Our primary business objective is to increase quarterly distributions per unit over time by executing the following strategies:

Pursue stable cash flows through long-term charters for our fleet. We intend to continue to utilize medium to long-term, fixed-rate charters for our existing fleet. Currently, the vessels in our fleet have an average remaining charter duration of approximately three years and have staggered charter expirations. We will seek to opportunistically re-charter our vessels in order to add incremental stable cash flow and improve the long-term charter terms.

Continue to grow and diversify our fleet of owned and chartered-in vessels. We seek to make strategic acquisitions to expand our fleet in order to capitalize on the demand for drybulk carriers in a manner that is accretive to distributable cash flow per unit. We have the right to purchase certain additional drybulk vessels currently owned or chartered-in by Navios Holdings when those vessels are fixed under long-term charters for a period of three or more years. In addition, we may seek to expand and diversify our fleet through the open market purchase of owned and chartered-in drybulk vessels with charters of three or more years. We believe that our long-term charters and financial flexibility will assist us to make additional accretive acquisitions.

Capitalize on our relationship with Navios Holdings and expand our charters with recognized charterers. We believe that we can use our relationship with Navios Holdings and its established reputation in order to obtain favorable long-term time charters and attract new customers. We will continue to increase the number of vessels we charter to our existing charterers, as well as enter into charter agreements with new customers, in order to develop a portfolio that is diverse from a customer, geographic and maturity perspective.

Provide superior customer service by maintaining high standards of performance, reliability and safety. Our customers seek transportation partners that have a reputation for high standards of performance, reliability and safety. We intend to use Navios Holdings' operational expertise and customer relationships to further expand a sustainable competitive advantage with consistent delivery of superior customer service.

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Our Customers

We provide or will provide seaborne shipping services under long-term time charters with customers that we believe are creditworthy. Currently, our major customers are: Cosco Bulk Carrier Co. Ltd., Mitsui O.S.K. Lines, Ltd. and Samsun Logix. For the year ended December 31, 2012, these customers accounted for 22.8%, 16.0% and 13.0%, respectively, of total revenues. For the year ended December 31, 2011, Cosco Bulk Carrier Co., Ltd., Mitsui O.S.K. Lines, Ltd. and Samsun Logix accounted for approximately 22.2%, 18.5% and 13.2%, respectively, of total revenues. For the year ended December 31, 2010, Mitsui O.S.K. Lines, Ltd., Cargill International S.A. and Cosco Bulk Carrier Co. Ltd., accounted for approximately 27.7%, 11.8% and 11.2%, respectively, of total revenues. No other customers accounted for more than 10% of total revenue for any of the years presented.

Although we believe that if any one of our charters were terminated, we could recharter the related vessel at the prevailing market rate relatively quickly, the permanent loss of a significant customer or a substantial decline in the amount of services requested by a significant customer could harm our business, financial condition and results of operations if we were unable to recharter our vessel on a favorable basis due to then-current market conditions, or otherwise.

Competition

The drybulk shipping markets are extensive, diversified, competitive and highly fragmented, divided among approximately 1,670 independent drybulk carrier owners. The world's active drybulk fleet consists of approximately 9,500 vessels, aggregating approximately 679 million dwt as of December 31, 2012. As a general principle, the smaller the cargo carrying capacity of a drybulk carrier, the more fragmented is its market, both with regard to charterers and vessel owner/operators. Even among the larger drybulk owners and operators, whose vessels are mainly in the larger sizes, only five companies are known to have fleets of 100 vessels or more: the two largest Chinese shipping companies, China Ocean Shipping and China Shipping Group and the three largest Japanese shipping companies, Mitsui O.S.K. Lines, Kawasaki Kisen and Nippon Yusen Kaisha. There are about 45 owners known to have fleets of between 30 and 100 vessels. However, vessel ownership is not the only determining factor of fleet control. Many owners of bulk carriers charter their vessels out for extended periods, not just to end users (owners of cargo), but also to other owner/operators and to tonnage pools. Such operators may, at any given time, control a fleet many times the size of their owned tonnage. Navios Holdings is one such operator; others include Cargill, Bocimar, Louis Dreyfus/Cetrappa and Torvald Klaveness.

It is likely that we will face substantial competition for long-term charter business from a number of experienced companies. Many of these competitors will have significantly greater financial resources than we do. It is also likely that we will face increased numbers of competitors entering into our transportation sectors, including in the drybulk sector. Many of these competitors have strong reputations and extensive resources and experience. Increased competition may cause greater price competition, especially for long-term charters.

The process for obtaining longer term time charters generally involves a lengthy and intensive screening and vetting process and the submission of competitive bids. In addition to the quality and suitability of the vessel, longer term shipping contracts tend to be awarded based upon a variety of other factors relating to the vessel operator, including:

environmental, health and safety record;

compliance with regulatory industry standards;

reputation for customer service, technical and operating expertise;

shipping experience and quality of ship operations, including cost-effectiveness;

quality, experience and technical capability of crews;

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the ability to finance vessels at competitive rates and overall financial stability;

relationships with shipyards and the ability to obtain suitable berths;

construction management experience, including the ability to procure on-time delivery of new vessels according to customer specifications;

willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and

competitiveness of the bid in terms of overall price.

As a result of these factors, we may be unable to expand our relationships with existing customers or obtain new customers for long-term time charters on a profitable basis, if at all. However, even if we are successful in employing our vessels under longer term time charters, our vessels will not be available for trading in the spot market during an upturn in the market cycle, when spot trading may be more profitable. If we cannot successfully employ our vessels in profitable time charters our results of operations and operating cash flow could be materially adversely affected.

Time Charters

A time charter is a contract for the use of a vessel for a fixed period of time at a specified daily rate. Under a time charter, the vessel owner provides crewing and other services related to the vessel's operation, the cost of which is included in the daily rate and the customer is responsible for substantially all of the vessel voyage costs. All of the vessels in our fleet are hired out under time charters, and we intend to continue to hire out our vessels under time charters. The following discussion describes the material terms common to all of our time charters.

Basic Hire Rate

Basic hire rate refers to the basic payment from the customer for the use of the vessel. The hire rate is generally payable semi-monthly, in advance, in U.S. dollars as specified in the charter.

Expenses

In October 2009, under the terms of our management agreement with the Manager, we fixed the rate with the Manager for two years. The management fees were: (a) \$4,500 daily rate per Ultra-Handymax vessel; (b) \$4,400 daily rate per Panamax vessel; and (c) \$5,500 daily rate per Capesize vessel for the two-year period ending November 16, 2011. In October 2011, Navios Partners extended the duration of its existing Management Agreement with the Manager until December 31, 2017 and fixed the rate for shipmanagement services of its owned fleet through December 31, 2013. The new management fees are: (a) \$4,650 daily rate per Ultra-Handymax vessel; (b) \$4,550 daily rate per Panamax vessel; and (c) \$5,650 daily rate per Capesize vessel. This fixed fee covers vessel operating expenses, which include crewing, repairs and maintenance, insurance and the cost of the special survey and related scheduled drydocking. The Manager is directly responsible for providing all of these items and services. The charterer generally pays the voyage expenses, which include all expenses relating to particular voyages, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. From January 2014 to December 2017, we expect that we will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of our fleet.

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Off-hire

When the vessel is off-hire, the charterer generally is not required to pay the basic hire rate, and we are responsible for all costs. Prolonged off-hire may lead to vessel substitution or termination of the time charter. A vessel generally will be deemed off-hire if there is a loss of time due to, among other things:

operational deficiencies; drydocking for repairs, maintenance or inspection; equipment breakdowns; or delays due to accidents, crewing strikes, certain vessel detentions or similar problems; or

the shipowner's failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew.

Under some of our charters, the charterer is permitted to terminate the time charter if the vessel is off-hire for an extended period, which is generally defined as a period of 90 or more consecutive off-hire days.

Ship Management and Maintenance

We are responsible for the technical management of the vessels we own and for maintaining the vessels we own, periodic drydocking, cleaning and painting and performing work required by regulations. The Manager provides all services related to the vessels we own pursuant to the management agreement.

Termination

We are generally entitled to suspend performance under the time charters covering our vessels if the customer defaults in its payment obligations. Under some of our time charters, either party may terminate the charter in the event of war in specified countries or in locations that would significantly disrupt the free trade of the vessel. Under some of our 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.

Classification, Inspection and Maintenance

Every sea going vessel must be classed by a classification society. The classification society certifies that the vessel is in class, signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes, on request, other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case or to the regulations of the country concerned. For maintenance of the class, regular and extraordinary surveys of hull, machinery (including the electrical plant) and any special equipment classed are required to be performed as follows:

Annual Surveys: For seagoing ships, annual surveys are conducted for the hull and the machinery (including the electrical plant) and, where applicable, for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

Intermediate Surveys: Extended annual surveys are referred to as intermediate surveys and typically are conducted two and a half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

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Class Renewal Surveys: Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery (including the electrical plant), and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging, to determine the thickness of its steel structure. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a ship owner has the option of arranging with the classification society for the vessel's integrated hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle.

Management of Ship Operations, Administration and Safety

Navios Holdings provides, through its wholly-owned subsidiary, Navios ShipManagement Inc., referred to as the Manager herein, expertise in various functions critical to our operations. Pursuant to a management agreement and an administrative services agreement with the Manager, we have access to human resources, financial and other administrative functions, including:

bookkeeping, audit and accounting services;

administrative and clerical services;

banking and financial services; and

client and investor relations.

Technical management services are also provided, including:

commercial management of the vessel;

vessel maintenance and crewing;

purchasing and insurance; and

shipyard supervision.

For more information on the management agreement we have with the Manager and the administrative services agreement we have with the Manager, please read Item 7. Unitholders and Related Party Transactions .

Crewing and Staff

The Manager crews its vessels primarily with Filipino, Ukrainian, Polish, Russian and Georgian officers and Filipino, Georgian, Bulgarian and Ukrainian seamen. For these nationalities, officers and seamen are referred to the Manager by local crewing agencies. The Manager is also responsible for travel and payroll of the crew. The crewing agencies handle each seaman's training. The Manager requires that all of its seamen have the qualifications and licenses required to comply with international regulations and shipping conventions.

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Risk of Loss and Liability Insurance

General

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage, business interruption due to political circumstances in foreign countries, hostilities, and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. The OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the U.S. market. While we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery and War Risk Insurances

We have marine hull and machinery and war risk insurance, which include coverage of the risk of actual or constructive total loss, for all of our owned vessels. Each of the owned vessels is covered up to at least fair market value, with a deductible of \$0.1 million per Handymax and Panamax vessels and \$0.2 million per Capesize vessels for the hull and machinery insurance. There are no deductibles for the war risk insurance. We have also arranged increased value insurance for all the owned vessels. Under the increased value insurance, in case of total loss of the vessel, we will be able to recover the sum insured under the increased value policy in addition to the sum insured under the hull and machinery policy. Increased value insurance also covers excess liabilities that are not recoverable in full by the hull and machinery policies by reason of under-insurance.

Protection and Indemnity Insurance

Protection and indemnity insurance is expected to be provided by mutual protection and indemnity associations, or P&I Associations, which will cover Navios Partners' third-party liabilities in connection with the operation of its ships. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations.

Navios Partners' protection and indemnity insurance coverage for oil pollution is limited to \$1.0 billion per event. The 13 P&I Associations that comprise the International Group insure approximately 95% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Each vessel that Navios Partners acquires will be entered with P&I Associations of the International Group. Under the International Group reinsurance program for the current policy year, each P&I club in the International Group is responsible for the first \$9.0 million of every claim. In every claim the amount in excess of \$9.0 million and up to \$70.0 million is shared by the clubs under a pooling agreement. Any claim in excess of \$70.0 million is reinsured by the International Group under the General Excess of Loss Reinsurance Contract. This policy currently provides an additional \$2.0 billion of coverage for non-oil pollution claims. Further to this, overspill protection has been placed by the International Group for claims up to \$1 billion in excess of \$2.07 billion, i.e. \$3.07 billion in total. For passengers and crew claims the overall limit is \$3.0 billion any one event any one vessel with a sub-limit of \$2.0 billion for passengers.

As a member of a P&I Association, which is a member of the International Group, Navios Partners will be subject to calls payable to the associations based on its claim records as well as the claim records of all other members of the individual associations, and members of the pool of P&I Associations comprising the International Group. The P&I Associations' policy year commences on February 20th. Calls are levied by means of Estimated Total Premiums (ETP) and the amount of the final installment of the ETP varies according to the actual total premium ultimately required by the club for a particular policy year. Members have a liability to pay supplementary calls which might be levied by the board of directors of the club if the ETP is insufficient to cover amounts paid out by the club.

Uninsured Risks

Not all risks are insured and not all risks are insurable. The principal insurable risks which nonetheless remain uninsured across our fleet are loss of hire and strikes, except in cases of loss of hire due to war or a piracy event. Specifically, Navios Holdings does not insure these risks because the costs are regarded as disproportionate. These insurances provide, subject to a deductible, a limited indemnity for hire that would not be receivable by the shipowner for reasons set forth in the policy. Should a vessel on time charter, where the vessel is paid a fixed hire day by day, suffer a serious mechanical breakdown, the daily hire will no longer be payable by the charterer. The purpose of the loss of hire insurance is to

secure the loss of hire during such periods. In the case of strikes insurance, if a vessel is being paid a fixed sum to perform a voyage and the ship becomes strike bound at a loading or discharging port, the insurance covers the loss of earnings during such periods. However, in some cases when a vessel is transiting high risk war and/or piracy areas Navios Holdings purchases war loss of hire insurance for cover up to 270 days of detention/loss of time.

Credit Risk Insurance

We have insured certain of our long-term charter-out contracts until the end of 2016, either through a AA rated European Union insurance provider up to a maximum cash payment of \$120.0 million or through a separate agreement with Navios Holdings up to a maximum cash payment of \$20.0 million. Our agreements provide that if the charterer goes into payment default, the respective insurer will reimburse us for the charter payments under the terms of the cover (subject to applicable deductibles and other customary limitations for such type of insurance).

Regulation

Sources of applicable rules and standards

Shipping is one of the world's most heavily regulated industries, and, in addition, it is subject to many industry standards. Government regulation significantly affects the ownership and operation of vessels. These regulations consist mainly of rules and standards established by international conventions, but they also include national, state, and local laws and regulations in force in jurisdictions where vessels may operate or are registered, and which are commonly more stringent than international rules and standards. This is the case particularly in the United States and, increasingly, in Europe.

A variety of governmental and private entities subject vessels to both scheduled and unscheduled inspections. These entities include local port authorities (the U.S. Coast Guard, harbor masters or equivalent entities), classification societies, flag state administration (country vessel of registry), and charterers, particularly terminal operators. Certain of these entities require vessel owners to obtain permits, licenses, and certificates for the operation of their vessels. Failure to maintain necessary permits or approvals could require a vessel owner to incur substantial costs or temporarily suspend operation of one or more of its vessels.

Heightened levels of environmental and quality concerns among insurance underwriters, regulators, and charterers continue to lead to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. Vessel owners are required to maintain operating standards for all vessels that will emphasize operational safety, quality maintenance, continuous training of officers and crews and compliance with U.S. and international regulations.

The International Maritime Organization, or IMO, has adopted a number of international conventions concerned with ship safety and with preventing, reducing or controlling pollution from ships. These fall into two main categories, consisting firstly of those concerned generally with ship safety standards, and secondly of those specifically concerned with measures to prevent pollution.

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Ship safety regulation

In the former category the primary international instrument is the Safety of Life at Sea Convention of 1974, as amended, or SOLAS, together with the regulations and codes of practice that form part of its regime. Much of SOLAS is not directly concerned with preventing pollution, but some of its safety provisions are intended to prevent pollution as well as promote safety of life and preservation of property. These regulations have been and continue to be regularly amended as new and higher safety standards are introduced with which we are required to comply.

An amendment of SOLAS introduced the International Safety Management (ISM) Code, which has been effective since July 1998. Under the ISM Code the party with operational control of a vessel is required to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by the flag state for the vessel, under the ISM Code. Noncompliance with the ISM Code and other IMO regulations, such as the mandatory ship energy efficiency management plan (SEEMP) which is akin to a safety management plan and came into effect on 1 January 2013, may subject a ship owner to increased liability, may lead to decreases in available insurance coverage for affected vessels, and may result in the denial of access to, or detention in, some ports. For example, the United States Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in ports in the United States and European Union.

Another amendment of SOLAS, made after the terrorist attacks in the United States on September 11, 2001, introduced special measures to enhance maritime security, including the International Ship and Port Facilities Security Code (ISPS Code).

Our owned fleet maintains ISM and ISPS certifications for safety and security of operations. In addition, the Manager voluntarily implements and maintains certifications pursuant to the International Organization for Standardization, or ISO, for its office and ships covering both quality of services and environmental protection (ISO 9001 and ISO 14001, respectively).

International regulations to prevent pollution from ships

In the second main category of international regulation, the primary instrument is the International Convention for the Prevention of Pollution from Ships, or MARPOL, which imposes environmental standards on the shipping industry set out in Annexes I-VI of MARPOL. These contain regulations for the prevention of pollution by oil (Annex I), by noxious liquid substances in bulk (Annex II), by harmful substances in packaged forms within the scope of the International Maritime Dangerous Goods Code (Annex III), by sewage (Annex IV), by garbage (Annex V), and by air emissions (Annex VI).

These regulations have been and continue to be regularly amended as new and higher standards of pollution prevention are introduced with which we are required to comply.

For example, MARPOL Annex VI, together with the NOx Technical Code established thereunder, sets limits on sulphur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. It also includes a global cap on the sulphur content of fuel oil and allows for special areas to be established with more stringent controls on emissions. Originally adopted in September 1997, Annex VI came into force in May 2005 and was amended in October 2008 (as was the NOx Technical Code) to provide for progressively more stringent limits on such emissions from 2010 onwards. The revised Annex VI provides, in particular, for a reduction of the global sulfur cap, initially to 3.5% (from the previous cap of 4.5%), with effect from 1 January 2012, then progressively reducing to 0.50% effective from 1 January 2020, subject to a feasibility review to be completed no later than 2018; and the establishment of new tiers of stringent nitrogen oxide emissions standards for marine engines, depending on their date of installation. We anticipate incurring costs in complying with these more stringent standards.

The revised Annex VI further allows for designation, in response to proposals from member parties, of Emission Control Areas (ECAs) that impose accelerated and/or more stringent requirements for control of sulfur oxide, particulate matter, and nitrogen oxide emissions. Such ECAs have been formally adopted for the Baltic Sea and the North Sea including the English Channel and North America, including Canada and the United States. In addition, the United States Caribbean Sea ECA came into force on 1 January 2013, having effect from 1 January 2014. For the currently-designated ECAs, much lower sulfur limits on fuel oil content are being phased in (1% from July 2010 and 0.1% from 1 January 2015), as well as nitrogen oxide after treatment requirements that will become applicable to the Baltic and North Sea ECAs in 2016. These more stringent fuel standards, when fully in effect, are expected to require measures such as fuel switching, vessel modification adding distillate fuel storage capacity, or addition of exhaust gas cleaning scrubbers, to achieve compliance, and may require installation and operation of further control equipment at significant increased cost.

Greenhouse gas emissions

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. Currently, the greenhouse gas emissions from international shipping do not come under the Kyoto Protocol.

In December 2011, UN climate change talks took place in Durban and concluded with an agreement referred to as the Durban Platform for Enhanced Action. In preparation for the Durban Conference, the International Chamber of Shipping (ICS) produced a briefing document, confirming the shipping industry's commitment to cut shipping emissions by 20% by 2020, with significant further reductions thereafter. The ICS called on the participants in the Durban Conference to give the IMO a clear mandate to deliver emissions reductions through market-based measures, for example a shipping industry environmental compensation fund. Notwithstanding the ICS request for global regulation of the shipping industry, the Durban Conference did not result in any proposals specifically addressing the shipping industry's role in climate change. The European Union announced in April 2007 that it planned to expand the European Union emissions trading scheme by adding vessels, and a proposal from the European Commission was expected if no global regime for reduction of seaborne emissions had been agreed by the end of 2011. That deadline has now expired and it remains to be seen what position the EU takes in this regard in the period ahead. As of 31 January 2013, the Commission has stopped short of proposing that emissions from ships be included in the EU's emissions-trading scheme (ETS). However, on 1 October 2012, it announced that it would propose measures to monitor verify and report on greenhouse-gas emissions from the shipping sector in early 2013. This may be seen as indicative of an intention to maintain pressure on the international negotiating process. In the United States, in 2007 the California Attorney General and a coalition of environmental groups petitioned the U.S. Environmental Protection Agency, or EPA, in October 2007 to regulate greenhouse gas emissions from ocean-going ships under the Clean Air Act, and in 2010 another coalition of environmental groups filed suit to require the EPA to do the same. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, or individual countries where we operate, including the U.S. that restrict emissions of greenhouse gases from vessels could require us to make significant financial expenditures we cannot predict with certainty at this time.

Other international regulations to prevent pollution

In addition to MARPOL, other more specialized international instruments have been adopted to prevent different types of pollution or environmental harm from ships. In February 2004, the IMO adopted an International Convention for the Control and Management of Ships Ballast Water and Sediments, or the BWM Convention. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits.

The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. To date, there has not been sufficient adoption of this standard by member-states representing enough of the gross tonnage of the world's fleet for it to take force. However, as of 31 January 2013, the Convention has been ratified by 36 states, representing 29.07% of the global merchant shipping fleet's gross tonnage, and its entry-into-force with attendant compliance costs may therefore be anticipated in the foreseeable future.

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European regulations

European regulations in the maritime sector are in general based on international law. However, since the *Erika* incident in 1999, the European Community has become increasingly active in the field of regulation of maritime safety and protection of the environment. It has been the driving force behind a number of amendments of MARPOL (including, for example, changes to accelerate the time-table for the phase-out of single hull tankers, and to prohibit the carriage in such tankers of heavy grades of oil), and if dissatisfied either with the extent of such amendments or with the time-table for their introduction it has been prepared to legislate on a unilateral basis. In some instances where it has done so, international regulations have subsequently been amended to the same level of stringency as that introduced in Europe, but the risk is well established that EU regulations may from time to time impose burdens and costs on ship owners and operators which are additional to those involved in complying with international rules and standards.

In some areas of regulation the EU has introduced new laws without attempting to procure a corresponding amendment of international law. Notably, it adopted in 2005 a directive on ship-source pollution, imposing criminal sanctions for pollution not only where this is caused by intent or recklessness (which would be an offence under MARPOL), but also where it is caused by serious negligence. The directive could therefore result in criminal liability being incurred in circumstances where it would not be incurred under international law. Experience has shown that in the emotive atmosphere often associated with pollution incidents, retributive attitudes towards ship interests have found expression in negligence being alleged by prosecutors and found by courts on grounds which the international maritime community has found hard to understand. Moreover, there is skepticism that the notion of serious negligence is likely to prove any narrower in practice than ordinary negligence. Criminal liability for a pollution incident could not only result in us incurring substantial penalties or fines but may also, in some jurisdictions, facilitate civil liability claims for greater compensation than would otherwise have been payable.

United States environmental regulations and laws governing civil liability for pollution

Environmental legislation in the United States merits particular mention as it is in many respects more onerous than international laws, representing a high-water mark of regulation with which ship owners and operators must comply, and of liability likely to be incurred in the event of non-compliance or an incident causing pollution.

U.S. federal legislation, including notably the Oil Pollution Act of 1990, or OPA, establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills, including bunker oil spills from drybulk vessels as well as cargo or bunker oil spills from tankers. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States territorial sea and its 200 nautical mile exclusive economic zone. Under OPA, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or substantial threats of discharges, of oil from their vessels. In addition to potential liability under OPA as the relevant federal legislation, vessel owners may in some instances incur liability on an even more stringent basis under state law in the particular state where the spillage occurred.

Title VII of the Coast Guard and Maritime Transportation Act of 2004, or the CGMTA, amended OPA to require the owner or operator of any non-tank vessel of 400 gross tons or more, that carries oil of any kind as a fuel for main propulsion, including bunkers, to prepare and submit a response plan for each vessel on or before August 8, 2005. The vessel response plans must include detailed information on actions to be taken by vessel personnel to prevent or mitigate any discharge or substantial threat of such a discharge of ore from the vessel due to operational activities or casualties. OPA currently limits liability of responsible parties to the greater of \$1000 per gross ton or \$0.85 million per containership that is over 300 gross tons. These amounts are periodically adjusted for inflation.

These limits of liability do not apply if an incident was directly caused by violation of applicable United States federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

In response to the Deepwater Horizon incident in the Gulf of Mexico, in 2010 the U.S. Congress has proposed, but has not formally adopted legislation that would amend OPA to mandate stronger safety standards and increased liability and financial responsibility for offshore drilling operations, but the bill did not seek to change the OPA liability limits applicable to vessels. While Congressional activity on this topic is expected to continue to focus on offshore facilities rather than on vessels generally, it cannot be known with certainty what form any such new legislative initiatives may take.

In addition, the Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, which applies to the discharge of hazardous substances (other than oil) whether on land or at sea, contains a similar liability regime and provides for cleanup, removal and natural

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resource damages. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$0.5 million for vessels not carrying hazardous substances as cargo or residue, unless the incident is caused by gross negligence, willful misconduct, or a violation of certain regulations, in which case liability is unlimited.

We currently maintain, for each of our owned vessels, insurance coverage against pollution liability risks in the amount of \$1.0 billion per incident. The insured risks include penalties and fines as well as civil liabilities and expenses resulting from accidental pollution. However, this insurance coverage is subject to exclusions, deductibles and other terms and conditions. If any liabilities or expenses fall within an exclusion from coverage, or if damages from a catastrophic incident exceed the \$1.0 billion limitation of coverage per incident, our cash flow, profitability and financial position could be adversely impacted.

OPA requires owners and operators of all vessels over 300 gross tons, even those that do not carry petroleum or hazardous substances as cargo, to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under OPA. The U.S. Coast Guard has implemented regulations requiring evidence of financial responsibility in the amount of \$1,300 per gross ton, which includes the OPA limitation on liability of \$1,000 per gross ton and the CERCLA liability limit of \$300 per gross ton for vessels not carrying hazardous substances as cargo or residue. Under the regulations, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, self-insurance or guaranty. These limits are also periodically revised. We believe our insurance coverage as described above meets the requirements of OPA.

Under OPA, an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessel in the fleet having the greatest maximum liability under OPA. Under the self-insurance provisions, the ship owner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the U.S. Coast Guard regulations by providing a certificate of responsibility from third party entities that are acceptable to the U.S. Coast Guard evidencing sufficient self-insurance.

The U.S. Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with OPA, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA laws, including the major protection and indemnity organizations have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or required to waive insurance policy defenses. This requirement may have the effect of limiting the availability of the type of coverage required by the Coast Guard and could increase our costs of obtaining this insurance as well as the costs of our competitors that also require such coverage.

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The U.S. Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with OPA, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA laws, including the major protection and indemnity organizations, have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or required to waive insurance policy defenses. This requirement may have the effect of limiting the availability of the type of coverage required by the Coast Guard and could increase our costs of obtaining this insurance as well as the costs of our competitors that also require such coverage.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states' environmental laws impose unlimited liability for oil spills. In some cases, states which have enacted such legislation have not yet issued implementing regulations defining vessels owners' responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

The United States Clean Water Act prohibits the discharge of oil or hazardous substances in U.S. navigable waters and imposes strict liability in the form of penalties for unauthorized discharges. The Clean Water Act also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under CERCLA. The EPA regulates the discharge of ballast water and other substances incidental to the normal operation of vessels in U.S. waters using a Vessel General Permit, or VGP, system pursuant to the CWA, in order to combat the risk of harmful organisms that can travel in ballast water carried from foreign ports. Compliance with the conditions of the VGP is required for commercial vessels 79 feet in length or longer (other than commercial fishing vessels.) In November 2011, the EPA issued a revised draft Vessel General Permit that is expected to go into effect in 2013. This new VGP will impose a numeric standard to control the release of non-indigenous invasive species in ballast water discharges. In addition, through the CWA certification provisions that allow US states to place additional conditions on use of the VGP within state waters, a number of states have proposed or implemented a variety of stricter ballast water requirements including, in some states, specific treatment standards. Compliance with new U.S. federal and state requirements could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

The Federal Clean Air Act (CAA) requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to CAA vapor control and recovery standards (VCS) for cleaning fuel tanks and conducting other operations in regulated port areas, and to CAA emissions standards for so-called Category 3 marine diesel engines operating in U.S. waters. In April 2010, EPA adopted regulations implementing the provision of MARPOL Annex VI regarding emissions from Category 3 marine diesel engines. Under these regulations, both U.S. and foreign-flagged ships must comply with the applicable engine and fuel standards of MARPOL Annex VI, including the stricter North America Emission Control Area (ECA) standards which took effect in August 2012, when they enter U.S. ports or operate in most internal U.S. waters including the Great Lakes. MARPOL Annex VI requirements are discussed in greater detail above under International regulations to prevent pollution from ships. We may incur costs to install control equipment on our vessels to comply with the new standards.

Also under the CAA, the U.S. Coast Guard has since 1990 regulated the safety of VCSs that are required under EPA and state rules. Our vessels operating in regulated port areas have installed VCSs that are compliant with EPA, state and U.S. Coast Guard requirements. In October 2010, the U.S. Coast Guard proposed a rule that would make its VCS requirements more compatible with new EPA and State regulations, reflect changes in VCS technology, and codify existing U.S. Coast Guard guidelines. It appears unlikely that the updated U.S. Coast Guard rule when finalized will impose a material increase in costs.

We intend to comply with all applicable state and U.S. federal regulations in the ports where our vessels call.

Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Marine Transportation Security Act of 2002, or MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the United States Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect on July 1, 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created ISPS Code. Among the various requirements are:

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on-board installation of automatic information systems to enhance vessel-to-vessel and vessel-to-shore communications;

on-board installation of ship security alert systems;

the development of vessel security plans; and

compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board, by July 1, 2004, a valid International Ship Security Certificate that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. The vessels in our initial fleet have on board valid International Ship Security Certificates and, therefore, are exempt from obtaining U.S. Coast Guard approved MTSA security plans.

International laws governing civil liability to pay compensation or damages

In 2001, the IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, which imposes strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker oil. The Bunker Convention defines bunker oil as any hydrocarbon mineral oil, including lubricating oil, used or intended to be used for the operation or propulsion of the ship, and any residues of such oil. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended, or the 1976 Convention). The Bunker Convention entered into force on November 21, 2008, and as of January 31, 2013 it was in effect in 68 states. In other jurisdictions liability for spills or releases of oil from ships' bunkers continues to be determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Outside the United States, national laws generally provide for the owner to bear strict liability for pollution, subject to a right to limit liability under applicable national or international regimes for limitation of liability. The most widely applicable international regime limiting maritime pollution liability is the 1976 Convention. Rights to limit liability under the 1976 Convention are forfeited where a spill is caused by a shipowner's intentional or reckless conduct. Some states have ratified the 1996 LLMC Protocol to the 1976 Convention, which provides for liability limits substantially higher than those set forth in the 1976 Convention to apply in such states. Finally, some jurisdictions are not a party to either the 1976 Convention or the 1996 LLMC Protocol, and, therefore, shipowner's rights to limit liability for maritime pollution in such jurisdictions may be uncertain.

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Taxation of the Partnership

United States Taxation

The following is a discussion of the material U.S. federal income tax considerations applicable to us. This discussion is based upon provisions of the Internal Revenue Code, or the Code, final and temporary regulations thereunder (Treasury Regulations), and administrative rulings and court decisions, all as in effect currently and during our year ended December 31, 2012 and all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. The following discussion is for general information purposes only and does not purport to be a comprehensive description of all of the U.S. federal income tax considerations applicable to us.

Election to be Treated as a Corporation: We have elected to be treated as a corporation for U.S. federal income tax purposes. As such, we are subject to U.S. federal income tax on our income to the extent it is from U.S. sources or otherwise is effectively connected with the conduct of a trade or business in the United States as discussed below.

Taxation of Operating Income: Substantially all of our gross income is attributable to the transportation of drybulk and related products. For this purpose, gross income attributable to transportation (Transportation Income) includes income derived from, or in connection with, the use, the hiring for use, or the leasing for use (if any) of a vessel to transport cargo, or the performance of services directly related to the use of any vessel to transport cargo, and thus includes both time charter income and bareboat charter income (if any).

Transportation Income that is attributable to transportation that either begins or ends, but that does not both begin and end in the United States (U.S. Source International Transportation Income) is considered to be 50.0% derived from sources within the United States. Transportation Income attributable to transportation that both begins and ends in the United States (U.S. Source Domestic Transportation Income) is considered to be 100.0% derived from sources within the United States. Transportation Income attributable to transportation exclusively between non-U.S. destinations is considered to be 100.0% derived from sources outside the United States. Transportation Income derived from sources outside the United States generally is not subject to U.S. federal income tax.

We believe that we did not earn any U.S. Source Domestic Transportation Income for our fiscal year ended December 31, 2012 and expect that we will not earn any such income for future years. However, certain of our activities gave rise to U.S. Source International Transportation Income, and future expansion of our operations could result in an increase in the amount of U.S. Source International Transportation Income, which generally would be subject to U.S. federal income taxation, unless the exemption from U.S. federal income taxation under Section 883 of the Code (the Section 883 Exemption) applied.

The Section 883 Exemption: In general, the Section 883 Exemption provides that if a non-U.S. corporation satisfies the requirements of Section 883 of the Code and the Treasury Regulations thereunder (the Section 883 Regulations), it will not be subject to the net basis and branch profit taxes or the 4.0% gross basis tax described below on its U.S. Source International Transportation Income. The Section 883 Exemption applies only to U.S. Source International Transportation Income and does not apply to U.S. Source Domestic Transportation Income. We qualify for the Section 883 Exemption if, among other matters, we meet the following three requirements:

We are organized in a jurisdiction outside the United States that grants an equivalent exemption from tax to corporations organized in the United States with respect to the types of U.S. Source International Transportation Income that we earn (an Equivalent Exemption);

We satisfy the Publicly Traded Test (as described below) or the Qualified Shareholder Stock Ownership Test (as described below); and

We meet certain substantiation, reporting and other requirements.

We are organized under the laws of the Republic of the Marshall Islands. The U.S. Treasury Department has recognized the Republic of the Marshall Islands as a jurisdiction that grants an Equivalent Exemption with respect to the type of income we have earned and are expected to earn. Consequently, our U.S. Source International Transportation Income (including for this purpose, any such income earned by our subsidiaries, that have elected to be disregarded as entities separate from us for U.S. federal income tax purposes) will be exempt from

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U.S. federal income taxation provided we meet the Publicly Traded Test or the Qualified Shareholder Stock Ownership Test and we satisfy certain substantiation, reporting and other requirements.

In order to meet the Publicly Traded Test, the equity interests in the non-U.S. corporation at issue must be primarily traded and regularly traded on an established securities market either in the United States or in a jurisdiction outside the United States that grants an Equivalent Exemption. The Section 883 Regulations generally provide, in pertinent part, that a class of equity interests in a non-U.S. corporation will be considered to be primarily traded on an established securities market in a given country if the number of units of such class that are traded during any taxable year on all established securities markets in that country exceeds the number of units in such class that are traded during that year on established securities markets in any other single country. Equity interests in a non-U.S. corporation will be considered to be regularly traded on an established securities market under the Section 883 Regulations provided one or more classes of such equity interests representing more than 50.0% of the aggregate vote and value of all of the outstanding equity interests in the non-U.S. corporation satisfy certain listing and trading volume requirements. These listing and trading volume requirements are satisfied with respect to a class of equity interests listed on an established securities market provided trades in such class are effected, other than in de minimis quantities, on such market on at least 60 days during the taxable year and the aggregate number of units in such class that are traded on such market or markets during the taxable year are at least 10% of the average number of units outstanding in that class during the taxable year (with special rules for short taxable years). In addition, a class of equity interests traded on an established securities market in the United States will be considered to satisfy the listing and trading volume requirements if the equity interests in such class are regularly quoted by dealers making a market in such class (within the meaning of the Section 883 Regulations). Notwithstanding these rules, a class of equity that would otherwise be treated as regularly traded on an established securities market will not be so treated if, for more than half of the number of days during the taxable year, one or more 5.0% unitholders (i.e., unitholders owning, actually or constructively, at least 5.0% of the vote and value of that class) own in the aggregate 50.0% or more of the vote and value of that class (the Closely Held Block Exception), unless the corporation can establish that a sufficient proportion of such 5.0% unitholders are Qualified Shareholders (as defined below) so as to preclude other persons who are 5.0% unitholders from owning 50.0% or more of the value of that class for more than half the days during the taxable year.

Because our common units are and have been traded solely on the New York Stock Exchange, which is considered to be an established securities market, our common units are and have been primarily traded on an established securities market for purposes of the Publicly Traded Test.

Further, although the matter is not free from doubt, based upon our expected cash flow and distributions on our outstanding equity interests, we believe that our common units represented more than 50.0% of the total value of all of our outstanding equity interests, and we believe that we satisfied the trading volume requirements described previously for our fiscal year ended December 31, 2012. We believe that we did not lose eligibility for the Section 883 Exemption as a result of the Closely Held Block Exception for such year, and consequently, we believe we satisfied the Publicly Traded Test for our fiscal year ended December 31, 2012.

While there can be no assurance that we will continue to satisfy the requirements for the Publicly Traded Test in the future, and our board of directors could determine that it is in our best interests to take an action that would result in our not being able to satisfy the Publicly Traded Test, we presently expect to continue to satisfy the requirements for the Publicly Traded Test and the Section 883 Exemption for future years. Please see below for a discussion of the consequences in the event we do not satisfy the Publicly Traded Test or otherwise fail to qualify for the Section 883 Exemption.

Even if we were not able to satisfy the Publicly Traded Test for a given taxable year, we may be able to satisfy a Qualified Shareholder Stock Ownership Test for a year in the event Navios Holdings owned more than 50.0% of the value of our outstanding equity interests for more than half of the days in such year, Navios Holdings itself met the Publicly Traded Test for such year and Navios Holdings provided us with certain information that we need in order to claim the benefits of the Qualified Shareholder Stock Ownership Test. In connection with our IPO, Navios Holdings has represented that it then met the Publicly Traded Test and agreed to provide the information described above. However, there can be no assurance that Navios Holdings will meet the Publicly Traded Test or be able to provide the information we need to claim the benefits of the Section 883 Exemption under the Qualified Shareholder Ownership Test. Further, the relative values of our equity interests are uncertain and subject to change, and as a result Navios Holdings may not own more than 50.0% of the value of our outstanding equity interests for any year. Consequently, there can be no assurance that we would meet the Qualified Shareholder Stock Ownership Test based upon the ownership by Navios Holdings of an indirect ownership interest in us.

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The Net Basis Tax and Branch Profits Tax: If we earn U.S. Source International Transportation Income and the Section 883 Exemption does not apply, the U.S. source portion of such income may be treated as effectively connected with the conduct of a trade or business in the United States (Effectively Connected Income) if we have a fixed place of business in the United States and substantially all of our U.S. Source International Transportation Income is attributable to regularly scheduled transportation or, in the case of bareboat charter income (if any), is attributable to a fixed place of business in the United States.

We believe that, for our fiscal year ended December 31, 2012, none of our U.S. Source International Transportation Income was attributable to regularly scheduled transportation or received pursuant to bareboat charters. As a result, we believe that none of our U.S. Source International Transportation Income for such year would be treated as Effectively Connected Income even in the event we did not qualify for the Section 883 Exemption. However, there is no assurance that we will not earn income pursuant to regularly scheduled transportation or bareboat charters attributable to a fixed place of business in the United States in the future, which would result in such income being treated as Effectively Connected Income. In addition, any U.S. Source Domestic Transportation Income may be treated as Effectively Connected Income. Any income we earn that is treated as Effectively Connected Income would be subject to U.S. federal corporate income tax (the highest statutory rate is currently 35.0%) as well as 30.0% branch profits tax imposed under Section 884 of the Code. In addition, a 30.0% branch interest tax could be imposed on certain interest paid or deemed paid by us.

On the sale of a vessel that has produced Effectively Connected Income, we could be subject to the net basis corporate income tax as well as branch profits tax with respect to the gain recognized up to the amount of certain prior deductions for depreciation that reduced Effectively Connected Income. Otherwise, we would not be subject to U.S. federal income tax with respect to gain realized on the sale of a vessel, provided the gain is not attributable to an office or other fixed place of business maintained by us in the United States under U.S. federal income tax principles.

The 4.0% Gross Basis Tax: If the Section 883 Exemption does not apply and the net basis tax does not apply, we would be subject to a 4.0% U.S. federal income tax on the U.S. source portion of our gross U.S. Source International Transportation Income, without benefit of deductions.

Marshall Islands Taxation

Based on the opinion of Reeder and Simpson, P.C., our counsel as to matters of the law of the Republic of the Marshall Islands, because we, our operating subsidiary and our controlled affiliates do not, and do not expect to, conduct business or operations in the Republic of the Marshall Islands, neither we nor our controlled affiliates will be subject to income, capital gains, profits or other taxation under current Marshall Islands law. As a result, distributions by our operating subsidiary and our controlled affiliates to us will not be subject to Marshall Islands taxation.

Other Tax Jurisdictions

Certain of Navios Partners' subsidiaries are incorporated in countries which impose taxes, such as Malta, however such taxes are immaterial to Navios Partners' operations.

As of January 1, 2013, foreign flagged vessels that are managed by Greek or foreign ship management companies in Greece are subject to Greek tonnage tax. The payment of tonnage tax exhausts the tax liability of the foreign ship owning company against any tax, duty, charge or contribution payable on income from the exploitation of the foreign flagged vessel.

C. Organizational Structure

Please read exhibit 8.1 to this Annual Report for a list of our significant subsidiaries as of December 31, 2012.

D. Property, plants and equipment

Other than our vessels, we do not have any material property, plants or equipment.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

Overview

We are an international owner and operator of drybulk carriers, formed in August 2007 by Navios Holdings, a vertically integrated seaborne shipping company with over 55 years of operating history in the drybulk shipping industry. We completed our IPO on November 16, 2007.

On July 31, 2012, Navios Partners entered into a credit facility agreement with Commerzbank AG and DVB Bank AG (the July 2012 Credit Facility) for \$290.5 million. The July 2012 Credit Facility was entered into to refinance and merge Navios Partners two existing facilities with the same banks. The July 2012 Credit Facility matures on November 30, 2017. In December 2012, Navios Partners amended the July 2012 Credit Facility to prepay \$24.6 million. The prepayment will be applied in partial settlement of the next installments. As of December 31, 2012 the outstanding balance was \$256.6 million and is repayable in 20 installments in various amounts during the term of the July 2012 Credit Facility consisting of \$5.0 million (five quarterly installments), \$7.0 million (13 quarterly installments) and \$11.8 million (two quarterly installments) with a final payment of \$117.4 million. The July 2012 Credit Facility bears interest at rates ranging from 180 to 205 bps per annum (depending on the loan amount compared to the security value) plus, depending on the length of the interest period, either LIBOR or the actual cost of funds. The refinancing of this facility was accounted for as debt modification in accordance with ASC470 Debt.

On August 8, 2012, Navios Partners entered into a facility agreement with DVB Bank SE and ABN AMRO Bank N.V., and borrowed an amount of \$44.0 million (the August 2012 Credit Facility) to partially finance the acquisitions of the Navios Buena Ventura, the Navios Helios and the Navios Soleil The August 2012 Credit Facility matures on February 9, 2018 and is repayable in 22 equal quarterly installments of \$0.9 million each with a final balloon payment of \$23.7 million to be repaid on the last repayment date. The August 2012 Credit Facility bears interest at a rate of LIBOR plus 350 bps.

As of December 31, 2012, the total borrowings under the Navios Partners credit facilities were \$299.7 million. As of December 31, 2012, Navios Partners was in compliance with the financial covenants of its credit facilities.

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On February 6, 2013, Navios Partners issued 5,175,000 common units at \$14.15 per unit and raised gross proceeds of \$73.2 million (excluding the general partner contribution) to fund its fleet expansion.

During fiscal 2012, Navios Partners completed one equity offering, issued a total amount of 4,600,000 common units and raised gross proceeds of \$72.1 million (excluding the general partner contribution) to fund its fleet expansion.

During fiscal 2011, Navios Partners completed one equity offering, issued a total amount of 4,600,000 common units and raised gross proceeds of \$90.5 million (excluding the general partner contribution) to fund its fleet expansion. In addition, during fiscal 2011, Navios Partners issued a total amount of 507,916 common units to Navios Holdings to fund vessel acquisitions.

As of March 14, 2013, there were outstanding: 65,284,163 common units and 1,332,334 general partnership units. Navios Holdings owns a 23.4% interest in Navios Partners, which includes the 2% general partner interest.

Please see Item 4. Information on the Partnership .

Fleet Development

On June 15, 2012, Navios Partners acquired from Navios Holdings the Navios Buena Ventura, for a purchase price of \$67.5 million. Favorable lease terms recognized through this transaction amounted to \$21.2 million for the Navios Buena Ventura and were related to the acquisition of the rights on the time charter-out contract of the vessel. The amount of \$46.3 million for the Navios Buena Ventura was classified under vessels, net.

On July 24, 2012, Navios Partners acquired the Navios Soleil from an unrelated third party, for an acquisition cost of \$21.1 million in cash consideration.

On July 27, 2012, Navios Partners acquired the Navios Helios from an unrelated third party, for an acquisition cost of \$21.1 million in cash consideration.

On May 19, 2011, Navios Partners acquired from Navios Holdings the Navios Luz, for a purchase price of \$78.0 million, and the Navios Orbiter, for a purchase price of \$52.0 million. Favorable lease terms recognized through this transaction amounted to \$22.9 million for the Navios Luz and \$20.9 million for the Navios Orbiter and were related to the acquisition of the rights on the time charter-out contracts of the vessels. The purchase price for the two vessels consisted of the issuance of 507,916 common units valued at \$10.0 million to Navios Holdings and cash of \$120.0 million. The number of common units issued was calculated based on a price of \$19.6883 per common unit, which was the NYSE volume weighted average trading price of the common units for the ten business day period immediately prior to the date of the acquisition of the vessel. For accounting purposes, the transaction was valued based on the closing price of the day of the transaction, which was \$19.61.

The historical results discussed below, and the historical financial statements and related notes included elsewhere in this annual report, present operating results of the fleet for the periods beginning from January 1, 2010 to December 31, 2012.

Company name	Vessel name	Country of incorporation	Statement of income					
			2012		2011		2010	
Libra Shipping Enterprises Corporation	Navios Libra II	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Alegria Shipping Corporation	Navios Alegria	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Felicity Shipping Corporation	Navios Felicity	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Gemini Shipping Corporation	Navios Gemini S	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Galaxy Shipping Corporation	Navios Galaxy I	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Aurora Shipping Enterprises Ltd.	Navios Hope	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Palermo Shipping S.A.	Navios Apollon	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Fantastiks Shipping Corporation	Navios Fantastiks	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Sagittarius Shipping Corporation	Navios Sagittarius	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31

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Hyperion Enterprises Inc.	Navios Hyperion	Marshall Is.	1/01	12/31	1/01	12/31	1/08	12/31
Chilali Corp.	Navios Aurora II	Marshall Is.	1/01	12/31	1/01	12/31	3/18	12/31
Surf Maritime Co.	Navios Pollux	Marshall Is.	1/01	12/31	1/01	12/31	5/21	12/31
Pandora Marine Inc.	Navios Melodia	Marshall Is.	1/01	12/31	1/01	12/31	11/15	12/31
Customized Development S.A.	Navios Fulvia	Liberia	1/01	12/31	1/01	12/31	11/15	12/31
Kohylia Shipmanagement S.A.	Navios Luz	Marshall Is.	1/01	12/31	5/19	12/31		
Orbiter Shipping Corp.	Navios Orbiter	Marshall Is.	1/01	12/31	5/19	12/31		
Floral Marine Ltd.	Navios Buena Ventura	Marshall Is.	6/15	12/31				
Golem Navigation Limited	Navios Soleil	Marshall Is.	5/09	12/31				
Kymata Shipping Co.	Navios Helios	Marshall Is.	6/18	12/31				
Chartered-in vessels								
Prosperity Shipping Corporation	Navios Prosperity	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Aldebaran Shipping Corporation	Navios Aldebaran	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Other								
JTC Shipping and Trading Ltd (*)	Holding Company	Malta	1/01	12/31	1/01	12/31	3/18	12/31
Navios Maritime Partners L.P.	N/A	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Navios Maritime Operating LLC	N/A	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31

(*) Not a vessel-owning subsidiary and only holds right to a charter-in contract.

Our Charters

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

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For the fiscal year ended December 31, 2012, we had 18 charter counterparties, the most significant of which were Cosco Bulk Carrier Co., Ltd., Mitsui O.S.K. Lines, Ltd. and Samsun Logix, and which accounted for approximately 22.8%, 16.0% and 13.0%, respectively, of total revenues. For the fiscal year ended December 31, 2011, we had 15 charter counterparties, the most significant of which were Cosco Bulk Carrier Co., Ltd., Mitsui O.S.K. Lines, Ltd. and Samsun Logix, and which accounted for approximately 22.2%, 18.5% and 13.2%, respectively, of total revenues. We believe that the combination of the long-term nature of our charters (which provide for the receipt of a fixed fee for the life of the charter) and our management agreement with the Manager, a wholly-owned subsidiary of Navios Holdings (which provides for a fixed management fee until December 31, 2013), provides us with a strong base of stable cash flows.

Our revenues are driven by the number of vessels in the fleet, the number of days during which the 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 charter;

decisions relating to vessel acquisitions and disposals;

the amount of time spent positioning vessels;

the amount of time that vessels spend undergoing repairs and upgrades in drydock;

the age, condition and specifications of the vessels; and

the aggregate level of supply and demand in the drybulk 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.

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;

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

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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.

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. However, we believe that if any one of our current charters were terminated, we could recharter the vessel in an expeditious manner at a favorable rate, based on current conditions in the drybulk carrier market. The loss of any of our customers, time charters or vessels, 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.

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.

To mitigate this risk we have insured certain of our long-term charter-out contracts until 2016, either through a AA rated European Union insurance provider up to a maximum cash payment of \$120.0 million or through a separate agreement with Navios Holdings up to a maximum cash payment of \$20.0 million. Our agreements provide that if the charterer goes into payment default, the respective insurer will reimburse us for the charter payments under the terms of the cover (subject to applicable deductibles and other customary limitations for such type of insurance).

Vessel Operations

Under our charters, our vessel manager is generally responsible for commercial, technical, health and safety and other management services related to the vessels' operation, and the charterer is responsible for bunkering and substantially all of the vessel voyage costs, including canal tolls and port charges.

Under the management agreement we entered into with the Manager, the Manager bears all of our vessel operating expenses in exchange for the payment of fees as described below. Under this agreement, the Manager is responsible for commercial, technical, health and safety and other management services related to the vessels' operation, including chartering, technical support and maintenance, insurance and costs associated with special surveys and related drydockings. The initial term of the management agreement has been extended until December 2017, and we currently pay the Manager a daily fee of \$4,650 per owned Ultra-Handymax vessel, \$4,550 per owned Panamax vessel and \$5,650 per owned Capesize vessel, which are fixed until December 31, 2013. This fixed daily fee covers all of our vessel operating expenses, other than certain extraordinary costs. Extraordinary costs and expenses include fees and costs resulting from:

time spent on insurance and salvage claims;

time spent vetting and pre-vetting the vessels by any charterers in excess of 10 days per vessel per year;

the deductible of any insurance claims relating to the vessels or for any claims that are within such deductible range;

the significant increase in insurance premiums which are due to factors such as acts of God outside the control of the Manager;

repairs, refurbishment or modifications, including those not covered by the guarantee of the shipbuilder or by the insurance covering the vessels, resulting from maritime accidents, collisions, other accidental damage or unforeseen events (except to the extent that such accidents, collisions, damage or events are due to the fraud, gross negligence or willful misconduct of the Manager, its employees or its agents, unless and to the extent otherwise covered by insurance);

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expenses imposed due to any improvement, upgrade or modification to, structural changes with respect to the installation of new equipment aboard any vessel that results from a change in, an introduction of new, or a change in the interpretation of, applicable laws, at the recommendation of the classification society for that vessel or otherwise;

costs associated with increases in crew employment expenses resulting from an introduction of new, or a change in the interpretation of, applicable laws or resulting from the early termination of the charter of any vessel;

any taxes, dues or fines imposed on the vessels or the Manager due to the operation of the vessels;

expenses incurred in connection with the sale or acquisition of a vessel such as inspections and technical assistance; and

any similar costs, liabilities and expenses that were not reasonably contemplated by us and the Manager as being encompassed by or a component of the fixed daily fees at the time the fixed daily fees were determined.

Payment of any extraordinary fees or expenses to the Manager could significantly increase our vessel operating expenses and impact our results of operations.

During the remaining term of the management agreement, we expect that we will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of our fleet.

Administrative Services

Under the administrative services agreement we entered into with the Manager, we reimburse the Manager for reasonable costs and expenses incurred in connection with the provision of the services under this agreement within 15 days after the Manager submits to us an invoice for such costs and expenses, together with any supporting detail that may be reasonably required. Under this agreement which expires in December 2017, the Manager provides significant administrative, financial and other support services to 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. Other key factors that will be fundamental to our business, future financial condition and results of operations include:

the demand for seaborne transportation services;

the ability of Navios Holdings' commercial and chartering operations to successfully employ our vessels at economically attractive rates, particularly as our fleet expands and our charters expire;

the effective and efficient technical management of our vessels;

Navios Holdings' ability to satisfy technical, health, safety and compliance standards of major commodity traders; and

the strength of and growth in the number of our customer relationships, especially with major commodity traders.

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

the charter hire earned by our vessels under our charters;

our access to capital required to acquire additional vessels and/or to implement our business strategy;

our ability to sell vessels at prices we deem satisfactory;

our level of debt and the related interest expense and amortization of principal; and

the level of any distribution on our common units.

Please read "Risk Factors" for a discussion of certain risks inherent in our business.

A. Operating results

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

The following table presents consolidated revenue and expense information for the years ended December 31, 2012 and 2011. This information was derived from the audited consolidated revenue and expense accounts of Navios Partners for the respective periods.

	Year ended December 31, 2012	Year ended December 31, 2011
(In thousands of U.S. dollars)		
Time charter revenues (includes related party revenue of \$7,357 and \$0 for the years ended December 31, 2012 and 2011)	\$ 205,435	\$ 186,953
Time charter expenses	(12,937)	(13,473)
Direct vessel expenses	(25)	(61)
Management fees	(31,689)	(26,343)
General and administrative expenses	(5,555)	(4,965)
Depreciation and amortization	(71,622)	(63,971)
Write-off of intangible asset		(3,979)
Interest expense and finance cost, net	(10,127)	(9,244)
Interest income	229	821
Other income	22,596	272
Other expense	(407)	(675)
Net income	\$ 95,898	\$ 65,335

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Time Charter Revenues: Time charter revenues for the year ended December 31, 2012 increased by \$18.4 million or 9.8% to \$205.4 million, as compared to \$187.0 million for the year ended December 31, 2011. The increase was mainly attributable to the acquisitions of the Navios Luz and the Navios Orbiter on May 19, 2011, the acquisition of the Navios Buena Ventura on June 15, 2012, the acquisition of the Navios Soleil on July 24, 2012 and the acquisition of the Navios Helios on July 27, 2012. As a result of these vessel acquisitions, available days of the fleet increased to 7,002 days for the year ended December 31, 2012, as compared to 6,251 days the year ended December 31, 2011. TCE decreased to \$28,907 for the year ended December 31, 2012, from \$29,909 for the year ended December 31, 2011.

Time Charter Expenses: Time charter expenses for the year ended December 31, 2012 decreased by \$0.6 million or 12.5% to \$12.9 million, as compared to \$13.5 million for the year ended December 31, 2011. The decrease was mainly attributable to the decrease in off-hire charges of \$0.4 million, a decrease in bunkers of \$0.4 million and a decrease in other expenses of \$0.2 million, mitigated by an increase in brokers' expenses of \$0.4 million.

Management Fees: Management fees for the year ended December 31, 2012, increased by \$5.4 million or 20.5% to \$31.7 million, as compared to \$26.3 million for the year ended December 31, 2011. The increase was mainly attributable to the increased number of owned vessels in Navios Partners' fleet and the increase in fixed management fees effective from November 17, 2011.

In accordance with the Management Agreement entered into by Navios Partners, the Manager provides all of Navios Partners' owned vessels with commercial and technical management services for a daily fee of \$4,550 per owned Panamax vessel, \$5,650 per owned Capesize vessel and \$4,650 per owned Ultra-Handymax vessel until December 31, 2013.

General and Administrative Expenses: General and administrative expenses increased by \$0.6 million or 12.0% to \$5.6 million for the year ended December 31, 2012, as compared to \$5.0 million for the year ended December 31, 2011. The increase was mainly attributable to the increase in administrative expenses paid to the Manager due to the increased number of vessels in Navios Partners' fleet.

Pursuant to the Administrative Services Agreement, the Manager provides administrative services and is reimbursed for reasonable costs and expenses incurred in connection with these services. In October 2011, Navios Partners extended the duration of its existing Administrative Services Agreement with the Manager pursuant to the same terms, until December 31, 2017. For the year ended December 31, 2012 and 2011, the expenses charged by the Manager for administrative fees were \$3.9 million and \$3.5 million, respectively. The balance of \$1.7 million and \$1.5 million of general and administrative expenses, for the year ended December 31, 2012 and 2011, respectively, relate to legal and professional fees, as well as audit fees and directors' fees.

Depreciation and Amortization: Depreciation and amortization amounted to \$71.6 million for the year ended December 31, 2012 compared to \$64.0 million for the year ended December 31, 2011. The increase of \$7.6 million was attributable to: (a) an increase in depreciation expense of \$3.0 million due to the acquisitions of the Navios Luz and the Navios Orbiter on May 19, 2011, the Navios Buena Ventura on June 15, 2012, the Navios Soleil on July 24, 2012, and the Navios Helios on July 27, 2012; and (b) an increase in amortization expense of \$4.6 million due to the favorable and unfavorable lease terms that were recognized in relation to the acquisition of the rights on the time charter-out contracts of the vessels. Depreciation of vessels is calculated using an estimated useful life of 25 years from the date the vessel was originally delivered from the shipyard. Intangible assets are amortized over the contract periods, which range from three to 12 years.

Write-off of intangible asset: The Navios Apollon was off-hire due to an engine breakdown and therefore the charter-out contract was terminated. The net book value of the favorable lease term that was attached to the charter-out contract was \$4.0 million and was written-off in the Statement of Income.

Interest expense and finance cost, net: Interest expense and finance cost, net for the year ended December 31, 2012 increased by \$0.9 million or 9.8% to \$10.1 million, as compared to \$9.2 million for the year ended December 31, 2011. The increase was mainly due to the higher weighted average interest rate of 2.90% for the year ended December 31, 2012, compared to 2.62% for the year ended December 31, 2011, mitigated by the decrease in the weighted average balance outstanding of the credit facilities to \$314.7 million for the year ended December 31, 2012 from \$328.4 million for the year ended December 31, 2011. As of December 31, 2012 and 2011, the outstanding loan balance under Navios Partners' credit facilities was \$299.7 million and \$326.1 million, respectively.

Interest income: Interest income decreased by \$0.6 million to \$0.2 million for the year ended December 31, 2012, as compared to \$0.8 million for the year ended December 31, 2011.

Other income: Other income increased by \$22.3 million for the year ended December 31, 2012, as compared to the year ended December 31, 2011. The increase was mainly due to the gain of \$22.5 million related to the credit default insurance settlement. Please read Note 20 of our financial statements.

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Other expense: Other expense decreased by \$0.3 million for the year ended December 31, 2012, as compared to the year ended December 31, 2011.

Net income: Net income for the year ended December 31, 2012 amounted to \$95.9 million compared to \$65.3 million for the year ended December 31, 2011. The increase in net income of \$30.6 million was due to the factors discussed above.

Operating surplus: Navios Partners generated operating surplus for the year ended December 31, 2012 of \$148.9 million, compared to \$115.9 million for the year ended December 31, 2011. 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 Adjusted EBITDA to Net Cash from Operating Activities contained herein).

Seasonality: Since Navios Partners' vessels operate under long-term charters, the results of operations are not generally subject to the effect of seasonable variations in demand.

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

The following table presents consolidated revenue and expense information for the years ended December 31, 2011 and 2010. This information was derived from the audited consolidated revenue and expense accounts of Navios Partners for the respective periods.

	Year ended December 31, 2011	Year ended December 31, 2010
(In thousands of U.S. dollars)		
Time charter revenues	\$ 186,953	\$ 143,231
Time charter expenses	(13,473)	(12,027)
Direct vessel expenses	(61)	(92)
Management fees	(26,343)	(19,746)
General and administrative expenses	(4,965)	(4,303)
Depreciation and amortization	(63,971)	(41,174)
Write-off of intangible asset	(3,979)	
Interest expense and finance cost, net	(9,244)	(6,360)
Interest income	821	1,017
Other income	272	85
Other expense	(675)	(120)
Net income	\$ 65,335	\$ 60,511

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Time Charter Revenues: Time charter revenues for the year ended December 31, 2011 increased by \$43.8 million or 30.6% to \$187.0 million, as compared to \$143.2 million for the year ended December 31, 2010. The increase was mainly attributable to the acquisition of the Navios Aurora II on March 18, 2010, the Navios Pollux on May 21, 2010, the Navios Fulvia and the Navios Melodia on November 15, 2010 and the Navios Luz and the Navios Orbiter on May 19, 2011. As a result of these vessel acquisitions, available days of the fleet increased to 6,251 days for the year ended December 31, 2011, as compared to 4,879 days for the year ended December 31, 2010. The increase in revenue was partially offset by the decrease of \$7.5 million incurred due to unscheduled off hires. The time charter equivalent (TCE) increased to \$29,909 for the year ended December 31, 2011, from \$29,358 for the year ended December 31, 2010.

Time Charter Expenses: Time charter expenses for the year ended December 31, 2011 increased by \$1.5 million or 12.5% to \$13.5 million, as compared to \$12.0 million for the year ended December 31, 2010. The increase was mainly due to the increase in brokers' commission by \$1.0 million and increase in other expenses by \$0.5 million.

Management Fees: Management fees for the year ended December 31, 2011, increased by \$6.6 million or 33.5% to \$26.3 million, as compared to \$19.7 million for the year ended December 31, 2010. The increase was mainly attributable to the increased number of owned vessels in Navios Partners' fleet and the increase in fixed management fees effective from November 17, 2011.

In accordance with the management agreement entered into by Navios Partners, the Manager provided all of Navios Partners' owned vessels with commercial and technical management services for a daily fee of \$4,400 per owned Panamax vessel, \$5,500 per owned Capesize vessel and \$4,500 per owned Ultra-Handymax vessel until November 16, 2011. In October 2011, Navios Partners extended the duration of its existing Management Agreement with the Manager until December 31, 2017 and fixed the rate for shipmanagement services of its owned fleet through December 31, 2013. The new management fees are: (a) \$4,650 daily rate per Ultra-Handymax vessel; (b) \$4,550 daily rate per Panamax vessel; and (c) \$5,650 daily rate per Capesize vessel.

General and Administrative Expenses: General and administrative expenses increased by \$0.7 million or 16.3% to \$5.0 million for the year ended December 31, 2011, as compared to \$4.3 million for the year ended December 31, 2010. The increase was mainly attributable to the increase in administrative expenses paid to the Manager due to the increased number of vessels in Navios Partners' fleet.

Pursuant to the Administrative Services Agreement, the Manager provides administrative services and is reimbursed for reasonable costs and expenses incurred in connection with these services. In October 2011, Navios Partners extended the duration of its existing Administrative Services Agreement with the Manager pursuant to the same terms, until December 31, 2017. For the year ended December 31, 2011 and 2010, the expenses charged by the Manager for administrative fees were \$3.5 million and \$2.7 million, respectively. The balance of \$1.5 million and \$1.6 million of general and administrative expenses, for the year ended December 30, 2011 and 2010, respectively, relate to legal and professional fees, as well as audit fees and directors' fees.

Depreciation and Amortization: Depreciation and amortization amounted to \$64.0 million for the year ended December 31, 2011 compared to \$41.2 million for the year ended December 31, 2010. The increase of \$22.8 million was attributable to: (a) an increase in depreciation expense of \$7.8 million due to the acquisitions of the Navios Sagittarius and the Navios Hyperion on January 8, 2010, the acquisition of the Navios Aurora II on March 18, 2010, the acquisition of the Navios Pollux on May 21, 2010, the acquisitions of the Navios Fulvia and the Navios Melodia on November 15, 2010 and the acquisitions of the Navios Luz and the Navios Orbiter on May 19, 2011; and (b) an increase in amortization expense of \$15.0 million due to the favorable and unfavorable lease terms that were recognized in relation to the acquisition of the rights on the time charter-out contracts of the vessels. Depreciation of vessels is calculated using an estimated useful life of 25 years from the date the vessel was originally delivered from the shipyard. Intangible assets are amortized over the contract periods, which range from three to 12 years.

Write-off of intangible asset: The Navios Apollon was off-hire due to an engine breakdown and therefore the charter-out contract was terminated. The net book value of the favorable lease term that was attached to the charter-out contract was \$4.0 million and was written-off in the Statement of Income.

Interest expense and finance cost, net: Interest expense and finance cost, net for the year ended December 31, 2011 increased by \$2.9 million or 45.3% to \$9.2 million, as compared to \$6.4 million for the year ended December 31, 2010. The increase was due to: (a) the increase in average outstanding loan balance to \$328.4 million in the year ended December 31, 2011 from \$251.6 million in the year ended December 31, 2010; and (b) the higher weighted average interest rate of 2.62% for the year ended December 31, 2011, compared to 2.33% for the year ended December 31, 2010. As of December 31, 2011 and 2010, the outstanding loan balance under Navios Partners' credit facilities was \$326.1 million and \$321.5 million, respectively.

Interest income: Interest income decreased by \$0.2 million to \$0.8 million for the year ended December 31, 2011, as compared to \$1.0 million for the year ended December 31, 2010.

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Other income and expenses, net: Other income and expenses, net increased by \$0.4 million for the year ended December 31, 2011, as compared to the year ended December 31, 2010.

Net income: Net income for the year ended December 31, 2011 amounted to \$65.3 million compared to \$60.5 million for the year ended December 31, 2010. The increase in net income of \$4.8 million was due to the factors discussed above.

Operating surplus: Navios Partners generated operating surplus for the year ended December 31, 2011 of \$115.9 million, compared to \$87.7 million for the year ended December 31, 2010. 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 Adjusted EBITDA to Net Cash from Operating Activities contained herein).

Seasonality: Since Navios Partners' vessels operate under long-term charters, the results of operations are not generally subject to the effect of seasonal variations in demand.

B. Liquidity and Capital Resources

Credit facilities

In November 2007, Navios Partners entered into the \$260.0 million Credit Facility with Commerzbank AG and DVB Bank AG (the Lenders) which was amended at various times thereafter.

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On May 27, 2011, Navios Partners entered into the May 2011 Credit Facility with the Lenders, and borrowed an amount of \$35.0 million to partially finance the acquisitions of the Navios Luz and the Navios Orbiter.

On July 31, 2012, Navios Partners entered into a credit facility agreement with Commerzbank AG and DVB Bank AG (the July 2012 Credit Facility) for \$290.5 million. The July 2012 Credit Facility was entered into to refinance and merge Navios Partners two existing facilities consisting of the Credit Facility, as amended, and the May 2011 Credit Facility. The July 2012 Credit Facility matures on November 30, 2017. In December 2012, Navios Partners amended the July 2012 Credit Facility to prepay \$24.6 million. The prepayment will be applied in partial settlement of the next installments. As of December 31, 2012 the outstanding balance was \$256.6 million and is repayable in 20 installments in various amounts during the term of the July 2012 Credit Facility consisting of \$5.0 million (five quarterly installments), \$7.0 million (13 quarterly installments) and \$11.8 million (two quarterly installments) with a final payment of \$117.4 million. The July 2012 Credit Facility bears interest at rates ranging from 180 to 205 bps per annum (depending on the loan amount compared to the security value) plus, depending on the length of the interest period, either LIBOR or the actual cost of funds. The refinancing of this facility was accounted for as debt modification in accordance with ASC470 Debt.

On August 8, 2012, Navios Partners entered into the August 2012 Credit Facility, and borrowed an amount of \$44.0 million to partially finance the acquisitions of the Navios Buena Ventura, the Navios Helios and the Navios Soleil. The August 2012 Credit Facility matures on February 9, 2018 and is repayable in 22 equal quarterly installments of \$0.9 million each with a final balloon payment of \$23.7 million to be repaid on the last repayment date. The August 2012 Credit Facility bears interest at a rate of LIBOR plus 350 bps.

As of December 31, 2012, the total borrowings under the Navios Partners credit facilities were \$299.7 million. As of December 31, 2012, Navios Partners was in compliance with the financial covenants of its credit facilities.

Amounts drawn under the facilities are secured by first preferred mortgages on Navios Partners vessels and other collateral and are guaranteed by each vessel-owning subsidiary. 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; 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 also require Navios Partners to comply with the ISM Code and ISPS Code and to maintain valid safety management certificates and documents of compliance at all times. The credit facilities also require compliance with a number of financial covenants of Navios Partners, including Net Worth, debt coverage ratios and minimum liquidity. It is an event of default under the loan facilities if such covenants are not complied with.

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

In addition, our credit facilities require us to:

maintain a required security amount of over 140%;

maintain minimum free consolidated liquidity of at least the higher of \$20.0 million and the aggregate of interest and principal falling due during the previous six months;

maintain a ratio of EBITDA to interest expense of at least 5.00 : 1.00;

maintain a ratio of total liabilities to total assets (as defined in our credit facilities) of less than 0.65 : 1.00; and

maintain a minimum net worth to \$250.0 million.

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The credit facilities prohibit us from paying distributions to our unitholders or making new investments if, before and after giving effect to such distribution or investment we are not in compliance with the financial covenants described above or upon the occurrence of an event of default. Events of default under our credit facilities include:

failure to pay any principal, interest fees, expenses or other amounts when due;

breach of certain undertakings, negative covenants and financial covenants contained in the credit facilities, any related security document or guarantee, including failure to maintain unencumbered title to any of the vessel-owning subsidiaries or any of the assets of the vessel-owning subsidiaries and failure to maintain proper insurance and in some cases subject to certain grace and due periods;

default under other indebtedness;

any representation, warranty or statement made by us in the credit facilities or any drawdown notice thereunder or related security document or guarantee is untrue or misleading when made;

any of our or our subsidiaries' assets are subject to any form of execution, attachment, arrest, sequestration or distress in that is not discharged within a specified period of time;

an event of insolvency or bankruptcy;

material adverse change in the financial position or prospects of us or our General Partner;

unlawfulness, non-effectiveness or repudiation of any material provision of our credit facilities, of any of the related finance and guarantee documents;

failure of effectiveness of security documents or guarantee;

instability affecting a country where the vessels are flagged; and

failure of Navios Holdings or its affiliates (as defined in the credit facilities agreements) to own at least 20% of us.

Liquidity and Cash Sources and Uses

In addition to distributions on our units, our primary short-term liquidity needs are to fund general working capital requirements, cash reserve requirements as per 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

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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 operations. We believe that cash flows from operations will be sufficient to meet our existing short-term liquidity needs for at least the next 12 months. In addition, we filed a shelf registration statement on November 9, 2010 under which we may sell any combination of securities (debt or equity) for up to a total of \$500.0 million, approximately \$354.6 million of which is currently available.

Generally, our long-term sources of funds derive from cash from operations, long-term bank borrowings and other debt or equity financings. Because we distribute our available cash, we expect that we will rely upon external financing sources, including bank borrowings and the issuance of debt and equity securities, 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 raise the size of our credit facilities or obtaining additional funds on favorable terms.

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.

As of December 31, 2012, all of our facilities were fully drawn and the total borrowings under our credit facilities amounted to \$299.7 million.

On April 13, 2011, Navios Partners completed its public offering of 4,000,000 common units at \$19.68 per unit and raised gross proceeds of approximately \$78.7 million to fund its fleet expansion. The net proceeds of this offering, including the underwriting discount and excluding offering costs of \$0.2 million, were approximately \$75.2 million. Pursuant to this offering, Navios Partners issued 81,633 additional general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$1.6 million. On the same date, Navios Partners completed the exercise of the over-allotment option previously granted to the underwriters in connection with the offering and issued 600,000 additional common units at the public offering price less the underwriting discount. As a result of the exercise of the over-allotment option, Navios Partners raised additional gross proceeds of \$11.8 million and net proceeds, including the underwriting discount, of approximately \$11.3 million and issued 12,245 additional general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$0.2 million.

On May 19, 2011, Navios Partners acquired from Navios Holdings the Navios Luz, for a purchase price of \$78.0 million, and the Navios Orbiter, for a purchase price of \$52.0 million. Favorable lease terms recognized through this transaction amounted to \$22.9 million for the Navios Luz and \$20.9 million for the Navios Orbiter and were related to the acquisition of the rights on the time charter-out contracts of the vessels. The purchase price for the two vessels consisted of the issuance of 507,916 common units valued at \$10.0 million to Navios Holdings and cash of \$120.0 million. The number of common units issued was calculated based on a price of \$19.6883 per common unit, which was the NYSE volume weighted average trading price of the common units for the ten business day period immediately prior to the date of the acquisition of the vessel. For accounting purposes, the transaction was valued based on the closing price of the day of the transaction, which was \$19.61.

On May 8, 2012, Navios Partners completed its public offering of 4,600,000 common units at \$15.68 per unit and raised gross proceeds of approximately \$72.1 million to fund its fleet expansion. The net proceeds of this offering were approximately \$68.7 million. Pursuant to this offering, Navios Partners issued 93,878 additional general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$1.5 million.

On January 21, 2013, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended December 31, 2012 of \$0.4425 per unit. The distribution was paid on February 14, 2013 to all holders of record of common and general partner units on February 8, 2013. The aggregate amount of the declared distribution was \$27.6 million.

On February 6, 2013, Navios Partners completed its public offering of 4,500,000 common units at \$14.15 per unit and raised gross proceeds of approximately \$63.7 million to fund its fleet expansion. The net proceeds of this offering, including the underwriting discount and excluding offering costs estimated at \$0.3 million were approximately \$60.8 million. Pursuant to this offering, Navios Partners issued 91,837 general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$1.3 million. On the same date, Navios Partners completed the exercise of the option previously granted to the underwriters in connection with the offering and issued 675,000 additional common units at the public offering price less the underwriting discount. As a result of the exercise of the option, Navios Partners raised additional gross proceeds of \$9.6 million and net proceeds, including the underwriting discount, of approximately \$9.1 million and issued

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13,776 additional general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$0.2 million.

As of March 14, 2013, there were outstanding: 65,284,163 common units and 1,332,334 general partnership units. The amount of available cash we need to pay the minimum quarterly distributions for four quarters on our common units and the 2.0% general partner interest is \$85.9 million. During the years ended December 31, 2012, 2011 and 2010, the aggregate amount of cash distribution paid was \$106.9 million, \$95.5 million and \$72.3 million, respectively.

Cash flows for the year ended December 31, 2012 compared to the year ended December 31, 2011:

The following table presents cash flow information for the years ended December 31, 2012 and 2011. This information was derived from the audited consolidated statement of cash flows of Navios Partners for the respective periods.

	Year Ended December 31, 2012	Year Ended December 31, 2011
(In thousands of U.S. dollars)		
Net cash provided by operating activities	\$ 179,081	\$ 127,464
Net cash used in investing activities	(109,698)	(120,000)
Net cash used in financing activities	(85,329)	(10,664)
Change in cash and cash equivalents	\$ (15,946)	\$ (3,200)

Cash provided by operating activities for the year ended December 31, 2012 as compared to the year ended December 31, 2011:

Net cash provided by operating activities increased by \$51.6 million to \$179.1 million for the year ended December 31, 2012 as compared to \$127.5 million for the same period in 2011.

Net income increased by \$30.6 million to \$95.9 million for the year ended December 31, 2012, from \$65.3 million for the year ended December 31, 2011. In determining net cash provided by operating activities for the year ended December 31, 2012, net income was adjusted for the effects of certain non-cash items, including depreciation and amortization of \$71.6 million, \$0.8 million amortization and write-off of deferred financing cost and \$0.03 million amortization of deferred dry dock costs. For the year ended December 31, 2011, net income was adjusted for the effects of certain non-cash items, including depreciation and amortization of \$64.0 million, a \$4.0 million write-off of intangible assets, \$0.5 million amortization of deferred financing cost and \$0.06 million amortization of deferred dry dock costs.

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Restricted cash increased from \$8.5 million for the year ended December 31, 2011 to \$29.5 million for the year ended December 31, 2012. Restricted cash includes an amount of \$28.7 million held in retention and pledged accounts as required by Navios Partners' credit facilities and an amount of \$0.8 million to guarantee a claim related to an owned vessel.

Accounts receivable increased by \$2.9 million, from \$4.8 million at December 31, 2011, to \$7.7 million at December 31, 2012 due to the increase in amounts due from charterers.

Prepaid expenses and other current assets decreased by \$1.6 million, from \$2.2 million at December 31, 2011, to \$0.6 million at December 31, 2012.

Other long term assets increased by \$0.2 million, from \$0.1 million at December 31, 2011, to \$0.3 million at December 31, 2012.

Accounts payable increased by \$0.1 million, from \$2.0 million at December 31, 2011, to \$2.1 million at December 31, 2012.

Accrued expenses increased by \$0.6 million from \$3.0 million at December 31, 2011 to \$3.6 million at December 31, 2012. The primary reasons for the increase were a \$0.2 million provision on loss in time charter in progress at the year-end, an increase in accrued voyage expenses by \$0.9 million and an increase by \$0.1 million in other accrued expenses, partially offset by a decrease in accrued loan interest of \$0.6 million.

Deferred voyage revenue primarily relates to cash received from charterers prior to it being earned. Deferred voyage revenue, net of commissions decreased by \$6.0 million from \$15.1 million at December 31, 2011 to \$9.1 million at December 31, 2012. Out of the \$9.1 million at December 31, 2012, the amount of \$4.2 million represents the short-term portion of unamortized deferred revenue received from the counterparty to the Navios Hope. Please read Note 10 of our financial statements.

Amounts due to related parties increased by \$17.7 million, from \$4.0 million at December 31, 2011, to \$21.7 million for the year ended December 31, 2012. The increase was mainly attributable to an increase in accrued management fees by \$12.4 million, an increase in accrued administrative expenses by \$1.2 million and an increase in other payables due to affiliated companies by \$4.1 million.

Cash used in investing activities for the year ended December 31, 2012 as compared to the year ended December 31, 2011:

Net cash used in investing activities was \$109.7 million for the year ended December 31, 2012 as compared to \$120.0 million for the same period in 2011.

On June 15, 2012, Navios Partners acquired from Navios Holdings the Navios Buena Ventura, for a purchase price of \$67.5 million. Favorable lease terms recognized through this transaction amounted to \$21.2 million for the Navios Buena Ventura and were related to the acquisition of the rights on the time charter-out contract of the vessel. The amount of \$46.3 million for the Navios Buena Ventura was classified under vessels, net.

On July 24, 2012, Navios Partners acquired the Navios Soleil from an unrelated third party, for an acquisition cost of \$21.1 million in cash consideration.

On July 27, 2012, Navios Partners acquired the Navios Helios from an unrelated third party, for an acquisition cost of \$21.1 million in cash consideration.

On May 19, 2011, Navios Partners acquired from Navios Holdings the Navios Luz, for a purchase price of \$78.0 million, and the Navios Orbiter, for a purchase price of \$52.0 million. The purchase price for the two vessels consisted of the issuance of 507,916 common units to Navios Holdings and cash of \$120.0 million. Favorable lease terms recognized through this transaction amounted to \$22.9 million for the Navios Luz and \$20.9 million for the Navios Orbiter and were related to the acquisition of the rights on the time charter-out contracts of the vessels. The amounts of \$55.1 million for the Navios Luz and the amount of \$31.1 million for the Navios Orbiter were classified under vessels, net.

Cash used in financing activities for the year ended December 31, 2012 as compared to the year ended December 31, 2011:

Net cash used in financing activities increased by \$74.6 million to \$85.3 million outflow for the year ended December 31, 2012, as compared to \$10.7 million for the same period in 2011.

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Cash used in financing activities of \$85.3 million for the year ended December 31, 2012 was due to: (a) \$68.6 million proceeds from the issuance of 4,600,000 common units in May 2012, net of offering costs; (b) \$1.5 million from the issuance of additional general partnership units; and (c) proceeds of \$44.0 million on August 8, 2012, under the August 2012 Credit Facility. This overall increase was partially offset by: (a) loan repayments of \$70.3 million; (b) payment of a total cash distribution of \$106.9 million; (c) payment of \$1.1 million financing costs relating to the August 2012 Credit Facility of \$44.0 million; and (d) increase of \$21.1 million in restricted cash related to the amounts held in retention accounts in order to service debt payments as required by Navios Partners' credit facilities.

Cash used in financing activities of \$10.7 million for the year ended December 31, 2011 was due to: (a) \$86.3 million proceeds from the issuance of 4,600,000 common units in April 2011, net of offering costs; (b) \$2.0 million from the issuance of additional general partnership units to the General Partner; and (c) proceeds of \$35.0 million on May 27, 2011, under the May 2011 Credit Facility. This overall increase was offset by: (a) loan repayments of \$30.5 million; (b) payment of \$0.4 million financing costs relating to the May 2011 Credit Facility; (c) payment of a total cash distribution of \$95.5 million; and (d) an increase of \$7.6 million in restricted cash related to the amounts held in retention account in order to service debt payments and amounts held in pledged account as required by Navios Partners' credit facilities.

Cash flows for the year ended December 31, 2011 compared to the year ended December 31, 2010:

The following table presents cash flow information for the years ended December 31, 2011 and 2010. This information was derived from the audited consolidated statement of cash flows of Navios Partners for the respective periods.

	Year Ended December 31, 2011	Year Ended December 31, 2010
	(In thousands of U.S. dollars)	
Net cash provided by operating activities	\$ 127,464	\$ 96,018
Net cash used in investing activities	(120,000)	(447,757)
Net cash (used in)/provided by financing activities	(10,664)	325,139
Change in cash and cash equivalents	\$ (3,200)	\$ (26,600)

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Cash provided by operating activities for the year ended December 31, 2011 as compared to the year ended December 31, 2010:

Net cash provided by operating activities increased by \$31.5 million to \$127.5 million for the year ended December 31, 2011 as compared to \$96.0 million for the same period in 2010.

Net income increased by \$4.8 million to \$65.3 million for the year ended December 31, 2011, from \$60.5 million for the year ended December 31, 2010. In determining net cash provided by operating activities for the year ended December 31, 2011, net income was adjusted for the effects of certain non-cash items, including depreciation and amortization of \$64.0 million, a \$4.0 million write-off of intangible assets, \$0.5 million amortization of deferred financing cost and \$0.06 million amortization of deferred dry dock costs. For the period ended December 31, 2010, net income was also adjusted for the effects of certain non-cash items, including depreciation and amortization of \$41.2 million, \$0.4 million amortization and write-off of deferred financing cost, and \$0.09 million amortization of deferred dry dock costs.

Restricted cash increased from \$0.8 million for the year ended December 31, 2010 to \$8.5 million for the year ended December 31, 2011. Restricted cash included an amount of \$7.7 million held in retention and pledged accounts as required by Navios Partners' credit facilities and an amount of \$0.8 million to guarantee a claim related to an owned vessel.

Accounts receivable increased by \$3.9 million, from \$0.9 million at December 31, 2010, to \$4.8 million at December 31, 2011 due to the increase in amounts due from charterers. The increase of accounts receivables, net as of December 31, 2011, compared to December 31, 2010, was mainly attributable to the increase in charterers' receivables and in particular one of Navios Partners' charterers delayed hire payments during 2011 but has since resumed making payments to Navios Partners.

Prepaid expenses and other current assets decreased by \$0.4 million, from \$2.6 million at December 31, 2010, to \$2.2 million at December 31, 2011.

Other long term assets decreased by \$0.1 million, from \$0.2 million at December 31, 2010, to \$0.1 million at December 31, 2011.

Accounts payable increased by \$0.9 million, from \$1.1 million at December 31, 2010, to \$2.0 million at December 31, 2011. The increase was attributed to the increase in accounts payable by \$0.4 million and the increase in brokers' commissions payable by \$0.6 million, partially offset by the decrease in professional and legal fees payable by \$0.1 million.

Accrued expenses increased by \$1.1 million from \$1.9 million at December 31, 2010 to \$3.0 million at December 31, 2011. The primary reasons for the increase were an increase in accrued voyage expenses by \$0.5 million and an increase in accrued loan interest by \$0.6 million partially offset by a decrease in other accrued expenses by \$0.1 million.

Deferred voyage revenue primarily relates to cash received from charterers prior to it being earned. Deferred voyage revenue, net of commissions decreased by \$6.5 million from \$21.6 million at December 31, 2010 to \$15.1 million at December 31, 2011. Out of the \$15.1 million at December 31, 2011, the amounts of \$6.8 million and \$4.2 million represent the short and long term portion, respectively, of unamortized deferred revenue received from the counterparty to the Navios Hope.

Amounts due to related parties increased by \$1.4 million, from \$2.6 million at December 31, 2010, to \$4.0 million for the year ended December 31, 2011. The increase was mainly attributable to an increase in accrued management fees and accrued administrative expenses by \$2.2 million, partially offset by a decrease in other payables due to affiliated companies by \$0.8 million.

Cash used in investing activities for the year ended December 31, 2011 as compared to the year ended December 31, 2010:

Net cash used in investing activities was \$120.0 million for the year ended December 31, 2011 as compared to \$447.8 million for the same period in 2010.

On May 19, 2011, Navios Partners acquired from Navios Holdings the Navios Luz, for a purchase price of \$78.0 million, and the Navios Orbiter, for a purchase price of \$52.0 million. The purchase price for the two vessels consisted of the issuance of 507,916 common units to Navios Holdings and cash of \$120.0 million. Favorable lease terms recognized through this transaction amounted to \$22.9 million for the Navios Luz and \$20.9 million for the Navios Orbiter and were related to the acquisition of the rights on the time charter-out contracts of the vessels. The amounts of \$55.1 million for the Navios Luz and the amount of \$31.1 million for the Navios Orbiter were classified under vessels, net.

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On January 8, 2010, Navios Partners purchased from Navios Holdings the vessel Navios Hyperion for a purchase price of \$63.0 million paid in cash. Favorable lease terms recognized through this transaction amounted to \$30.7 million and were related to the acquisition of the rights on the time charter out contract of the vessel and the amount of \$32.3 million was classified under vessels, net.

On January 12, 2010, Sagittarius Shipping Corporation, a wholly owned subsidiary of Navios Partners, purchased the vessel Navios Sagittarius for a total cash payment of \$25.3 million (including capitalized expenses of \$0.3 million), of which \$2.5 million was paid as advance in December 2009 and \$22.8 million was paid in January 2010.

On March 18, 2010, Navios Partners purchased from Navios Holdings the vessel Navios Aurora II for a purchase price of \$110.0 million, consisting of \$90.0 million cash and the issuance of 1,174,219 common units to Navios Holdings. Favorable lease terms recognized through this transaction amounted to \$42.5 million and were related to the acquisition of the rights on the time charter-out contract of the vessel and the amount of \$67.8 million was classified under vessels, net.

On May 21, 2010, Navios Partners purchased from Navios Holdings the vessel Navios Pollux for a purchase price of \$110.0 million, paid in cash. Favorable lease terms recognized through this transaction amounted to \$38.0 million and were related to the acquisition of the rights on the time charter-out contract of the vessel and the amount of \$72.0 million was classified under vessels, net.

On November 15, 2010, Navios Partners acquired from Navios Holdings the Navios Melodia, for a purchase price of \$78.8 million, and the Navios Fulvia, for a purchase price of \$98.2 million. The purchase price consisted of the issuance of 788,370 common units issued to Navios Holdings and \$162.0 million cash. Favorable lease terms recognized through this transaction amounted to \$13.8 million for the Navios Melodia and \$31.2 million for the Navios Fulvia and were related to the acquisition of the rights on the time charter-out contract of the vessels. The amounts of \$65.0 million for the Navios Melodia and the amount of \$67.0 million for the Navios Fulvia were classified under vessels, net.

Cash (used in)/provided by financing activities for the year ended December 31, 2011 as compared to the year ended December 31, 2010:

Net cash used in financing activities decreased by \$335.8 million to \$10.7 million outflow for the year ended December 31, 2011, as compared to \$325.1 million inflow for the same period in 2010.

Cash used in financing activities of \$10.7 million for the year ended December 31, 2011 was due to: (a) \$86.3 million proceeds from the issuance of 4,600,000 common units in April 2011, net of offering costs; (b) \$2.0 million from the issuance of additional general partnership units to the General Partner; and (c) proceeds of \$35.0 million on May 27, 2011, under the May 2011 Credit Facility. This overall increase was offset by: (a) loan repayments of \$30.5 million; (b) payment of \$0.4 million financing costs relating to the May 2011 Credit Facility; (c) payment of a total cash distribution of \$95.5 million; and (d) an increase of \$7.6 million in restricted cash related to the amounts held in retention account in order to service debt payments and amounts held in pledged account as required by Navios Partners' credit facilities.

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Cash provided by financing activities of \$325.1 million for the year ended December 31, 2010 was due to the following: (a) net proceeds of \$253.9 million from the issuance of 15,525,000 common units; (b) \$6.2 million from the issuance of 356,891 general partnership units to the General Partner; (c) proceeds of \$139.0 million under certain amendments to our Credit Facility; and (d) release of the \$12.5 million as cash reserves held in pledged account under the January 2010 amendment of our Credit Facility. This overall increase was partially offset by: (a) prepayment of \$12.5 million which took place in January 2010, according to the amendment dated January 11, 2010 to the Credit Facility; (b) payment of \$1.6 million financing costs relating to the amendments to the Credit Facility, described above; and (c) payment of a total cash distribution of \$72.3 million.

Reconciliation of EBITDA and Adjusted EBITDA to Net Cash from Operating Activities

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
	(Expressed in thousands of U.S. dollars)		
Net Cash from Operating Activities	\$ 179,081	\$ 127,464	\$ 96,018
Net increase in operating assets	1,565	3,430	2,287
Net (increase)/decrease in operating liabilities	(12,314)	2,982	3,887
Net interest cost	9,898	8,423	5,343
Write-off of intangible asset		(3,979)	
Deferred finance charges	(787)	(530)	(415)
EBITDA⁽¹⁾	\$ 177,443	\$ 137,790	\$ 107,120
Write-off of intangible asset		3,979	
Adjusted EBITDA	\$ 177,443	\$ 141,769	\$ 107,120
Cash interest income	262	801	1,086
Cash interest paid	(9,957)	(8,131)	(5,806)
Maintenance and replacement capital expenditures	(18,869)	(18,569)	(14,669)
Operating Surplus	\$ 148,879	\$ 115,870	\$ 87,731

(1)

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
	(Expressed in thousands of U.S. dollars)		
Net cash provided by operating activities	\$ 179,081	\$ 127,464	\$ 96,018
Net cash used in investing activities	\$ (109,698)	\$ (120,000)	\$ (447,757)
Net cash (used in)/provided by financing activities	\$ (85,329)	\$ (10,664)	\$ 325,139

EBITDA and Adjusted EBITDA

EBITDA represents net income plus interest and finance costs plus depreciation and amortization and income taxes.

Adjusted EBITDA represents EBITDA plus the non-cash charge for the write-off of the intangible asset associated with the Navios Apollon charter-out contract.

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EBITDA and Adjusted EBITDA are presented because Navios Partners believes that EBITDA is a basis upon which liquidity can be assessed and present useful information to investors regarding Navios Partners' ability to service and/or incur indebtedness, pay capital expenditures, meet working capital requirements and pay dividends. EBITDA and Adjusted EBITDA are non-GAAP financial measures 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.

While EBITDA and Adjusted EBITDA are frequently used as a measure of operating results and the ability to meet debt service requirements, the definition of EBITDA and Adjusted EBITDA used here may not be comparable to that used by other companies due to differences in methods of calculation.

Adjusted EBITDA increased by \$35.6 million to \$177.4 million for the year ended December 31, 2012, as compared to \$141.8 million for the same period in 2011. The increase in Adjusted EBITDA was due to an \$18.4 million increase in revenue following the acquisitions of the five vessels at various times through July 2012: the Navios Luz, the Navios Orbiter, the Navios Buena Ventura, the Navios Soleil and the Navios Helios, a \$0.6 million decrease in time charter expenses, a \$22.3 million increase in other income mainly from the credit default insurance settlement and a \$0.3 million decrease in other expense. The above increase was partially offset by a \$5.4 million increase in management fees and a \$0.6 million increase in general and administrative expenses as a result of the increased number of vessels in Navios Partners' fleet.

Adjusted EBITDA increased by \$34.7 million to \$141.8 million for the year ended December 31, 2011, as compared to \$107.1 million for the same period in 2010. The increase in Adjusted EBITDA was due to a \$43.8 million increase in revenue following the acquisitions of the Navios Hyperion and the Navios Sagittarius in January 2010, the Navios Aurora II in March 2010, the Navios Pollux in May 2010, the Navios Melodia and the Navios Fulvia in November 2010 and the Navios Luz and the Navios Orbiter in May 2011. The above increase was partially offset by a \$6.6 million increase in management fees, a \$1.4 million increase in time charter expenses and a \$1.1 million increase in administrative and other expenses as a result of the increased number of vessels in Navios Partners' fleet.

Operating Surplus

Operating Surplus represents net income adjusted for depreciation and amortization expense, non-cash interest expense and estimated maintenance and replacement capital expenditures. 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.

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Navios Partners' long-term third party borrowings are reflected in its balance sheet as Long-term debt. As of December 31, 2012 and December 31, 2011, long-term debt amounted to \$276.0 million and \$289.4 million, respectively. The current portion of long-term debt amounted to \$23.7 million and \$36.7 million as of December 31, 2012 and December 31, 2011, respectively. As of December 31, 2012, all of our facilities were fully drawn.

Capital Expenditures

During the years ended December 31, 2012, 2011 and 2010, we financed our capital expenditures with cash flow from operations, the incurrence of bank debt, owner's contribution and equity raisings. Capital expenditures for the years ended December 31, 2012, 2011 and 2010 amounted to \$109.7 million, \$120.0 million and \$447.8 million, respectively. For the year ended December 31, 2012, expansion capital expenditures of \$109.7 million related to the acquisition of the Navios Buena Ventura in June 2012 and the acquisition of the Navios Helios and the Navios Soleil in July 2012. For the year ended December 31, 2011, expansion capital expenditures of \$120.0 million related to the acquisition of the Navios Luz and the Navios Orbiter in May 2011. For the year ended December 31, 2010, expansion capital expenditures of \$447.8 million related to the acquisition of the Navios Sagittarius and the Navios Hyperion in January 2010 and the acquisition of the Navios Aurora in March 2010, the Navios Pollux in May 2010 and the Navios Melodia and the Navios Fulvia in November 2010.

Maintenance for our vessels and expenses related to drydocking are included in the fee we pay our Manager under our Management Agreement. In October 2009, we fixed the rate with the Manager for a period of two years until November 2011, while the initial term of the Management Agreement was set to expire in November 2012. In October 2011, Navios Partners extended the duration of its existing Management Agreement with the Manager until December 31, 2017 and fixed the rate for shipmanagement services of its owned fleet through December 31, 2013. The new management fees are: (a) \$4,650 daily rate per Ultra-Handymax vessel; (b) \$4,550 daily rate per Panamax vessel; and (c) \$5,650 daily rate per Capesize vessel. The fee we pay to the Manager includes commercial and technical services and any costs associated with scheduled drydockings during the term of the Management Agreement.

Replacement Reserve

Our annual replacement reserve for the years ended December 31, 2012 and 2011 was \$18.9 million and \$18.6 million, respectively, for replacing our vessels at the end of their useful lives.

The amount for estimated maintenance and 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; and (iii) 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.

Possible Acquisitions of Other Vessels

Although we do not currently have in place any agreements relating to acquisitions of other vessels (other than our options to purchase the Navios Prosperity and the Navios Aldebaran, which we currently charter-in), we assess potential acquisition opportunities on a regular basis. Pursuant to our Omnibus Agreement with Navios Holdings, as amended in June 2009, we will have the opportunity to purchase additional drybulk vessels from Navios Holdings when those vessels are fixed under charters of three or more years upon their expiration of their current charters or upon completion of their construction. Subject to the terms of our loan agreements, we could elect to fund any future acquisitions with equity or debt or cash on hand or a combination of these forms of consideration. Any debt incurred for this purpose could make us more leveraged and increase our debt service obligations or could subject us to additional operational or financial restrictive covenants.

C. Research and development, patents and licenses, etc.

Not applicable.

D. Trend information

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Our results of operations depend primarily on the charter hire rates that we are able to realize for our vessels, which depend on the demand and supply dynamics characterizing the dry bulk market at any given time. For other trends affecting our business please see other discussions in Item 5-Operating and Financial Review and Prospects .

E. 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.

F. Contractual Obligations and Contingencies

The following table summarizes our long-term contractual obligations as of December 31, 2012:

	Payments due by period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
	(In thousands of U.S. dollars)				
Loan obligations ⁽¹⁾	\$ 23,727	\$ 66,036	\$ 185,371	\$ 24,575	\$ 299,709
Operating lease obligations ⁽²⁾	\$ 9,864	\$ 7,599	\$	\$	\$ 17,463
Total contractual obligations	\$ 33,591	\$ 73,635	\$ 185,371	\$ 24,575	\$ 317,172

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- (1) The amount identified does not include interest costs associated with the outstanding credit facilities which are based on LIBOR plus the costs of complying with any applicable regulatory requirements and a margin ranging from 1.65% to 1.95% per annum.
- (2) These amounts reflect future minimum commitments under charter-in contracts, net of commissions. As of December 31, 2012, Navios Partners had entered into charter-in agreements for two of its vessels (the Navios Prosperity and the Navios Aldebaran). The Navios Prosperity is a chartered-in vessel until June 2014 for seven years with options to extend for two one-year periods. Navios Partners has the option to purchase the Navios Prosperity after June 2012 at a purchase price that is initially 3.8 billion Japanese Yen (\$44.2 million based on the exchange rate at December 31, 2012), declining pro rata each year by 145 million Japanese Yen (\$1.7 million based on the exchange rate at December 31, 2012). The Navios Aldebaran is a chartered-in vessel for seven years until March 2015 with options to extend for two one-year periods. Navios Partners has the option to purchase the Navios Aldebaran after March 2013 at a purchase price that is initially 3.6 billion Japanese Yen (\$41.9 million based on the exchange rate at December 31, 2011) declining pro rata each year by 150 million Japanese Yen (\$1.8 million based on the exchange rate at December 31, 2012).

Critical Accounting Policies

Our financial statements have been prepared in accordance with US 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. For a description of all of our significant accounting policies, see Note 2 to the Notes to the consolidated financial statements included elsewhere in this Annual Report.

As of December 31, 2012, Navios Partners owned and operated a fleet of 19 vessels, with an aggregate carrying value of \$881.8 million, including the carrying value of existing time charters on its fleet of vessels. On a vessel-by-vessel basis, as of December 31, 2012, the carrying value of 16 of Navios Partners' vessels (including the carrying value of the time charter, if any, on the specified vessel) exceeded the estimated fair value of those same vessels (including the estimated fair value of the time charter, if any, on the specified vessel) by approximately \$161.9 million in the aggregate (the unrealized loss).

As of December 31, 2011, the carrying value of 11 of Navios Partners' vessels (including the carrying value of the time charter, if any, on the specified vessel) exceeded the estimated fair value of those same vessels (including the estimated fair value of the time charter, if any, on the specified vessel) by approximately \$99.3 million in the aggregate (the unrealized loss).

As of December 31, 2010, the carrying value of 6 of Navios Partners' vessels (including the carrying value of the time charter, if any, on the specified vessel) exceeded the estimated fair value of those same vessels (including the estimated fair value of the time charter, if any, on the specified vessel) by approximately \$79.4 million in the aggregate (the unrealized loss).

A vessel-by-vessel summary as of December 31, 2012, follows (with an * indicating those individual vessels whose carrying value exceeds its estimated fair value, including the related time charter, if any):

Vessel name	Date of Acquisition	Purchase Price (1)	Carrying Value as of December 31, 2012 (1)
(In millions of U.S. dollars)			
Navios Libra II	11/16/2007	\$ 26.3	\$ 14.5*
Navios Alegria	11/16/2007	38.9	28.2*
Navios Felicity	11/16/2007	31.3	19.2*
Navios Gemini S	11/16/2007	24.3	13.3*
Navios Galaxy I	11/16/2007	30.7	21.4
Navios Hope	07/01/2008	80.0	64.1*
Navios Apollon	10/29/2009	32.0	19.5*
Navios Fantastiks	05/02/2008	87.5	70.2*
Navios Sagittarius	01/12/2010	59.4	45.1

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Navios Hyperion	01/08/2010	63.0	36.8*
Navios Aurora II	03/18/2010	110.3	91.2*
Navios Pollux	05/21/2010	110.0	92.2*
Navios Melodia	11/15/2010	78.8	71.4*
Navios Fulvia	11/15/2010	98.2	79.5*
Navios Luz	05/19/2011	78.0	70.9*
Navios Orbiter	05/19/2011	52.0	37.7*
Navios Buena Ventura	06/15/2012	67.5	65.2*
Navios Soleil	07/24/2012	21.1	20.7
Navios Helios	07/27/2012	21.1	20.7*

\$ 1,110.4 \$ 881.8

- (1) All amounts include related time charter, if any. Although the aforementioned excess of carrying value over fair value represents an estimate of the loss that Navios Partners would sustain on a hypothetical disposition of those vessels as of December 31, 2012, the recognition of the unrealized loss absent a disposition (i.e. as an impairment) would require, among other things, that a triggering event had occurred and that the undiscounted cash flows attributable to the vessel are also less than the carrying value of the vessel (including the carrying value of the time charter, if any, on the specified vessel).

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Impairment of Long Lived Assets

Vessels, other fixed assets and other long lived assets held and used by Navios Partners are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In accordance with accounting for the impairment or disposal of long-lived assets, Navios Partners management evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events or changes in circumstances have occurred that would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, certain indicators of potential impairment, are reviewed such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions.

Undiscounted projected net operating cash flows are determined for each vessel and compared to the vessel carrying value of the vessel and related carrying value of the intangible with respect to the time charter agreement attached to that vessel. Within the shipping industry, vessels are customarily bought and sold with a charter attached. The value of the charter may be favorable or unfavorable when comparing the charter rate to then current market rates. The loss recognized either on impairment (or on disposition) will reflect the excess of carrying value over fair value (selling price) for the vessel asset group.

During the fourth quarter of fiscal 2012, management concluded that events occurred and circumstances had changed, which indicated that potential impairment of Navios Partners long-lived assets may exist. These indicators included continued deterioration in the spot market, and the related, impact of the current drybulk sector has on management's expectation for future revenues. As a result, an impairment assessment of long-lived assets was performed.

Navios Partners determined undiscounted projected net operating cash flows for each vessel and compared it to the vessel's carrying value together with the carrying value of the related intangible. The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis included: determining the projected net operating cash flows by considering the charter revenues from existing time charters for the fixed fleet days (Navios Partners remaining charter agreement rates) and an estimated daily time charter equivalent for the unfixed days (based on a combination of the Navios Partners remaining charter agreement rates and the 10-year average historical one year time charter rates adjusted for outliers) over the remaining economic life of each vessel, net of brokerage and address commissions and excluding days of scheduled off-hires, management fees fixed until December 2013 and thereafter assuming an annual increase of 3.0% and utilization rate of 98.6% based on the fleet's historical performance. The assessment concluded that step two of the impairment analysis was not required and no impairment of vessels and the intangible assets existed as of December 31, 2012, as the undiscounted projected net operating cash flows exceeded the carrying value.

In connection with its annual impairment testing on its vessels as of December 31, 2012, the Company performs sensitivity analysis on the most sensitive and/or subjective assumptions that have the potential to affect the outcome of the test, principally the projected charter rate used to forecast future cash flows for unfixed days. In that regard, there would continue to be no impairment required to be recognized on any of the Company's vessels when assuming a decline in the 10-year average (of the one-year charter rate for similar vessels), which is the rate that the Company uses to forecast future cash flows for unfixed days, ranging from 35.16% to 92.21% (depending on the vessel).

In addition, the Company compared the ten-year historical average (of the one-year charter rate for similar vessels), with current rates for five-year, three-year and one-year charters (for similar vessels). A comparison of the ten-year historical average (of the one-year charter rate) and the current rates for five-year, three-year and one-year charters (for similar vessels) follows (as of December 31, 2012):

	Current Time Charter Rates of Various Terms (for Similar Vessels) vs. Ten-year Historical Average (of the One-Year Charter Rate)		
	5-Year Average	3-Year Average	1-Year Average
	(% above (below) the 10-Year average)		
Ultra-Handymax	-6.7%	-33.2%	-55.1%
Panamax	-4.8%	-36.5%	-62.3%
Capesize	-10.2%	-54.1%	-70.5%

As disclosed elsewhere, the Company's fleet includes 16 vessels for which the carrying value (including the carrying value of the time charter, if any, on the specified vessel) exceeds the estimated fair value of those same vessels (including the estimated fair value of the time charter, if any, on the specified vessel) by approximately \$161.9 million in the aggregate (the unrealized loss). If testing for impairment using current rates for five-year (for similar vessels) in lieu of the ten-year historical average, none of Navios Partners' vessels would have carrying values in excess of their projected undiscounted future cash flows. If testing for impairment using current rates for three-year and one-year charters historical

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average (of the one-year charter rate for similar vessels) in lieu of the ten-year historical average (of the one-year charter rate for similar vessels), Navios Partners estimates that 1 and 6 of its vessels, respectively, would have carrying values in excess of their projected undiscounted future cash flows.

As of December 31, 2012, the 10-year historical average rates for its vessels (which naturally varies by type of vessel) used in determining future cash flows for purposes of its impairment analysis were less than 5% higher than the Company's daily time charter equivalent rate achieved in fiscal year 2012 of \$28,907 per day. For vessels under fixed contract as of December 31, 2012, the actual charter contract rates vary from a minimum of \$7,000 net per day to a maximum of \$50,588 net per day.

In the event that impairment would occur, the fair value of the related asset would be determined and an impairment charge would be recorded to operations calculated by comparing the asset's carrying value to its fair value. Fair value is estimated primarily through the use of third-party valuations performed on an individual vessel basis.

Although management believes the underlying assumptions supporting this assessment are reasonable, if charter rate trends and the length of the current market downturn, vary significantly from our forecasts, management may be required to perform step two of the impairment analysis in the future that could expose Navios Partners to material impairment charges in the future.

No impairment loss was recognized for any of the periods presented.

Vessels

Vessels are stated at historical cost, which consists of the contract price and any material expenses incurred upon acquisition (improvements and delivery expenses). Vessels acquired in an asset acquisition or in business combination are recorded at fair value. Subsequent expenditures for major improvements and upgrading are capitalized, provided they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Expenditures for routine maintenance and repairs are expensed as incurred.

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Depreciation is computed using the straight line method over the useful life of the vessels, after considering the estimated residual value. Management estimates the residual values of our dry bulk vessels based on a scrap value of \$285 per lightweight ton, as we believe these levels are common in the shipping industry. Management estimates the useful life of our vessels to be 25 years from the vessel's original construction. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective.

Deferred Drydock and Special Survey Costs

Our vessels are subject to regularly scheduled dry docking and special surveys which are carried out every 30 or 60 months to coincide with the renewal of the related certificates issued by the classification societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of dry docking and special surveys are included in the daily management fee of \$4,650 per owned Ultra-Handymax vessel, \$4,550 per owned Panamax vessel and \$5,650 per owned Capesize vessel until December 31, 2013. From January 2014 to December 2017, Navios Partners expects that it will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of its fleet.

Revenue Recognition

Revenue is recorded when services are rendered, under a signed charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. Revenue is generated from time charter of vessels.

Revenues from time chartering of vessels are accounted for as operating leases and are thus recognized on a straight line basis as the average minimum lease revenue over the rental periods of such charter agreements, as service is performed. A time charter involves placing a vessel at the charterer's disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Under time charters, operating costs such as for crews, maintenance and insurance are typically paid by the owner of the vessel.

Revenues from profit-sharing are calculated at an agreed percentage of the excess of the charterer's average daily income over an agreed amount and accounted for on an accrual basis based on provisional amounts.

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 rate. Since address commissions represent a discount (sales incentive) on services rendered by Navios Partners and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue.

Recent Accounting Pronouncements

Fair Value Disclosures

In January 2010, the FASB issued amended standards requiring additional fair value disclosures. The amended standards require disclosures of transfers in and out of Levels 1 and 2 of the fair value hierarchy, as well as requiring gross basis disclosures for purchases, sales, issuances and settlements within the Level 3 reconciliation. Additionally, the update clarifies the requirement to determine the level of disaggregation for fair value measurement disclosures and to disclose valuation techniques and inputs used for both recurring and nonrecurring fair value measurements in either Level 2 or Level 3. Navios Partners adopted the new guidance in the first quarter of fiscal 2010, except for the disclosures related to purchases, sales, issuance and settlements, which was effective for Navios Partners beginning in the first quarter of fiscal 2012. The adoption of the new standards did not have a significant impact on Navios Partners' consolidated financial statements.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth information regarding our current directors and senior management:

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Name	Age	Position
Angeliki Frangou	48	Chairman of the Board, Chief Executive Officer and Director
Efstratios Desypris	40	Chief Financial Officer
George Achniotis	48	Executive Vice President-Business Development and Director
Shunji Sasada	55	Director
Serafeim Kriempardis	65	Director (Class III)
Robert Pierot	55	Director (Class I)
John Karakadas	51	Director (Class I)
Vasiliki Papaefthymiou	44	Secretary

Biographical information with respect to each of our current directors and our executive officers is set forth below. The business address for our directors and executive officers is 85 Akti Miaouli Street, Piraeus Greece 185 38.

Angeliki Frangou has been Navios Maritime Partners L.P. Chairman and CEO since August 2007. In addition, Ms. Frangou serves as the Chairman and Chief Executive Officer of Navios Maritime Holdings Inc. , Navios Partners sponsor, since August 2005, and as the Chairman and Chief Executive Officer of Navios Maritime Acquisition Corporation, an owner operator of tanker vessels which also trades on the New York Stock Exchange. Ms. Frangou is also the Chairman of the board of directors of Navios South American Logistics since inception in December 2007. Previously, Ms. Frangou was Chairman, Chief Executive Officer and President of International Shipping Enterprises Inc., which acquired Navios Holdings. During the period 1990 through August 2005, Ms. Frangou was the Chief Executive Officer of Maritime Enterprises Management S.A., and its predecessor company, which specialized in the management of dry cargo vessels. Ms. Frangou is the Chairman of IRF European Finance Investments Ltd., listed on the SFM of the London Stock Exchange. As of September 2012, Ms. Frangou is also serving as a Board member of Eurobank Ergasias S.A. (one of the largest commercial banks in Greece). During the period April 2004 to July 2005, Ms. Frangou served on the board of directors of Emporiki Bank of Greece (then, the second largest retail bank in Greece). From June 2006 until September 2008, Ms. Frangou also served as Chairman of Proton Bank, based in Athens, Greece. Ms. Frangou is Member of the Board of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited and Vice Chairman of China Classification Society Mediterranean Committee and a member of the Hellenic and Black Sea Committee of Bureau Veritas as well as a member of Greek Committee of Nippon Kaiji Kyokai. Ms. Frangou received a bachelor s degree in mechanical engineering from Fairleigh Dickinson University (summa cum laude) and a master s degree in mechanical engineering from Columbia University.

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Efstratios Desypris was appointed our Chief Financial Officer in January 2010. Mr. Desypris is the Chief Financial Controller of Navios Holdings since May 2006. He is also the SVP- Strategic Planning of Navios South American Logistics Inc. Before joining Navios, Mr. Desypris worked for 9 years in the accounting profession, most recently as manager of the audit department at Ernst & Young in Greece. Mr. Desypris started his career as an auditor with Arthur Andersen & Co. in 1997. He holds a Bachelor of Science degree in Economics from the University of Piraeus.

George Achnotis was appointed to our Board of Directors in August 2007 and he has been our Executive Vice President-Business Development since February 2008. Mr. Achnotis has been Navios Holdings Chief Financial Officer since April 12, 2007. Prior to being appointed Chief Financial Officer of Navios Holdings, Mr. Achnotis served as Senior Vice President Business Development of Navios Holdings from August 2006 to April 2007. Prior to joining Navios Holdings, Mr. Achnotis was a partner at PricewaterhouseCoopers from 1999 to August 2006. Mr. Achnotis holds a Bachelors of Science degree in engineering from the University of Manchester and he is a member of the institute of chartered accountants in England and Wales. Mr. Achnotis is also a member of the institute of certificate accountants in Cyprus.

Shunji Sasada was appointed to our Board of Directors in August 2007. Mr. Sasada has been Chief Operating Officer of Navios Holdings since July 2007. Prior to July 2007, Mr. Sasada was Senior Vice President Fleet Development of Navios Holdings from October 1, 2005 to July 2007. Mr. Sasada joined Navios Holdings in May 1997. Mr. Sasada started his shipping career in 1981 in Japan with Mitsui O.S.K. Lines, Ltd. In 1991, Mr. Sasada joined Trinity Bulk Carriers as its chartering manager as well as subsidiary board member representing MOSK as one of the shareholders. Mr. Sasada is the member of the North American Committee of Nippon Kaiji Kyokai. Mr. Sasada is a graduate of Keio University, Tokyo, with a B.A. degree in business.

Serafeim Kriempardis was appointed to our Board of Directors in December 2009. Mr. Kriempardis previously served as the Head of Shipping of Piraeus Bank from 2007 to 2009 and as the Head of Shipping of Emporiki Bank of Greece from 1999 to 2007. Prior to serving as Head of Shipping at Emporiki Bank, Mr. Kriempardis served in the Project Finance and Corporate and Feasibility departments of the bank. Mr. Kriempardis is an accountant by training and holds a Bachelor's degree in Economics from the Athens University of Economics and Business and a Diploma in Management from the McGill University of Canada.

Robert Pierot was appointed to our Board of Directors in October 2007. Since 1979, Mr. Pierot has been engaged in brokering the sale and purchase of a variety of marine assets ranging from United States US Flag inland waterway marine assets, both United States and non-United States Flagged vessels ranging from large bulk carriers, tankers, container vessels and vessels that are used to service the offshore oil and gas exploration and production facilities. Currently, Mr. Pierot serves as director and principal of Jacq. Pierot Jr. & Sons, Inc., a privately held shipbrokers firm based in New York. Mr. Pierot served as a board member for Chiles Offshore prior to its sale to another U.S. publicly traded offshore drilling rig company. Additionally, Mr. Pierot serves as a member of the United States Department of Transportation's Shipbuilding Subcommittee, the Marine Transportation System National Advisory Council. Since 1980, Mr. Pierot has been a member of the Board of Directors of the Hellenic-American Chamber of Commerce. Presently, he serves as the Chairman of this organization.

John Karakadas was appointed to our Board of Directors in October 2007. Mr. Karakadas is the Senior Managing Partner of AESION LLC, a turnaround and restructuring firm engaged in projects globally. From April 2007 until 2011, Mr. Karakadas has served as Executive Director and Deputy CEO of Marfin Investment Group, an Athens Exchange listed Investment Company. From 2005 to 2011, Mr. Karakadas has served as Chairman and Chief Executive Officer of SingularLogic, a southeastern European software vendor and information technology services provider listed on the Athens Exchange. In 2011, from the position of Executive Chairman of the Board of Directors of Olympic Air, he led the successful turnaround process following its privatization. Also, since 2004, he has served on the Board of Directors of Greek Information Technology Holdings S.A. During the period between 2002 and 2003, Mr. Karakadas was the CEO of Tchibo GmbH. Prior to that time, from 1999 to 2000, Mr. Karakadas was President, Asia Pacific, of Burger King, based in Sydney, Australia. Mr. Karakadas received a B.B.A. in Industrial Management from Kent State University. Mr. Karakadas also serves on our Audit Committee and is an independent director.

Vasiliki Papaefthymiou was appointed our Secretary in August 2007. Ms. Papaefthymiou has been Executive Vice President Legal and a member of Navios Holdings board of directors since August 25, 2005, and prior to that was a member of the board of directors of ISE. Ms. Papaefthymiou has served as general counsel for Maritime Enterprises Management S.A. since October 2001, where she has advised the company on shipping, corporate and finance legal matters. Ms. Papaefthymiou provided similar services as general counsel to Franser Shipping from October 1991 to September 2001. Ms. Papaefthymiou received her undergraduate degree from the Law School of the University of Athens and a Masters degree in Maritime Law from Southampton University in the United Kingdom. Ms. Papaefthymiou is admitted to practice law before the Bar in Piraeus, Greece.

On March 1, 2013, Michael Sarris resigned as our Class II director following his appointment as the Minister of Finance in Cyprus. We are currently searching for Mr Sarris replacement.

B. Compensation

Reimbursement of Expenses of Our General Partner

Our General Partner does not receive any management fee or other compensation for services from us, although it will be entitled to reimbursement for expenses incurred on our behalf. In addition, we reimburse the Manager and certain affiliates for expenses incurred pursuant to the management agreement and administrative services agreement we entered into with the Manager. Our General Partner and its other affiliates are reimbursed for expenses incurred on our behalf. These expenses include all expenses necessary or appropriate for the conduct of our business and allocable to us, as determined by our General Partner. For the years ended December 31, 2012, 2011 and 2010 no amounts were paid to the General Partner.

Officers Compensation

We and our General Partner were formed in August 2007. Because our officers including our Chief Executive Officer and our Chief Financial Officer are employees of Navios Holdings, their compensation is set and paid by Navios Holdings, and we reimburse Navios Holdings for time they spend on partnership matters pursuant to the administrative services agreement. Under the terms of the administrative agreement, we reimburse Navios Holdings for the actual costs and expenses it incurs in providing administrative support services to us. The amount of our reimbursements to Navios Holdings for the time of our officers depends on an estimate of the percentage of time our officers spent on our business and is based on a percentage of the salary and benefits that Navios Holdings pays to such officers. Our officers, and officers and employees of affiliates of our General Partner, may participate in employee benefit plans and arrangements sponsored by Navios Holdings, our General Partner or their affiliates, including plans that may be established in the future. Our board of directors may establish such plans without the approval of our limited partners. For the years ended December 31, 2012, 2011 and 2010, the fee charged by the Manager for administrative services was \$3.9 million, \$3.4 million and \$2.7 million, respectively.

Compensation of Directors

Our officers or officers of Navios Holdings who also serve as our directors do not receive additional compensation for their service as directors. Each non-management director receives compensation for attending meetings of our board of directors, as well as committee meetings. Non-management directors receive a director fee of \$45,000 per year. Ms. Frangou receives a fee of \$150,000 per year for acting as a director and as our Chairman of the Board. The Chairman of our audit committee and our conflicts committee receives an additional fee of \$20,000 per year. In addition, each director is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees. Each director is fully indemnified by us for actions associated with being a director to the extent permitted under Marshall Islands law.

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For the years ended December 31, 2012, aggregate annual compensation paid to our current non-management executive directors was \$0.2 million and \$0.15 million was paid to Ms. Frangou for acting as a director and as our Chairman of the Board. For the years ended December 31, 2011, aggregate annual compensation paid to our current non-management executive directors was \$0.2 million and \$0.15 million was paid to Ms. Frangou for acting as a director and as our Chairman of the Board. For the years ended December 31, 2010 the aggregate annual compensation paid to our current non-management executive directors was \$0.16 million and \$0.1 million was paid to Ms. Frangou for acting as a director and as our Chairman of the Board.

C. Board Practices

Our partnership agreement provides that our General Partner has delegated to our board of directors the authority to oversee and direct our operations, management and policies on an exclusive basis, and such delegation will be binding on any successor general partner of the partnership. Our General Partner, Navios GP L.L.C., is wholly owned by Navios Holdings. Our executive officers manage our day-to-day activities consistent with the policies and procedures adopted by our board of directors. All of our executive officers and three of our directors also are executive officers, directors and/or affiliates of Navios Holdings and our Chief Executive Officer is also the Chairman and Chief Executive Officer of Navios Acquisition and Navios Holdings.

Following our first annual meeting of unitholders in 2008, our board of directors consisted of seven members, three persons who were appointed by our General Partner in its sole discretion and four who were elected by the common unitholders. Directors appointed by our general partner serve as directors for terms determined by our general partner. Directors elected by our common unitholders are divided into three classes serving staggered three-year terms. Two of the four directors elected by our common unitholders were designated as the Class I elected directors and will serve until our annual meeting of unitholders in 2015, as their term was renewed for three years during our 2012 annual meeting of unitholders; one of the four directors was designated as the Class II elected director and, upon their appointment (following Mr Sarris resignation), will serve until our annual meeting of unitholders in 2013 as the term was renewed for three years during our 2010 annual meeting of unitholders; and the remaining director was designated as our Class III elected director and will serve until our annual meeting of unitholders in 2014. At each subsequent annual meeting of unitholders, directors will be elected to succeed the class of directors whose terms have expired by a plurality of the votes of the common unitholders. Directors elected by our common unitholders will be nominated by the board of directors or by any limited partner or group of limited partners that holds at least 10% of the outstanding common units.

We have two committees: an audit committee and a conflicts committee. With respect to our corporate governance, there are several significant differences between us and a domestic issuer in that the New York Stock Exchange does not require a listed limited partnership like us to have a majority of independent directors on our board of directors or to establish a compensation committee or a nominating/corporate governance committee.

Two independent members of our board of directors serve on a conflicts committee to review specific matters that the board believes may involve potential conflicts of interest. The conflicts committee determines if the resolution of the conflict of interest is fair and reasonable to us. The members of the conflicts committee may not be officers or employees of our general partner or directors, officers or employees of its affiliates, and must meet the independence standards established by the New York Stock Exchange to serve on an audit committee of a board of directors and certain other requirements. Any matters approved by the conflicts committee are conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our directors, our general partner or its affiliates of any duties any of them may owe us or our unitholders. The members of our conflicts committee are Messrs. John Karakadas and Serafeim Kriempardis.

In addition, we have an audit committee of two independent directors. One of the members of the audit committee is an audit committee financial expert for purposes of SEC rules and regulations. The audit committee, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities and procedures and the adequacy of our internal accounting controls. Our audit committee is comprised of Messrs. John Karakadas and Serafeim Kriempardis and our audit committee financial expert is Mr. Kriempardis.

As a result of the resignation of Mr. Sarris, upon appointment of a new independent director, we anticipate adding this director to the conflicts committee and the audit committee.

Employees of the Manager, a subsidiary of Navios Holdings, provide assistance to us and our operating subsidiaries pursuant to the management agreement and the administrative services agreement.

Our Chief Executive Officer, Ms. Angeliki Frangou, and our Chief Financial Officer, Mr. Efstratios Desypris, allocate their time between managing our business and affairs and the business and affairs of Navios Holdings, and our Chief Executive Officer is also the Chief Executive Officer of Navios Acquisition and Navios Holdings. While the amount of time each of them allocate between our business and the business of

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Navios Holdings and Navios Acquisition varies from time to time depending on various circumstances and the respective needs of the business, such as their relative levels of strategic activities, we anticipate that each of them will allocate approximately one quarter of their time to our business.

Our officers and other individuals providing services to us or our subsidiaries may face a conflict regarding the allocation of their time between our business and the other business interests of Navios Holdings and Navios Acquisition. We intend to cause our officers to devote as much time to the management of our business and affairs as is necessary for the proper conduct of our business and affairs.

Our General Partner owes a fiduciary duty to our unitholders, subject to limitations. Our General Partner is liable, as General Partner, for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are expressly non-recourse to it. Whenever possible, the partnership agreement directs that we should incur indebtedness or other obligations that are non-recourse to our General Partner.

Whenever our General Partner makes a determination or takes or declines to take an action in its individual capacity rather than in its capacity as our General Partner, it is entitled to make such determination or to take or decline to take such other action free of any fiduciary duty or obligation whatsoever to us or any limited partner, and is not required to act in good faith or pursuant to any other standard imposed by our partnership agreement or under the Marshall Islands Act or any other law. Specifically, our General Partner will be considered to be acting in its individual capacity if it exercises its call right, pre-emptive rights or registration rights, consents or withholds consent to any merger or consolidation of the partnership, appoints any directors or votes for the appointment of any director, votes or refrains from voting on amendments to our partnership agreement that require a vote of the outstanding units, voluntarily withdraws from the partnership, transfers (to the extent permitted under our partnership agreement) or refrains from transferring its units, general partner interest or incentive distribution rights or votes upon the dissolution of the partnership. Actions of our General Partner, which are made in its individual capacity, are made by Navios Holdings as sole member of our General Partner.

D. Employees

Employees of the Manager provide assistance to us and our operating subsidiaries pursuant to the management agreement and the administrative services agreement; therefore Navios Partners does not employ additional staff.

Navios Holdings crews its vessels primarily with Ukrainian, Polish, Filipino, Russian and Georgian officers and Filipino, Georgian, Bulgarian and Ukrainian seamen. For these nationalities, officers and seamen are referred to the Manager by local crewing agencies. The crewing agencies handle each seaman's training while the Manager handles their travel and payroll. Navios Holdings requires that all of its seamen have the qualifications and licenses required to comply with international regulations and shipping conventions.

The Manager also provides on-shore advisory, operational and administrative support to us pursuant to service agreements. Please see Item 7. Major Unitholders and Related Party Transactions .

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The following table sets forth certain information regarding beneficial ownership, as of March 14, 2013, of our units by each of our officers and directors and by all of our directors and officers as a group. The information is not necessarily indicative of beneficial ownership for any other purposes. Under SEC rules, a person or entity beneficially owns any units that the person or entity has the right to acquire as of May 11, 2013 (60 days after March 12, 2013) through the exercise of any unit option or other right. The percentage disclosed under Common Units Beneficially Owned is based on all outstanding common units (65,284,163), not including general partner units (1,332,334). Unless otherwise indicated, each person or entity has sole voting and investment power (or shares such powers with his or her spouse) with respect to the units set forth in the following table. Information for certain holders is based on information delivered to us.

Identity of Person or Group

	Common Units Owned	Percentage of Common Units Owned
Angeliki Frangou ⁽¹⁾⁽²⁾	500,000	*
Efstratios Desypris		
George Achiotis	*	*
Robert Pierot	*	*
Shunji Sasada	*	*
Serafeim Kriempardis	*	*
John Karakadas	*	*
Vasiliki Papaefthymiou	*	*
All directors and officers as a group (7 persons) ⁽²⁾⁽³⁾	570,000	*

* Less than 1%

- (1) Held through Amadeus Maritime S.A., a corporation owned by Angeliki Frangou, our Chairman and Chief Executive Officer.
- (2) Excludes units owned by Navios Holdings, on the board of which serves our Chief Executive Officer, Angeliki Frangou and our Secretary Vasiliki Papaefthymiou, as well as our directors, Shunji Sasada. In addition, Ms. Frangou is Navios Holdings President and Chief Executive Officer, Ms. Papaefthymiou is Navios Holdings Executive Vice President Legal and Mr. Achiotis is Navios Holdings Chief Financial Officer.
- (3) Each director, executive officer and key employee, beneficially owns less than one percent of the outstanding common units.

Item 7. Major Unitholders and Related Party Transactions**A. Major Unitholders**

The following table sets forth the beneficial ownership as of March 12, 2013, of our common units by each person we know to beneficially own more than 5% of the common units. The number of units beneficially owned by each person is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules, a person beneficially owns any units as to which the person has or shares voting or investment power. In addition, a person beneficially owns any units that the person or entity has the right to acquire as of May 11, 2013 (60 days after March 12, 2013) through the exercise of any unit option or other right. The percentage disclosed under Common Units Beneficially Owned is based all outstanding common units (65,284,163), not including the general partner units (1,332,334).

Common Units

Beneficially

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Name of Beneficial Owner	Owned	
	Number	Percentage
Navios Holdings ⁽¹⁾⁽²⁾	14,223,763	21.4%
Kayne Anderson Capital Advisors, L.P. ⁽³⁾	4,509,861	6.9%

- (1) Excludes the 2.0% general partner interest held by our general partner, a wholly owned subsidiary of Navios Holdings.
- (2) Navios Holdings is a U.S. public company controlled by its board of directors, which consists of the following seven members: Angeliki Frangou, Vasiliki Papaefthymiou, Ted Petrone, Spyridon Magoulas, John Stratakis, George Malanga and Efstathios Loizos.
- (3) Based on a Schedule 13G/A filed on January 10, 2013 with the SEC and reporting the units are owned by investment accounts managed by Kayne Anderson Capital Advisors, L.P.

Our majority unitholders have the same voting rights as our other unitholders except as follows: each outstanding common unit is entitled to one vote on matters subject to a vote of common unitholders. However, to preserve our ability to be exempt from U.S. federal income tax under Section 883 of the Code, if at any time, any person or group owns beneficially more than 4.9% of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted. The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed pro rata among the other unitholders holding less than 4.9% of the voting power of such class of units. Our General Partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.

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B. Related Party Transactions

As of December 31, 2012, Navios Holdings, the sole member of our General Partner, owned 14,223,763 common units, representing a 23.2% limited partner interest in us based on all outstanding common units. Navios Holdings' ability, as sole member of our General Partner, to control the appointment of three of the seven members of our board of directors and to approve certain significant actions we may take and its ownership of all of the outstanding subordinated units and its right to vote the subordinated units as a separate class on certain matters, means that Navios Holdings, together with its affiliates, has the ability to exercise influence regarding our management.

Share Purchase Agreements

On June 9, 2009, we entered into a share purchase agreement with a wholly owned subsidiary of Navios Holdings pursuant to which we agreed to acquire the capital stock of the subsidiary that owns the rights to the Navios Sagittarius for a cash payment of \$34.6 million. In December 2009, Navios Partners exercised the option to purchase the vessel at a purchase price of \$25.0 million and paid \$2.5 million a 10% deposit on the purchase price of the vessel. The Navios Sagittarius was delivered into Navios Partners' owned fleet on January 12, 2010.

On October 29, 2009, we entered into a share purchase agreement with a wholly owned subsidiary of Navios Holdings pursuant to which we agreed to acquire the capital stock of the subsidiary that owns the vessel Navios Apollon, for a cash payment of \$32.0 million.

On January 8, 2010, we entered into a share purchase agreement with a wholly owned subsidiary of Navios Holdings pursuant to which we agreed to acquire the capital stock of the subsidiary that owns the vessel Navios Hyperion, for a purchase price of \$63.0 million.

On March 8, 2010, we entered into a share purchase agreement with a wholly owned subsidiary of Navios Holdings pursuant to which we agreed to acquire the capital stock of the subsidiary that owns the vessel Navios Aurora II, for a purchase price of \$110.0 million.

On May 20, 2010, we entered into a share purchase agreement with a wholly owned subsidiary of Navios Holdings pursuant to which we agreed to acquire the capital stock of the subsidiary that owns the vessel Navios Pollux, for a purchase price of \$110.0 million.

On November 12, 2010, we entered into a share purchase agreement with a wholly owned subsidiary of Navios Holdings pursuant to which we agreed to acquire the capital stock of the subsidiary that owns the vessel Navios Melodia, for a purchase price of \$78.8 million.

On November 12, 2010, we entered into a share purchase agreement with a wholly owned subsidiary of Navios Holdings pursuant to which we agreed to acquire the capital stock of the subsidiary that owns the vessel Navios Fulvia, for a purchase price of \$98.2 million.

On May 19, 2011, we entered into a share purchase agreement with a wholly owned subsidiary of Navios Holdings pursuant to which we agreed to acquire the capital stock of the subsidiary that owns the vessel Navios Orbiter, for a purchase price of \$52.0 million.

On May 19, 2011, we entered into a share purchase agreement with a wholly owned subsidiary of Navios Holdings pursuant to which we agreed to acquire the capital stock of the subsidiary that owns the vessel Navios Luz, for a purchase price of \$78.0 million.

On June 14, 2012, we entered into a share purchase agreement with a wholly owned subsidiary of Navios Holdings pursuant to which we agreed to acquire the capital stock of the subsidiary that owns the vessel the Navios Buena Ventura, for a purchase price of \$67.5 million.

Registration Rights Agreements

On April 30, 2008, in connection with the share purchase agreement for the Navios Hope, we entered into a registration rights agreement with a wholly owned subsidiary of Navios Holdings pursuant to which that subsidiary has the right, subject to some conditions, to require us to file one or more registration statements covering the resale of the common units issued in connection with the acquisition of the Navios Hope.

On March 18, 2010, in connection with the share purchase agreement for the Navios Aurora II, we entered into a registration rights agreement with a wholly owned subsidiary of Navios Holdings pursuant to which that subsidiary has the right, subject to some conditions, to require us to file one or more registration statements covering the resale of the common units issued in connection with the acquisition of the Navios Aurora II.

Omnibus Agreement

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At the closing of the IPO, we entered into the Omnibus Agreement with Navios Holdings, our General Partner and our operating subsidiary. The following discussion describes certain provisions of the Omnibus Agreement.

Noncompetition

Under the Omnibus Agreement, Navios Holdings agreed, and caused its controlled affiliates (other than us, our General Partner and our subsidiaries) to agree, not to acquire or own Panamax or Capesize drybulk carriers under charter for three or more years. This restriction does not prevent Navios Holdings or any of its controlled affiliates (other than us and our subsidiaries) from:

- (1) acquiring or owning Panamax or Capesize drybulk carriers under charters for less than three years;
- (2) acquiring a Panamax or Capesize drybulk carrier under charter for three or more years after the closing of the IPO if Navios Holdings offers to sell to us the vessel for fair market value or (y) putting a Panamax or Capesize drybulk carrier that Navios Holdings owns under charter for three or more years if Navios Holdings offers to sell the vessel to us for fair market value at the time it is chartered for three or more years and, in each case, at each renewal or extension of that charter for three or more years;
- (3) acquiring a Panamax or Capesize drybulk carrier under charter for three or more years as part of the acquisition of a controlling interest in a business or package of assets and owning those vessels; provided, however, that:
 - (a) if less than a majority of the value of the total assets or business acquired is attributable to those Panamax or Capesize drybulk carriers and related charters, as determined in good faith by the board of directors of Navios Holdings, Navios Holdings must offer to sell such Panamax or Capesize drybulk carriers and related charters to us for their fair market value plus any additional tax or other similar costs to Navios Holdings that would be required to transfer the Panamax and Capesize drybulk carriers and related charters to us separately from the acquired business; and

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- (b) if a majority or more of the value of the total assets or business acquired is attributable to the Panamax or Capesize drybulk carriers and related charters, as determined in good faith by the board of directors of Navios Holdings, Navios Holdings shall notify us in writing, of the proposed acquisition. We shall, not later than the 15th calendar day following receipt of such notice, notify Navios Holdings if we wish to acquire such Panamax or Capesize drybulk carriers and related charters forming part of the business or package of assets in cooperation and simultaneously with Navios Holdings acquiring the non-Panamax or non-Capesize drybulk carriers and related charters forming part of that business or package of assets. If we do not notify Navios Holdings of our intent to pursue the acquisition within 15 calendar days, Navios Holdings may proceed with the acquisition as provided in (a) above.

- (4) acquiring a non-controlling interest in any company, business or pool of assets;

- (5) acquiring or owning any Panamax or Capesize drybulk carrier and related charter if we do not fulfill our obligation, under any existing or future written agreement, to purchase such vessel in accordance with the terms of any such agreement;

- (6) acquiring or owning Panamax or Capesize drybulk carriers under charter for three or more years subject to the offers to us described in paragraphs (2) and (3) above pending our determination whether to accept such offers and pending the closing of any offers we accept;

- (7) providing ship management services relating to any vessel whatsoever, including to Panamax or Capesize drybulk carriers owned by the controlled affiliates of Navios Holdings; or

- (8) acquiring or owning Panamax or Capesize drybulk carriers under charter for three or more years if we have previously advised Navios Holdings that we consent to such acquisition, operation or charter.

Under the Omnibus Agreement, Navios Holdings will not be prohibited from operating chartered-in Panamax or Capesize drybulk carriers under charter-out contracts for three or more years, so long as immediately prior to the time such vessel is proposed to be put under such charter-out contract, Navios Holdings offers such charter-out opportunity to us in the event that (i) we have a Panamax or Capesize drybulk carrier that is available and comparable to Navios Holdings chartered-in vessel and (ii) it is acceptable to the charter customer.

If Navios Holdings or any of its controlled affiliates (other than us or our subsidiaries) acquires or owns Panamax or Capesize drybulk carriers pursuant to any of the exceptions described above, it may not subsequently expand that portion of its business other than pursuant to those exceptions.

In addition, under the Omnibus Agreement we agreed, and caused our subsidiaries to agree, to acquire, own, operate or charter Panamax or Capesize drybulk carriers with charters of three or more years only (any vessels that are not Panamax or Capesize drybulk carriers will in the following be referred to as the Non-Panamax and Non-Capesize Drybulk Carriers). This restriction will not:

- (1) prevent us or any of our subsidiaries from acquiring a Non-Panamax or Non-Capesize Drybulk Carrier and any related charters as part of the acquisition of a controlling interest in a business or package of assets and owning and operating or chartering those vessels, provided, however, that:
 - (a) if less than a majority of the value of the total assets or business acquired is attributable to a Non-Panamax or Non-Capesize Drybulk Carrier and related charter, as determined in good faith by us; we must offer to sell such Non-Panamax or Non-Capesize Drybulk Carrier and related charter to Navios Holdings for their fair market value plus any additional tax or other similar costs to us that would be required to transfer the Non-Panamax and Non-Capesize Drybulk Carrier and related charter to Navios Holdings separately from the acquired business; and

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- (b) if a majority or more of the value of the total assets or business acquired is attributable to a Non-Panamax or Non-Capesize Drybulk Carrier and related charter, as determined in good faith by us; we shall notify Navios Holdings in writing of the proposed acquisition. Navios Holdings shall, not later than the 15th calendar day following receipt of such notice, notify us if it wishes to acquire the Non-Panamax or Non-Capesize Drybulk Carrier forming part of the business or package of assets in cooperation and simultaneously with us acquiring the Panamax or Capesize Drybulk Carrier under charter for three or more years forming part of that business or package of assets. If Navios Holdings does not notify us of its intent to pursue the acquisition within 15 calendar days, we may proceed with the acquisition as provided in (a) above.
- (2) prevent us or any of our subsidiaries from owning, operating or chartering a Non-Panamax or Non-Capesize Drybulk Carrier subject to the offer to Navios Holdings described in paragraph (2) above, pending its determination whether to accept such offer and pending the closing of any offer it accepts; or
- (3) prevent us or any of our subsidiaries from acquiring, operating or chartering a Non-Panamax or Non-Capesize Drybulk Carrier if Navios Holdings has previously advised us that it consents to such acquisition, operation or charter.

If we or any of our subsidiaries owns, operates and charters Non-Panamax or Non-Capesize Drybulk Carriers pursuant to any of the exceptions described above, neither we nor such subsidiary may subsequently expand that portion of our business other than pursuant to those exceptions.

Upon a change of control of us or our General Partner, the noncompetition provisions of the Omnibus Agreement will terminate immediately. Upon a change of control of Navios Holdings, the noncompetition provisions of the Omnibus Agreement will terminate at the time that is the later of one year following the change of control and the date on which all of our outstanding subordinated units have converted to common units; provided, however, that in no event will the noncompetition provisions of the Omnibus Agreement terminate upon a change of control of Navios Holdings prior to the date that is four years following the date of the Omnibus Agreement.

On June 9, 2009, Navios Holdings relieved Navios Partners from its obligation to purchase the Capesize vessel Navios Bonavis upon its delivery to Navios Holdings. Navios Holdings was released from the Omnibus Agreement restrictions for two years until June 29, 2011 in connection with acquiring vessels from third parties (but not from the requirement to offer to sell to Navios Partners qualifying vessels in Navios Holdings existing fleet). Pursuant to our release from the Omnibus Agreement restrictions, in June 2009, we waived our rights of first refusal with Navios Acquisition with respect to an acquisition opportunity until the earlier of: (a) the consummation of a business combination by Navios Acquisition; (b) the liquidation of Navios Acquisition; and (c) June 2011.

In addition, concurrently with the successful consummation of the initial business combination by Navios Maritime Acquisition Corporation, or Navios Acquisition, on May 28, 2010, because of the overlap between Navios Acquisition, Navios Holdings and us, with respect to possible acquisitions under the terms of our Omnibus Agreement, we entered into a business opportunity right of first refusal agreement which provides the types of business opportunities in the marine transportation and logistics industries, we, Navios Holdings and Navios Acquisition must share with each other.

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Rights of First Offer

Under the Omnibus Agreement, we and our subsidiaries will grant to Navios Holdings a right of first offer on any proposed sale, transfer or other disposition of any of our Panamax or Capesize drybulk carriers and related charters or any Non-Panamax or Non-Capesize Drybulk Carriers and related charters owned or acquired by us. Likewise, Navios Holdings agreed (and caused its subsidiaries to agree) to grant a similar right of first offer to us for any Panamax or Capesize drybulk carrier under charter for three or more years it might own. These rights of first offer do not apply to a (a) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any charter or other agreement with a charter party or (b) merger with or into, or sale of substantially all of the assets to, an unaffiliated third-party.

Prior to engaging in any negotiation regarding any vessel disposition with respect to a Panamax or Capesize drybulk carrier under charter for three or more years with a non-affiliated third-party or any Non-Panamax or Non-Capesize Drybulk Carrier and related charter, we or Navios Holdings, as the case may be, will deliver a written notice to the other party setting forth the material terms and conditions of the proposed transaction. During the 15-day period after the delivery of such notice, we and Navios Holdings will negotiate in good faith to reach an agreement on the transaction. If we do not reach an agreement within such 15-day period, we or Navios Holdings, as the case may be, will be able within the next 180 calendar days to sell, transfer, dispose or re-charter the vessel to a third party (or to agree in writing to undertake such transaction with a third party) on terms generally no less favorable to us or Navios Holdings, as the case may be, than those offered pursuant to the written notice.

Upon a change of control of us or our general partner, the right of first offer provisions of the Omnibus Agreement will terminate immediately. Upon a change of control of Navios Holdings, the right of first offer provisions of the Omnibus Agreement will terminate at the time that is the later of one year following the change of control and the date on which all of our outstanding subordinated units have converted to common units; provided, however, that in no event will the right of first offer provisions of the Omnibus Agreement terminate upon a change of control of Navios Holdings prior to the date that is four year following the date of the Omnibus Agreement.

Indemnification

Under the Omnibus Agreement, Navios Holdings has agreed to indemnify us after the closing of the IPO for a period of five years against certain environmental and toxic tort liabilities to the extent arising prior to the closing date of the IPO. Liabilities resulting from a change in law after the closing of the IPO are excluded from the environmental indemnity. There is an aggregate cap of \$5.0 million on the amount of indemnity coverage provided by Navios Holdings for these environmental and toxic tort liabilities. No claim may be made unless the aggregate dollar amount of all claims exceeds \$500,000, in which case Navios Holdings is liable for claims only to the extent such aggregate amount exceeds \$500,000.

Navios Holdings will also indemnify us for liabilities related to:

certain defects in title to the assets contributed or sold to us and any failure to obtain, prior to the closing of the IPO, certain consents and permits necessary to conduct our business, which liabilities arise within three years after the closing of the IPO; and

certain income tax liabilities attributable to the operation of the assets contributed to us prior to the time they were contributed.

Amendments

The Omnibus Agreement may not be amended without the prior approval of the conflicts committee of our board of directors if the proposed amendment will, in the reasonable discretion of our board of directors, adversely affect holders of our common units.

Similar Agreement with Navios Maritime Acquisition Corporation

In connection with the initial public offering of Navios Acquisition, because of the overlap between Navios Acquisition, Navios Holdings and us, with respect to possible acquisitions under the terms of our Omnibus Agreement, we had entered into a business opportunity right of first refusal agreement, which provided that, commencing on June 25, 2008 and extending until the earlier of the consummation of an initial business combination by Navios Acquisition or its liquidation, we, Navios Holdings and Navios Acquisition would share business opportunities in the marine transportation and logistics industries.

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On June 9, 2009, Navios Holdings relieved Navios Partners from its obligation to purchase the Capesize vessel Navios Bonavis upon its delivery to Navios Holdings. Navios Holdings was released from the Omnibus Agreement restrictions for two years in connection with acquiring vessels from third parties until June 29, 2011 (but not from the requirement to offer to sell to Navios Partners qualifying vessels in Navios Holdings existing fleet). Pursuant to our release from the Omnibus Agreement restrictions, in June 2009, we had waived our rights of first refusal with Navios Acquisition with respect to an acquisition opportunity until the earlier of: (a) the consummation of a business combination by Navios Acquisition; (b) the liquidation of Navios Acquisition; and (c) June 2011. Such waiver ended with the successful consummation of the initial business combination by Navios Acquisition, on May 28, 2010, when we entered into the business opportunity right of first refusal agreement.

The Acquisition Omnibus Agreement

We have entered into the Acquisition Omnibus Agreement with Navios Holdings and Navios Acquisition. The following discussion describes certain provisions of the Acquisition Omnibus Agreement.

Noncompetition

We and Navios Holdings agreed not to acquire, charter-in or own Liquid Shipment Vessels (as hereinafter defined). For purposes of the Acquisition Omnibus Agreement, Liquid Shipment Vessels means vessels intended primarily for the sea-going shipment of liquid products, including chemical and petroleum-based products, except for container vessels and vessels that will be employed primarily in operations in South America. This restriction will not prevent Navios Holdings or any of its controlled affiliates or Navios Partners (other than Navios Acquisition and its subsidiaries) from:

- (1) acquiring a Liquid Shipment Vessel(s) from Navios Acquisition for fair market value;
- (2) acquiring a Liquid Shipment Vessel(s) as part of the acquisition of a controlling interest in a business or package of assets and owning those vessels; provided, however, that:
 - (a) if less than a majority of the value of the total assets or business acquired is attributable to a Liquid Shipment Vessel(s) and related charters, as determined in good faith by the board of directors of Navios Holdings or Navios Partners, as the case may be, Navios Holdings or Navios Partners, as the case may be, must offer to sell a Liquid Shipment Vessel(s) and related charters to Navios Acquisition for their fair market value plus any additional tax or other similar costs to Navios Holdings that would be required to transfer a Liquid Shipment Vessel(s) and related charters to Navios Acquisition separately from the acquired business; and

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- (b) if a majority or more of the value of the total assets or business acquired is attributable to a Liquid Shipment Vessel(s) and related charters, as determined in good faith by the board of directors of Navios Holdings or Navios Partners, as the case may be, Navios Holdings or Partners, as the case may be, shall notify Navios Acquisition in writing, of the proposed acquisition. Navios Acquisition shall, not later than the 15th calendar day following receipt of such notice, notify Navios Holdings or Navios Partners, as the case may be, if Navios Acquisition wishes to acquire such a Liquid Shipment Vessel(s) and related charters forming part of the business or package of assets in cooperation and simultaneously with Navios Holdings or Navios Partners, as the case may be, acquiring a Liquid Shipment Vessel(s) and related charters forming part of that business or package of assets. If Navios Acquisition does not notify Navios Holdings of its intent to pursue the acquisition within 15 calendar days, Navios Holdings may proceed with the acquisition as provided in (a) above.

- (3) acquiring a non-controlling interest in any company, business or pool of assets;

- (4) acquiring or owning a Liquid Shipment Vessel(s) and related charter if Navios Acquisition does not fulfill its obligation, under any existing or future written agreement, to purchase such vessel in accordance with the terms of any such agreement;

- (5) acquiring or owning a Liquid Shipment Vessel(s) subject to the offers to Navios Acquisition described in paragraphs (3) and (4) above pending our determination whether to accept such offers and pending the closing of any offers we accept;

- (6) providing ship management services relating to any vessel whatsoever, including to a Liquid Shipment Vessel(s) owned by the controlled affiliates of Navios Holdings; or

- (7) acquiring or owning a Liquid Shipment Vessel(s) if Navios Acquisition has previously advised Navios Holdings or Navios Partners, as the case may be, that Navios Acquisition consents to such acquisition, or if Navios Acquisition have been offered the opportunity to purchase such vessel pursuant to the Acquisition Omnibus Agreement and failed to do so.

If Navios Holdings or Navios Partners, as the case may be, or any of their respective controlled affiliates (other than Navios Acquisition or its subsidiaries) acquires or owns a Liquid Shipment Vessel(s) pursuant to any of the exceptions described above, it may not subsequently expand that portion of its business other than pursuant to those exceptions.

In addition, under the Acquisition Omnibus Agreement, Navios Acquisition has agreed, and will cause its subsidiaries to agree, not to acquire, own, operate or charter drybulk carriers (Drybulk Carriers). Pursuant to an agreement between them, Navios Holdings and Navios Partners may be entitled to a priority over each other depending on the class and charter length of any Drybulk Carrier. This restriction will not:

- (1) prevent Navios Acquisition or any of its subsidiaries from acquiring a Drybulk Carrier(s) and any related charters as part of the acquisition of a controlling interest in a business or package of assets and owning and operating or chartering those vessels; provided, however, that:
 - (a) if less than a majority of the value of the total assets or business acquired is attributable to a Drybulk Carrier(s) and related charter(s), as determined in good faith by Navios Acquisition, Navios Acquisition must offer to sell such Drybulk Carrier(s) and related charter to Navios Holdings or Navios Partners, as the case may be, for their fair market value plus any additional tax or other similar costs to Navios Acquisition that would be required to transfer the Drybulk Carrier(s) and related charter(s) to Navios Holdings or Navios Partners, as the case may be, separately from the acquired business; and

 - (b)

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if a majority or more of the value of the total assets or business acquired is attributable to a Drybulk Carrier(s) and related charter(s), as determined in good faith by Navios Acquisition, Navios Acquisition shall notify Navios Holdings or Navios Partners, as the case may be, in writing of the proposed acquisition. Navios Holdings or Navios Partners, as the case may be, shall, not later than the 15th calendar day following receipt of such notice, notify Navios Acquisition if it wishes to acquire the Drybulk Carrier(s) forming part of the business or package of assets in cooperation and simultaneously with Navios Acquisition acquiring the Non-Drybulk Carrier assets forming part of that business or package of assets. If Navios Holdings and Navios Partners do not notify Navios Acquisition of its intent to pursue the acquisition within 15 calendar days, Navios Acquisition may proceed with the acquisition as provided in (a) above.

- (2) prevent Navios Acquisition or any of its subsidiaries from owning, operating or chartering a Drybulk Carrier(s) subject to the offer to Navios Holdings or Navios Partners described in paragraph (1) above, pending its determination whether to accept such offer and pending the closing of any offer it accepts; or
- (3) prevent Navios Acquisition or any of its subsidiaries from acquiring, operating or chartering a Drybulk Carrier(s) if Navios Holdings and Navios Partners have previously advised Navios Acquisition that it consents to such acquisition, operation or charter, or if they have previously been offered the opportunity to purchase such Drybulk Carrier(s) and have declined to do so.

If Navios Acquisition or any of its subsidiaries owns, operates and charters Drybulk Carriers pursuant to any of the exceptions described above, neither Navios Acquisition nor such subsidiary may subsequently expand that portion of its business other than pursuant to those exceptions.

Rights of First Offer

Under the Acquisition Omnibus Agreement, Navios Acquisition and its subsidiaries will grant to Navios Holdings and Navios Partners, as the case may be, 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 will agree (and will cause its subsidiaries to agree) 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 (a) 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 (b) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

Prior to engaging in any negotiation regarding any vessel disposition with respect to a Liquid Shipment Vessel(s) with a non-affiliated third party or any Drybulk Carrier(s) and related charter, we, Navios Holdings, or Navios Acquisition, as the case may be, will deliver a written notice to the other parties setting forth the material terms and conditions of the proposed transaction. During the 15-day period after the delivery of such notice, we, Navios Holdings or Navios Acquisition, as the case may be, will negotiate in good faith to reach an agreement on the transaction. If Navios Acquisition does not reach an agreement within such 15-day period, we or Navios Holdings or Navios Acquisition, as the case may be, will be able within the next 180 calendar days to sell, transfer or dispose of the vessel to a third party (or to agree in writing to undertake such transaction with a third party) on terms generally no less favorable to us or Navios Holdings, as the case may be, than those offered pursuant to the written notice.

Upon a change of control of us, the noncompetition and the right of first offer provisions of the Acquisition Omnibus Agreement will terminate immediately as to Navios Partners, but shall remain binding on Navios Acquisition and Navios Holdings. Upon a change of control of Navios Holdings, the noncompetition and the right of first offer provisions of the Acquisition Omnibus Agreement shall terminate; provided, however, that in no event shall the noncompetition and the rights of first refusal terminate upon a change of control of Navios Holdings prior to the fourth anniversary of the Acquisition Omnibus Agreement. Upon a change of control of Navios Acquisition, the noncompetition and the right of first offer provisions of the Acquisition Omnibus Agreement will terminate immediately as to all parties of the Acquisition Omnibus Agreement.

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Management Agreement

At the closing of the IPO, we entered into a management agreement, as amended, with the Manager, a subsidiary of Navios Holdings, pursuant to which the Manager has agreed to provide certain commercial and technical management services to us. These services are provided in a commercially reasonable manner in accordance with customary ship management practice and under our direction. The Manager provides these services to us directly but may subcontract for certain of these services with other entities, including other Navios Holdings subsidiaries.

The commercial and technical management services include:

the commercial and technical management of the vessel: managing day-to-day vessel operations including negotiating charters and other employment contracts with respect to the vessels and monitoring payments thereunder, ensuring regulatory compliance, arranging for the vetting of vessels, procuring and arranging for port entrance and clearance, appointing counsel and negotiating the settlement of all claims in connection with the operation of each vessel, appointing adjusters and surveyors and technical consultants as necessary, and providing technical support,

vessel maintenance and crewing: including supervising the maintenance and general efficiency of vessels, and ensuring the vessels are in seaworthy and good operating condition, arranging our hire of qualified officers and crew, arranging for all transportation, board and lodging of the crew, negotiating the settlement and payment of all wages, and

purchasing and insurance: purchasing stores, supplies and parts for vessels, arranging insurance for vessels (including marine hull and machinery insurance, protection and indemnity insurance and war risk and oil pollution insurance).

The initial term of the management agreement was set to expire in November, 2012 with respect to each vessel in our fleet. In October 2009, we fixed the rate with the Manager for a period of two years until November 2011. The management fees we paid to the Manager were: (a) \$4,500 daily rate per owned Ultra-Handymax vessel; (b) \$4,400 daily rate per owned Panamax vessel; and (c) \$5,500 daily rate per owned Capesize vessel. In October 2011, Navios Partners extended the duration of its existing Management Agreement with the Manager until December 31, 2017 and fixed the rate for shipmanagement services of its owned fleet through December 31, 2013. The new management fees are: (a) \$4,650 daily rate per Ultra-Handymax vessel; (b) \$4,550 daily rate per Panamax vessel; and (c) \$5,650 daily rate per Capesize vessel.

This fixed daily fee covers all of our vessel operating expenses, including the cost of special surveys, other than certain extraordinary fees and costs. From January 2014 to December 2017, we expect that we will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of our fleet. Actual operating costs and expenses are determined in a manner consistent with how the fixed fees were determined.

The management agreement may be terminated prior to the end of its initial term by us upon 120 days notice if there is a change of control of the Manager, or by the Manager upon 120 days notice if there is a change of control of us or our general partner. In addition, the management agreement may be terminated by us or by the Manager upon 120 days notice if:

the other party breaches the agreement;

a receiver is appointed for all or substantially all of the property of the other party;

an order is made to wind up the other party;

a final judgment or order that materially and adversely affects the other party's ability to perform the management agreement is obtained or entered and not vacated or discharged; or

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the other party makes a general assignment for the benefit of its creditors, files a petition in bankruptcy or liquidation or commences any reorganization proceedings.

Furthermore, at any time after the first anniversary of the management agreement, the management agreement may be terminated prior to the end of its initial term by us or by the Manager upon 365 days notice for any reason other than those described above.

In addition to the fixed daily fees payable under the management agreement, the management agreement provides that the Manager is entitled to reasonable supplementary remuneration for extraordinary fees and costs resulting from:

time spent on insurance and salvage claims;

time spent vetting and pre-vetting the vessels by any charterers in excess of 10 days per vessel per year;

the deductible of any insurance claims relating to the vessels or for any claims that are within such deductible range;

the significant increase in insurance premiums which are due to factors such as acts of God outside the control of the Manager;

repairs, refurbishment or modifications, including those not covered by the guarantee of the shipbuilder or by the insurance covering the vessels, resulting from maritime accidents, collisions, other accidental damage or unforeseen events (except to the extent that such accidents, collisions, damage or events are due to the fraud, gross negligence or willful misconduct of the Manager, its employees or its agents, unless and to the extent otherwise covered by insurance);

expenses imposed due to any improvement, upgrade or modification to, structural changes with respect to the installation of new equipment aboard any vessel that results from a change in, an introduction of new, or a change in the interpretation of, applicable laws, at the recommendation of the classification society for that vessel or otherwise;

costs associated with increases in crew employment expenses resulting from an introduction of new, or a change in the interpretation of, applicable laws or resulting from the early termination of the charter of any vessel;

any taxes, dues or fines imposed on the vessels or the Manager due to the operation of the vessels;

expenses incurred in connection with the sale or acquisition of a vessel such as inspections and technical assistance; and

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any similar costs, liabilities and expenses that were not reasonably contemplated by us and the Manager as being encompassed by or a component of the fixed daily fees at the time the fixed daily fees were determined.

Under the management agreement, neither we nor the Manager are liable for failure to perform any of our or its obligations, respectively, under the management agreement by reason of any cause beyond our or its reasonable control.

In addition, the Manager has no liability for any loss arising in the course of the performance of the commercial and technical management services under the management agreement unless and to the extent that such loss is proved to have resulted solely from the fraud, gross negligence or willful misconduct of the Manager or its employees, in which case (except where such loss has resulted from the Manager's intentional personal act or omission and with knowledge that such loss would probably result) the Manager's liability is limited to \$3.0 million for each incident or series of related incidents.

Further, under our management agreement, we have agreed to indemnify the Manager and its employees and agents against all actions which may be brought against them under the management agreement including, without limitation, all actions brought under the environmental laws of any jurisdiction, or otherwise relating to pollution or the environment, and against and in respect of all costs and expenses they may suffer or incur due to defending or settling such action; provided, however that such indemnity excludes any or all losses which may be caused by or due to the fraud, gross negligence or willful misconduct of the Manager or its employees or agents, or any breach of the management agreement by the Manager.

Administrative Services Agreement

At the closing of the IPO, we entered into an administrative services agreement, as amended, with the Manager, pursuant to which the Manager has agreed to provide certain administrative management services to us. The agreement has an initial term expiring in December 2017.

The administrative services agreement may be terminated prior to the end of its term by us upon 120 days notice if there is a change of control of the Manager or by the Manager upon 120 days notice if there is a change of control of us or our General Partner. In addition, the administrative services agreement may be terminated by us or by the Manager upon 120 days notice if:

the other party breaches the agreement;

a receiver is appointed for all or substantially all of the property of the other party;

an order is made to wind up the other party;

a final judgment or order that materially and adversely affects the other party's ability to perform the management agreement is obtained or entered and not vacated or discharged; or

the other party makes a general assignment for the benefit of its creditors, files a petition in bankruptcy or liquidation or commences any reorganization proceedings.

Furthermore, the administrative services agreement may be terminated by us or by the Manager upon 365 days notice for any reason other than those described above.

The administrative services include:

bookkeeping, audit and accounting services: assistance with the maintenance of our corporate books and records, assistance with the preparation of our tax returns and arranging for the provision of audit and accounting services;

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legal and insurance services: arranging for the provision of legal, insurance and other professional services and maintaining our existence and good standing in necessary jurisdictions;

administrative and clerical services: assistance with office space, arranging meetings for our common unitholders pursuant to the partnership agreement, arranging the provision of IT services, providing all administrative services required for subsequent debt and equity financings and attending to all other administrative matters necessary to ensure the professional management of our business;

banking and financial services: providing cash management including assistance with preparation of budgets, overseeing banking services and bank accounts, arranging for the deposit of funds, negotiating loan and credit terms with lenders and monitoring and maintaining compliance therewith;

advisory services: assistance in complying with United States and other relevant securities laws;

client and investor relations: arranging for the provision of, advisory, clerical and investor relations services to assist and support us in our communications with our common unitholders;

integration of any acquired businesses; and

client and investor relations.

We reimburse the Manager for reasonable costs and expenses incurred in connection with the provision of these services within 15 days after the Manager submits to us an invoice for such costs and expenses, together with any supporting detail that may be reasonably required.

Under the administrative services agreement, we have agreed to indemnify the Manager and its employees against all actions which may be brought against them under the administrative services agreement including, without limitation, all actions brought under the environmental laws of any jurisdiction, and against and in respect of all costs and expenses they may suffer or incur due to defending or settling such actions; provided, however that such indemnity excludes any or all losses which may be caused by or due to the fraud, gross negligence or willful misconduct of the Manager or its employees or agents.

Common Unit Purchase Agreement between Navios Maritime Partners L.P. and Amadeus Maritime S.A.

In connection with the IPO, we entered into a common unit purchase agreement with Amadeus Maritime S.A. (Amadeus Maritime), a corporation wholly-owned by Ms. Angeliki Frangou, our Chairman and Chief Executive Officer, pursuant to which we sold 500,000 common units to Amadeus Maritime at a price per unit equal to the public offering price.

General and Administrative Expenses

We have entered into an administrative services agreement with the Manager, pursuant to which the Manager has agreed to provide certain administrative management services to us. Navios Partners extended the duration of its existing Administrative Services Agreement with the Manager pursuant to the same terms, until December 31, 2017. Total general and administrative expenses for the years ended December 31, 2012, 2011 and 2010 amounted to \$3.9 million, \$3.4 million and \$2.7 million, respectively.

Management Fees

Pursuant to the management agreement dated November 16, 2007, the Manager provided commercial and technical management services to our vessels. In October 2009, we fixed the rate with the Manager for a period of two years until November 2011. The management fees we paid to the Manager were: (a) \$4,500 daily rate per owned Ultra-Handymax vessel; (b) \$4,400 daily rate per owned Panamax vessel; and (c) \$5,500 daily rate per owned Capesize vessel until November 16, 2011. In October 2011, Navios Partners extended the duration of its existing Management Agreement with the Manager until December 31, 2017 and fixed the rate for shipmanagement services of its owned fleet through December 31, 2013. The new management fees are: (a) \$4,650 daily rate per Ultra-Handymax vessel; (b) \$4,550 daily rate per Panamax vessel; and (c) \$5,650 daily rate per Capesize vessel. This daily fee covers all of the vessels' operating expenses, including the cost of drydocking and special surveys. Total management fees for the years ended December 31, 2012, 2011 and 2010 amounted to \$31.7 million, \$26.3 million and \$19.7 million, respectively.

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Other

On November 15, 2012, Navios Holdings and Navios Partners entered into an agreement by which Navios Holdings will provide supplemental credit default insurance with a maximum cash payment of \$20.0 million. As of December 31, 2012, the Company has not put forth any claims to Navios Holdings in connection with this supplemental insurance.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements: See Item 18.

Legal Proceedings

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not at present party to any legal proceedings or aware of any proceedings against us, or contemplated to be brought against us, that would have a material effect on our business, financial position, results of operations or liquidity. We maintain insurance policies with insurers in amounts and with coverage and deductibles as our board of directors believes are reasonable and prudent. We expect that these claims would be covered by insurance, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Cash Distribution Policy

Rationale for Our Cash Distribution Policy

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

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. 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 be amended without the approval of non-affiliated common unitholders, our partnership agreement can be amended with the approval of a majority of the outstanding common units after the subordination period has ended. Upon the closing of the IPO, Navios Holdings did not own any of our outstanding common units and owned 100.0% of our outstanding subordinated units.

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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 contains 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.

Minimum Quarterly Distribution

We intend to distribute to the holders of common units and subordinated units on a quarterly basis at least the minimum quarterly distribution of \$0.35 per unit, or \$1.40 per unit per year, to the extent we have sufficient cash on hand to pay the distribution after we establish cash reserves and pay fees and expenses. The amount of available cash from operating surplus needed to pay the minimum quarterly distribution for four quarters on all units outstanding and the related distribution on the 2.0%

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general partner interest (not including subordinated Series A units that are not eligible to receive distributions until the third anniversary of their issuance, at which point they will automatically convert into common units and receive distributions in accordance with all other common units) is approximately \$85.9 million. There is no guarantee that we will pay the minimum quarterly distribution on the common units and subordinated units in any quarter. Even if our cash distribution policy is not modified or revoked, 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 is existing, under our existing credit facilities.

During the years ended December 31, 2012, 2011 and 2010 the aggregate amount of cash distribution paid was \$106.9 million, \$95.5 million, and \$72.3 million, respectively.

On January 21, 2012, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended December 31, 2012 of \$0.4425 per unit. The distribution was paid on February 14, 2013 to all holders of record of common and general partner units on February 8, 2013. The aggregate amount of the declared distribution was \$27.6 million.

Subordination period

During the subordination period the common units had the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of \$0.35 per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units. The purpose of the subordinated units was to increase the likelihood that during the subordination period there would be available cash to be distributed on the common units. As of January 1, 2012 all subordinated units held by Navios Holdings (except for the Subordinated Series A Units) were converted into common units as per the conditions and terms set forth in our Partnership Agreement.

Subordinated Series A units

On June 9, 2009, Navios Holdings relieved Navios Partners from its obligation to purchase the Capesize vessel Navios Bonavis for \$130.0 million and, upon delivery of the Navios Bonavis to Navios Holdings, Navios Partners was granted a 12-month option to purchase the vessel for \$125.0 million. In return, Navios Holdings had received 1,000,000 subordinated Series A units, which were recognized as non-cash compensation expense in Navios Partners' statement of income. The subordinated Series A units were not eligible to receive distributions until the third anniversary of their issuance, at which point they would automatically convert into common units and receive distributions in accordance with all other common units. As of June 29, 2012, all subordinated Series A units were converted into common units.

Incentive Distribution Rights

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. Except for transfers of incentive distribution rights to an affiliate or another entity as part of our general partner's merger or consolidation with or into, or sale of substantially all of its assets to such entity, the approval of a majority of our common units (excluding common units held by our general partner and its affiliates), voting separately as a class, generally is required for a transfer of the incentive distribution rights to a third party prior to December 31, 2017.

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.

		Marginal Percentage Interest in Distributions Common and Subordinated⁽¹⁾ Unitholders⁽²⁾	General Partner
	Total Quarterly Distribution Target Amount		
Minimum Quarterly Distribution	\$0.35	98%	2%
First Target Distribution	up to \$0.4025	98%	2%
Second Target Distribution	above \$0.4025 up to \$0.4375	85%	15%
Third Target Distribution	above \$0.4375 up to \$0.525	75%	25%
Thereafter	above \$0.525	50%	50%

(1) As of January 1, 2012, all subordinated units, excluding subordinated Series A units, were converted into common units.

(2) As of June 29, 2012, all subordinated Series A units were converted into common units.

B. Significant Changes

No significant changes have occurred since the date of the annual financial statements included herein.

Item 9. The Offer and Listing

Our common units are traded on the New York Stock Exchange (or NYSE) under the symbol NMM . The following table sets forth the high and low closing sales prices for our common units on the NYSE for each of the periods indicated:

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	Price Range	
	High	Low
Year Ended:		
December 31, 2012	\$ 16.94	\$ 11.59
December 31, 2011	\$ 21.38	\$ 11.31
December 31, 2010	\$ 20.03	\$ 14.50
December 31, 2009	\$ 15.80	\$ 6.39
December 31, 2008	\$ 18.85	\$ 3.36
Quarter Ended:		
March 31, 2013 (through March 11, 2013)	\$ 14.84	\$ 12.84
December 31, 2012	\$ 13.33	\$ 12.13
September 30, 2012	\$ 15.23	\$ 13.16
June 30, 2012	\$ 16.73	\$ 11.59
March 31, 2012	\$ 16.94	\$ 15.00
December 31, 2011	\$ 17.01	\$ 12.49
September 30, 2011	\$ 19.13	\$ 11.31
June 30, 2011	\$ 21.38	\$ 16.80
March 31, 2011	\$ 20.82	\$ 18.13
Month Ended:		
February 28, 2013	\$ 14.47	\$ 13.26
January 31, 2013	\$ 14.84	\$ 12.84
December 31, 2012	\$ 13.33	\$ 12.13
November 30, 2012	\$ 15.78	\$ 12.11
October 31, 2012	\$ 15.55	\$ 14.48
September 30, 2012	\$ 15.05	\$ 14.70

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

Not applicable.

B. Memorandum and Articles of Association

The information required to be disclosed under Item 10.B is incorporated by reference to the following sections of the prospectus included in our Registration Statement on Form F-1 filed with the SEC on November 14, 2007: The Partnership Agreement, Description of the Common Units, The Units, Conflicts of Interest and Fiduciary Duties, How we make Cash Distributions and Our Cash Distribution Policy and Restrictions on Distributions.

On June 10, 2009, we executed the Second Amended and Restated Agreement of Limited Partnership of Navios Partners. The Second Amended and Restated Agreement of Limited Partnership designated a new series of subordinated units as Subordinated Series A Units (the Series A Units).

On January 1, 2012, in accordance with the terms of the partnership agreement, all of the then outstanding subordinated units converted into 7,621,843 shares of common units (conversion excluded the subordinated Series A units) and on June 29, 2012, the outstanding subordinated Series A units converted into 1,000,000 shares of common units.

C. Material Contracts

The following is a summary of each material contract, other than material contracts entered into in the ordinary course of business, to which we or any of our subsidiaries is a party, for the two years immediately preceding the date of this Annual Report, each of which is included in the list of exhibits in Item 19. Please read Item 5. Operating and Financial Review and Prospects Trends and Factors Affecting Our Future Results of Operations Liquidity and Capital Resources credit facilities for a summary of certain contract terms.

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Supplemental Agreement dated June 25, 2008, by and among Navios Partners, Commerzbank AG and DVB Bank AG relating to the credit facility dated November 15, 2007. Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Supplemental Agreement dated January 30, 2009, by and among Navios Partners, Commerzbank AG and DVB Bank AG relating to the credit facility dated November 15, 2007 (as amended by an agreement dated June 25, 2008) for a loan facility of up to US\$295,000,000. Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Third Supplemental Agreement dated January 11, 2010, among Navios Partners, Commerzbank AG and DVB Bank AG relating to the credit facility dated November 15, 2007 (as amended by agreements dated June 25, 2008 and January 30, 2009). Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Fourth Supplemental Agreement dated March 30, 2010, among Navios Partners, Commerzbank AG and DVB Bank AG relating to the credit facility dated November 15, 2007 (as amended by agreements dated June 25, 2008, January 30, 2009 and January 11, 2010). Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Fifth Supplemental Agreement dated June 1, 2010, among Navios Partners, Commerzbank AG and DVB Bank AG relating to the credit facility dated November 15, 2007 (as amended by agreements dated June 25, 2008, January 30, 2009, January 11, 2010 and March 30, 2010). Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Sixth Supplemental Agreement dated December 13, 2010, among Navios Partners, Commerzbank AG and DVB Bank AG relating to the credit facility dated November 15, 2007 (as amended by agreements dated June 25, 2008, January 30, 2009, January 11, 2010, March 30, 2010 and June 1, 2010). Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Seventh Supplemental Agreement dated May 31, 2011, among Navios Partners, Commerzbank AG and DVB Bank AG relating to the credit facility dated November 15, 2007 (as amended by agreements dated June 25, 2008, January 30, 2009, January 11, 2010, March 30, 2010, June 1, 2010 and December 13, 2010). Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

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Eighth Supplemental Agreement dated September 30, 2011, among Navios Partners, Commerzbank AG and DVB Bank AG relating to the credit facility dated November 15, 2007 (as amended by agreements dated June 25, 2008, January 30, 2009, January 11, 2010, March 30, 2010, June 1, 2010, December 13, 2010 and May 31, 2011). Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Ninth Supplemental Agreement dated March 30, 2012, among Navios Partners, Commerzbank AG and DVB Bank AG relating to the credit facility dated November 15, 2007 (as amended by agreements dated June 25, 2008, January 30, 2009, January 11, 2010, March 30, 2010, June 1, 2010, December 13, 2010, May 31, 2011 and September 30, 2011). Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Facility Agreement for a \$35.0 million term loan facility, dated May 27, 2011, among Navios Partners, Commerzbank AG and DVB Bank SE. Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Supplemental Agreement, dated December 4, 2012, among Navios Partners, Commerzbank AG and DVB Bank SE relating to the \$290.45 million term loan facility, dated July 31, 2012. Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Facility Agreement for a \$44.0 million term loan facility, dated July 31, 2012, among Navios Partners, Commerzbank AG and DVB Bank SE. Please read Item 5. Operating and Financial Review and Prospects for a summary of certain contract terms.

Amendment to Omnibus Agreement, dated as of June 29, 2009, among Navios Holdings, Navios GP LLC, Navios Maritime Operating LLC., and Navios Partners, relating to the Omnibus Agreement dated November 16, 2007. Please read Item 7. Major Unitholders and Related Party Transactions for a summary of certain contract terms.

Amendment to Management Agreement dated October 29, 2009, between Navios Partners and Navios ShipManagement relating to the Management Agreement dated November 16, 2007. Please read Item 7. Major Unitholders and Related Party Transactions for a summary of certain contract terms.

Amendment No. 2 to Management Agreement dated October 21, 2011, between Navios Partners and Navios ShipManagement relating to the Management Agreement dated November 16, 2007. Please read Item 7. Major Unitholders and Related Party Transactions for a summary of certain contract terms.

Amendment to Share Purchase Agreement, dated as of June 29, 2009, between Anemos Holdings and Navios Partners relating to the Share Purchase Agreement for the vessel Navios TBN I (now Navios Bonavis) dated November 16, 2007. Please read Item 7. Major Unitholders and Related Party Transactions for a summary of certain contract terms.

Administrative Services Agreement, dated as of November 16, 2007, between Navios Partners and Navios ShipManagement. Please read Item 7. Major Unitholders and Related Party Transactions for a summary of certain contract terms.

Amendment No. 1, dated October 21, 2011, to the Administrative Services Agreement, dated as of November 16, 2007, between Navios Partners and Navios ShipManagement. Please read Item 7. Major Unitholders and Related Party Transactions for a summary of certain contract terms.

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Registration Rights Agreement dated April 30, 2008. Please read Item 7. Major Unitholders and Related Party Transactions for a summary of certain contract terms.

Waiver to Right of First Refusal and Corporate Opportunities Agreement, dated June 29, 2009, by Navios Partners. Please read Item 7. Major Unitholders and Related Party Transactions for a summary of certain contract terms.

D. Exchange controls

We are not aware of any governmental laws, decrees or regulations, including foreign exchange controls, in the Marshall Islands, Liberia, Malta, the countries of incorporation of Navios Partners and its subsidiaries that restrict the export or import of capital, or that affect the remittance of dividends, interest or other payments to non-resident holders of our securities.

We are not aware of any limitations on the right of non-resident or foreign owners to hold or vote our securities imposed by the laws of the Republic of the Marshall Islands or our Certificate of Formation and Limited Partnership Agreement.

E. Taxation of Holders

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of the material U.S. federal income tax considerations that may be relevant to beneficial owners of our common units and, unless otherwise noted in the following discussion, is the opinion of Thompson Hine LLP, our U.S. counsel, insofar as it relates to matters of U.S. federal income tax law and legal conclusions with respect to those matters. The opinion of our counsel is dependent on the accuracy of representations made by us to them, including descriptions of our operations contained herein.

This discussion is based upon provisions of the Internal Revenue Code (the Code), U.S. Treasury Regulations, and administrative rulings and court decisions, all as in effect or in existence on the date of this prospectus and all of which are subject to change or differing interpretations by the Internal Revenue Service (the IRS) or a court, possibly with retroactive effect. Changes in these authorities may cause the tax consequences of ownership of our common units to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to we, our or us are references to Navios Maritime Partners L.P.

The following discussion applies only to beneficial owners of common units that own the common units as capital assets (generally, property held for investment purposes). The following discussion does not address all aspects of U.S. federal income taxation which may be important to particular beneficial owners of common units in light of their individual circumstances, such as (i) beneficial owners of common units subject to special tax rules (e.g., banks or other financial institutions, real estate investment trusts, regulated investment companies, insurance companies, broker-dealers, tax-exempt organizations and retirement plans, individual retirement accounts and tax-deferred accounts, or former citizens or long-term residents of the United States) or that will hold the common units as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes, (ii) partnerships or other entities classified as partnerships for U.S. federal income tax purposes or their partners, (iii) U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar or (iv) beneficial owners of common units that

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own 10% or more (by vote or value) of our common units, all of whom may be subject to tax rules that differ significantly from those summarized below. If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds our common units, the tax treatment of its partners generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. If you are a partner in a partnership holding our common units, you should consult your own tax advisor regarding the tax consequences to you of the partnership's ownership of our common units.

No ruling has been obtained or will be requested from the IRS regarding any matter affecting us or holders of our common units. The opinions and statements made herein may be challenged by the IRS and, if so challenged, may not be sustained upon review in a court.

This discussion does not contain information regarding any state or local, estate, gift or alternative minimum tax considerations concerning the ownership or disposition of common units.

Each beneficial owner of our common units should consult its own tax advisor regarding the U.S. federal, state, local and other tax consequences of the ownership or disposition of common units.

Election to be Treated as a Corporation

We have elected to be treated as a corporation for U.S. federal income tax purposes. Consequently, among other things, U.S. Holders (as defined below) will not directly be subject to U.S. federal income tax on their shares of our income, but rather will be subject to U.S. federal income tax on distributions received from us and dispositions of common units as described below.

U.S. Federal Income Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of our common units that:

is an individual U.S. citizen or resident (as determined for U.S. federal income tax purposes),

a corporation (or other entity that is classified as a corporation for U.S. federal income tax purposes) organized under the laws of the United States or any of its political subdivisions,

an estate the income of which is subject to U.S. federal income taxation regardless of its source, or

a trust if (i) a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under current U.S. Treasury Regulations to be treated as a United States person.

Distributions

Subject to the discussion below of the rules applicable to a passive foreign investment company (a "PFIC"), any distributions to a U.S. Holder made by us with respect to our common units generally will constitute dividends, which will be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in its common units on a dollar-for-dollar basis, and thereafter as capital gain, which will be either long-term or short-term capital gain depending upon whether the U.S. Holder held the common units for more than one year. U.S. Holders that are corporations generally will not be entitled to claim a dividend received deduction with respect to distributions they receive from us. Dividends received with respect to the common units will be treated as foreign source income and generally will be treated as "passive category income" for U.S. foreign tax credit purposes.

Dividends received with respect to our common units by a U.S. Holder who is an individual, trust or estate (a "non-corporate U.S. Holder") generally will be treated as "qualified dividend income" that is taxable to such non-corporate U.S. Holder at preferential capital gain tax rates,

provided that: (i) our common units are traded on an established securities market in the United States (such as the New York Stock Exchange where our common units are traded) and are readily tradeable on such an exchange; (ii) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be, as discussed below); (iii) the non-corporate U.S. Holder has owned the common units for more than 60 days during the 121-day period beginning 60 days before the date on which the common units become ex-dividend (and has not entered into certain risk limiting transactions with respect to such common units); and (iv) the non-corporate U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. Any dividends paid on our common units that are not eligible for these preferential rates will be taxed as ordinary income to a non-corporate U.S. Holder. In addition, a 3.8% tax may apply to certain investment income. See *Medicare Tax* below.

Special rules may apply to any amounts received in respect of our common units that are treated as extraordinary dividends. In general, an extraordinary dividend is a dividend with respect to a common unit that is equal to or in excess of 10.0% of a U.S. Holder's adjusted tax basis (or fair market value upon the U.S. Holder's election) in such common unit. In addition, extraordinary dividends include dividends received within a one-year period that, in the aggregate, equal or exceed 20.0% of a U.S. Holder's adjusted tax basis (or fair market value) in a common unit. If we pay an extraordinary dividend on our common units that is treated as qualified dividend income, then any loss recognized by a U.S. Individual Holder from the sale or exchange of such common units will be treated as long-term capital loss to the extent of the amount of such dividend.

Sale, Exchange or other Disposition of Common Units

Subject to the discussion of PFICs below, a U.S. Holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of our common units in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in such units. The U.S. Holder's initial tax basis in the common units generally will be the U.S. Holder's purchase price for the common units and that tax basis will be reduced (but not below zero) by the amount of any distributions on the common units that are treated as non-taxable returns of capital (as discussed under *Distributions* above). Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition.

A corporate U.S. Holder's capital gains, long-term and short-term, are taxed at ordinary income tax rates. If a corporate U.S. Holder recognizes a loss upon the disposition of our common units, such U.S. Holder is limited to using the loss to offset other capital gain. If a corporate U.S. Holder has no other capital gain in the tax year of the loss, it may carry the capital loss back three years and forward five years.

Long-term capital gains of non-corporate U.S. Holders are subject to the favorable tax rate of a maximum of 20%. In addition, a 3.8% tax may apply to certain investment income. See *Medicare Tax* below. A non-corporate U.S. Holder may deduct a capital loss resulting from a disposition of our common units to the extent of capital gains plus up to \$3,000 (\$1,500 for married individuals filing separate tax returns) and may carry forward a long-term capital loss indefinitely.

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PFIC Status and Significant Tax Consequences

In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which the holder held our common units, either:

at least 75.0% of our gross income (including the gross income of our vessel-owning subsidiaries) for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business), or

at least 50.0% of the average value of the assets held by us (including the assets of our vessel-owning subsidiaries) during such taxable year produce, or are held for the production of, passive income.

Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income generally would constitute passive income unless we were treated as deriving our rental income in the active conduct of a trade or business under the applicable rules.

Based on our current and projected methods of operations, and an opinion of counsel, we believe that we will not be a PFIC with respect to any taxable year. Our U.S. counsel, Thompson Hine LLP, is of the opinion that (1) the income we receive from the time chartering activities and assets engaged in generating such income should not be treated as passive income or assets, respectively, and (2) so long as our income from time charters exceeds 25.0% of our gross income for each taxable year after our initial taxable year and the value of our vessels contracted under time charters exceeds 50.0% of the average value of our assets for each taxable year after our initial taxable year, we should not be a PFIC. This opinion is based on representations and projections provided to our counsel by us regarding our assets, income and charters, and its validity is conditioned on the accuracy of such representations and projections.

Our counsel's opinion is based principally on their conclusion that, for purposes of determining whether we are a PFIC, the gross income we derive or are deemed to derive from the time chartering activities of our wholly-owned subsidiaries should constitute services income, rather than rental income. Correspondingly, such income should not constitute passive income, and the assets that we or our subsidiaries own and operate in connection with the production of such income, in particular, the vessels we or our subsidiaries own that are subject to time charters, should not constitute passive assets for purposes of determining whether we are or have been a PFIC. We expect that all of the vessels in our fleet will be engaged in time chartering activities and intend to treat our income from those activities as non-passive income, and the vessels engaged in those activities as non-passive assets, for PFIC purposes.

Our counsel has advised us that there is a significant amount of legal authority consisting of the Code, legislative history, IRS pronouncements and rulings supporting our position that the income from our time chartering activities constitutes services income (rather than rental income). There is, however, no direct legal authority under the PFIC rules addressing whether income from time chartering activities is services income or rental income. Moreover, in a case not interpreting the PFIC rules, *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), the Fifth Circuit held that the vessel time charters at issue generated predominantly rental income rather than services income. However, the IRS stated in an Action on Decision (AOD 2010-001) that it disagrees with, and will not acquiesce to, the way that the rental versus services framework was applied to the facts in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. The IRS's AOD, however, is an administrative action that cannot be relied upon or otherwise cited as precedent by taxpayers.

The opinion of our counsel is not binding on the IRS or any court. Thus, while we have received an opinion of our counsel in support of our position, there is a possibility that the IRS or a court could disagree with this position and the opinion of our counsel. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year in which a U.S. Holder owned our common units, the U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a Qualified Electing Fund, which we refer to as a QEF election. As an alternative to making a QEF election, the U.S. Holder should be able to make a mark-to-market election with respect to our common units, as discussed below. In addition, if we were treated as a PFIC for any taxable year in which a U.S. Holder owned our common units, the U.S. Holder would be required to file IRS Form 8621 for each year in which the U.S. Holder (i) recognizes gain on the actual or deemed disposition of our common unit, (ii) receives certain actual or deemed distributions from us or (iii) makes any of certain reportable elections (including a QEF election or a mark-to-market election). The U.S. Holder also would be required to file an annual report, with respect to each taxable year beginning on or after March 18, 2010, containing such information as the IRS may

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require in the revised IRS Form 8621. Until the IRS releases the revised IRS Form 8621, this additional reporting requirement is suspended (although a U.S. Holder that is currently otherwise required to file IRS Form 8621 (e.g., upon an actual or deemed disposition of PFIC stock) must continue to file the current IRS Form 8621). However, following the release of the revised IRS Form 8621, U.S. Holders for which the filing of IRS Form 8621 has been suspended for a taxable year will be required to attach IRS Form 8621 for each suspended taxable year to their next income tax or information return required to be filed with the IRS. In the event a U.S. Holder does not file IRS Form 8621, the statute of limitations on the assessment and collection of U.S. federal income taxes of such U.S. Holder for the related tax year may not close before the date which is three years after the date on which such report is filed.

It should also be noted that, if we were treated as a PFIC for any taxable year in which a U.S. Holder owned our common units and any of our non-U.S. subsidiaries were also a PFIC, the U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules.

Taxation of U.S. Holders Making a Timely QEF Election

If we were to be treated as a PFIC for any taxable year and a U.S. Holder makes a timely QEF election (any such U.S. Holder, an Electing Holder), the Electing Holder must report for U.S. federal income tax purposes its pro rata share of our ordinary earnings and net capital gain, if any, for our taxable year that ends with or within the Electing Holder's taxable year, regardless of whether or not the Electing Holder received any distributions from us in that year. Such income inclusions would not be eligible for the preferential tax rates applicable to qualified dividend income. The Electing Holder's adjusted tax basis in our common units will be increased to reflect taxed but undistributed earnings and profits. Distributions to the Electing Holder of our earnings and profits that were previously taxed will result in a corresponding reduction in the Electing Holder's adjusted tax basis in our common units and will not be taxed again once distributed. The Electing Holder would not, however, be entitled to a deduction for its pro rata share of any losses that we incur with respect to any year. An Electing Holder generally will recognize capital gain or loss on the sale, exchange or other disposition of our common units.

Even if a U.S. Holder makes a QEF election for one of our taxable years, if we were a PFIC for a prior taxable during which the U.S. Holder owned our common units and for which the U.S. Holder did not make a timely QEF election, the U.S. Holder would also be subject to the more adverse rules described below under *Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election*. However, under certain circumstances, a U.S. Holder may be permitted to make a retroactive QEF election with respect to us for any open taxable years in the U.S. Holder's holding period for our common units in which we are treated as a PFIC. Additionally, to the extent that any of our subsidiaries is a PFIC, a U.S. Holder's QEF election with respect to us would not be effective with respect to the U.S. Holder's deemed ownership of the stock of such subsidiary and a separate QEF election with respect to such subsidiary would be required.

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A U.S. Holder makes a QEF election with respect to any year that we are a PFIC by filing IRS Form 8621 with the U.S. Holder's U.S. federal income tax return. If, contrary to our expectations, we were to determine that we are treated as a PFIC for any taxable year, we would notify all U.S. Holders and would provide all necessary information to any U.S. Holder that requests such information in order to make the QEF election described above with respect to us and the relevant subsidiaries. A QEF election would not apply to any taxable year for which we are not a PFIC, but would remain in effect with respect to any subsequent taxable year for which we are a PFIC, unless the IRS consents to the revocation of the election.

Taxation of U.S. Holders Making a Mark-to-Market Election

If we were to be treated as a PFIC for any taxable year and, as we anticipate, our common units were treated as marketable stock, then, as an alternative to making a QEF election, a U.S. Holder would be allowed to make a mark-to-market election with respect to our common units, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the U.S. Holder's common units at the end of the taxable year over the holder's adjusted tax basis in the common units. The U.S. Holder also would be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common units over the fair market value thereof at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in the U.S. Holder's common units would be adjusted to reflect any such income or loss recognized. Gain recognized on the sale, exchange or other disposition of our common units would be treated as ordinary income, and any loss recognized on the sale, exchange or other disposition of the common units would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder. A mark-to-market election would not apply to our common units owned by a U.S. Holder in any taxable year during which we are not a PFIC, but would remain in effect with respect to any subsequent taxable year for which we are a PFIC, unless our common units are no longer treated as marketable stock or the IRS consents to the revocation of the election.

Even if a U.S. Holder makes a mark-to-market election for one of our taxable years, if we were a PFIC for a prior taxable year during which the U.S. Holder owned our common stock and for which the U.S. Holder did not make a timely mark-to-market election, the U.S. Holder would also be subject to the more adverse rules described below under *Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election*. Additionally, to the extent that any of our subsidiaries is a PFIC, a mark-to-market election with respect to our common units would not apply to the U.S. Holder's deemed ownership of the stock of such subsidiary.

Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election

If we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a timely QEF election or a timely mark-to-market election for that year (i.e., the taxable year in which the U.S. Holder's holding period commences), whom we refer to as a Non-Electing Holder, would be subject to special rules resulting in increased tax liability with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common units in a taxable year in excess of 125.0% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common units), and (2) any gain realized on the sale, exchange or other disposition of our common units. Under these special rules:

the excess distribution and any gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common units;

the amount allocated to the current taxable year and any year prior to the year we were first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income; and

the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

If we were treated as a PFIC for any taxable year and a Non-Electing Holder who is an individual dies while owning our common units, such holder's successor generally would not receive a step-up in tax basis with respect to such common units. Additionally, to the extent that any of our subsidiaries is a PFIC, the foregoing consequences would apply to the U.S. Holder's deemed receipt of any excess distribution on, or gain

deemed realized on the disposition of, the stock of such subsidiary deemed owned by the U.S. Holder.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will generally be subject to a 3.8% tax on the lesser of (i) the U.S. Holder's net investment income for a taxable year and (ii) the excess of the U.S. Holder's modified adjusted gross income for such taxable year over \$200,000 (\$250,000 in the case of joint filers). For these purposes, net investment income will generally include dividends paid with respect to our common units and net gain attributable to the disposition of our common units not held in a trade or business, but will be reduced by any deductions properly allocable to such income or net gain.

U.S. Federal Income Taxation of Non-U.S. Holders

A beneficial owner of our common units (other than a partnership or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is a Non-U.S. Holder.

Distributions

Distributions we pay to a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax if the Non-U.S. Holder is not engaged in a U.S. trade or business. If the Non-U.S. Holder is engaged in a U.S. trade or business, our distributions will be subject to U.S. federal income tax to the extent they constitute income effectively connected with the Non-U.S. Holder's U.S. trade or business (and a corporate Non-U.S. Holder may also be subject to U.S. federal branch profits tax). However, distributions paid to a Non-U.S. Holder who is engaged in a trade or business may be exempt from taxation under an income tax treaty if the income arising from the distribution is not attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder.

Disposition of Units

In general, a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax on any gain resulting from the disposition of our common units provided the Non-U.S. Holder is not engaged in a U.S. trade or business. A Non-U.S. Holder that is engaged in a U.S. trade or business will be subject to U.S. federal income tax in the event the gain from the disposition of units is effectively connected with the conduct of such U.S. trade or business (provided, in the case of a Non-U.S. Holder entitled to the benefits of an income tax treaty with the United States, such gain also is attributable to a U.S. permanent establishment). However, even if not engaged in a U.S. trade or business, individual Non-U.S. Holders may be subject to tax on gain resulting from the disposition of our common units if they are present in the United States for 183 days or more during the taxable year in which those units are disposed and meet certain other requirements.

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Backup Withholding and Information Reporting

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

fails to provide an accurate taxpayer identification number;

is notified by the IRS that he has failed to report all interest or corporate distributions required to be reported on his U.S. federal income tax returns; or

in certain circumstances, fails to comply with applicable certification requirements.

A U.S. Holder generally is required to certify its compliance with the backup withholding rules on IRS Form W-9.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

Backup withholding is not an additional tax. Rather, a unitholder generally may obtain a credit for any amount withheld against his liability for U.S. federal income tax (and obtain a refund of any amounts withheld in excess of such liability) by filing a U.S. federal income tax return with the IRS.

Individual U.S. Holders (and to the extent specified in applicable U.S. Treasury regulations, certain individual Non-U.S. Holders and certain U.S. Holders that are entities) that hold specified foreign financial assets, including our common units, whose aggregate value exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year (or such higher amounts as prescribed by applicable Treasury Regulations) are required to file a report on IRS Form 8938 with information relating to the assets for each such taxable year. Specified foreign financial assets would include, among other things, our common units, unless such common units are held in an account maintained by a U.S.

financial institution (as defined). Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual U.S. Holder (and to the extent specified in applicable Treasury regulations, an individual Non-U.S. Holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. U.S. Holders (including U.S. entities) and Non-U.S. Holders should consult their own tax advisors regarding their reporting obligations under this legislation.

Tax Consequences of Ownership of Debt Securities

A description of the material federal income tax consequences of the registration, ownership and disposition of debt securities will be set forth in the prospectus supplement relating to the offering of any debt securities.

NON-UNITED STATES TAX CONSIDERATIONS

Marshall Islands Tax Consequences

The following discussion is based upon the opinion of Reeder & Simpson P.C., our counsel as to matters of the laws of the Republic of the Marshall Islands, and the current laws of the Republic of the Marshall Islands applicable to persons who do not reside in, maintain offices in or engage in business in the Republic of the Marshall Islands.

Because we and our subsidiaries do not and do not expect to conduct business or operations in the Republic of the Marshall Islands, under current Marshall Islands law you will not be subject to Marshall Islands taxation or withholding on distributions, including upon distribution treated as a return of capital, we make to you as a unitholder. In addition, you will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of common units, and you will not be required by the Republic of the Marshall Islands to file a tax return relating to your ownership of common units.

EACH UNITHOLDER IS URGED TO CONSULT HIS OWN TAX, LEGAL AND OTHER ADVISORS REGARDING THE CONSEQUENCES OF OWNERSHIP OF COMMON UNITS UNDER THE UNITHOLDER'S PARTICULAR CIRCUMSTANCES.

F. Dividends and paying agents

Not applicable.

G. Statements by experts

Not applicable.

H. Documents on display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549, or from the SEC's website <http://www.sec.gov>. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-300 and you may obtain copies at prescribed rates.

I. Subsidiary information

Not applicable.

Item 11. 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. dollar 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. Expenses incurred in foreign currencies against which the U.S. Dollar falls in value can increase thereby decreasing our income or vice versa if the U.S. dollar increases in value. For example, during the year ended December 31, 2012, the value of U.S. dollar decreased by approximately 2.0% as compared to the Euro.

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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 years ended December 31, 2012, 2011 and 2010, we paid interest on our outstanding debt at a weighted average interest rate of 2.9%, 2.6% and 2.3%, respectively. A 1% increase in LIBOR would have increased our interest expense for the years ended December 31, 2012, 2011 and 2010, by \$2.0 million, \$3.3 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 fiscal year ended December 31, 2012, we had 18 charter counterparties, the most significant of which were Cosco Bulk Carrier Co., Ltd., Mitsui O.S.K. Lines, Ltd. and Samsun Logix, and which accounted for approximately 22.8%, 16.0% and 13.0%, respectively, of total revenues. For the fiscal year ended December 31, 2011, we had 15 charter counterparties, the most significant of which were Cosco Bulk Carrier Co., Ltd., Mitsui O.S.K. Lines, Ltd. and Samsun Logix, and which accounted for approximately 22.2%, 18.5% and 13.2%, respectively, of total revenues. For the year ended December 31, 2010, we had 12 charter counterparties, the most significant of which were Mitsui O.S.K. Lines, Ltd., Cargill International S.A. and Cosco Bulk Carrier Co. Ltd., and which accounted for approximately 27.7%, 11.8% and 11.2%, respectively, of total revenues. No other customers accounted for 10% or more of total revenue for any of the years presented. Although we do not obtain rights to collateral, we maintain counterparty insurance which we re-assess on a quarterly basis to help reduce our credit risk.

To mitigate this risk we have insured certain of our long-term charter-out contracts until 2016, either through a AA rated European Union insurance provider up to a maximum cash payment of \$120 million or through a separate agreement with Navios Holdings up to a maximum cash payment of \$20 million. Our agreements provide that if the charterer goes into payment default, the respective insurer will reimburse us for the charter payments under the terms of the cover (subject to applicable deductibles and other customary limitations for such type of insurance).

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.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Unitholders and Use of Proceeds

None.

Item 15. Controls and Procedures

A. Disclosure Controls and Procedures

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The management of Navios Partners, with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation, pursuant to Rule 13a-15 promulgated under the Securities Act of 1934, as amended (the Exchange Act), of the effectiveness of our disclosure controls and procedures as of December 31, 2012. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2012.

Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

B. Management's annual report on internal control over financial reporting

The management of Navios Partners is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act. Navios Partners' internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States (GAAP).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Navios Partners' management assessed the effectiveness of Navios Partners' internal control over financial reporting as of December 31, 2012. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on its assessment, management concluded that, as of December 31, 2012, Navios Partners' internal control over financial reporting is effective based on those criteria.

Navios Partners' independent registered public accounting firm has issued an attestation report on Navios Partners' internal control over financial reporting.

C. Attestation report of the registered public accounting firm

Navios Partners' independent registered public accounting firm has issued an audit report on Navios Partners' internal control over financial reporting. This report appears on Page F-2 of the consolidated financial statements.

D. Changes in internal control over financial reporting

There have been no changes in internal controls over financial reporting (identified in connection with management's evaluation of such internal controls over financial reporting) that occurred during the year covered by this annual report that have materially affected, or are reasonably likely to materially affect, Navios Partners' internal controls over financial reporting.

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Item 16A. Audit Committee Financial Expert

Navios Partners' Audit Committee consists of two independent directors, Serafeim Kriempardis and John Karakadas. The Board of Directors has determined that Serafeim Kriempardis qualifies as an audit committee financial expert as defined in the instructions of Item 16A of Form 20-F. Mr. Kriempardis is independent under applicable NYSE and SEC standards.

Item 16B. Code of Ethics

Navios Partners has adopted a code of ethics applicable to officers, directors and employees that complies with applicable guidelines issued by the SEC. The Navios Partners Code of Corporate Conduct and Ethics is available for review on Navios Partners' website at www.navios-mlp.com.

Item 16C. Principal Accountant Fees and Services

Audit Fees

Our principal Accountants for fiscal years 2012 and 2011 were PricewaterhouseCoopers S.A. The audit fees for the audit of each of the years ended December 31, 2012 and 2011 were \$0.2 million and \$0.3 million, respectively.

Audit-Related Fees

There were no audit-related fees billed in 2012 and 2011.

Tax Fees

There were no tax fees billed in 2012 and 2011.

Other Fees

There were no other fees billed in 2012 and 2011.

Audit Committee

The Audit Committee is responsible for the appointment, replacement, compensation, evaluation and oversight of the work of the independent auditors. As part of this responsibility, the audit committee pre-approves the audit and non-audit services performed by the independent auditors in order to assure that they do not impair the auditors' independence from Navios Partners. The Audit Committee has adopted a policy which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditors may be pre-approved.

The Audit Committee separately pre-approved all engagements and fees paid to our principal accountant in 2012.

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

Not applicable.

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

None.

Please read Item 7. Major Unitholders and Related Party Transactions .

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Pursuant to an exception for foreign private issuers, we are not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. However, we have voluntarily adopted all of the NYSE required practices, except we do not have (i) a majority of independent board members, (ii) a compensation committee consisting of independent directors, (iii) a compensation committee charter specifying the purpose and responsibilities of the compensation committee, (iv) a nominating/governance committee consisting of independent directors or (v) a nominating/governance committee charter specifying the purpose and responsibilities of the nominating/governance committee. Instead, all compensation and nomination/governance decisions, other than those nominating decisions dictated by our Partnership Agreement, are currently made by a majority of our independent board members.

Item 16H. Mine Safety Disclosures

Not applicable.

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

The financial information required by this Item together with the related report of PricewaterhouseCoopers S.A., Independent Registered Public Accounting Firm, thereon is filed as part of this annual report on Pages F-1 through F-29.

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Item 19. Exhibits

1.1	Certificate of Limited Partnership of Navios Maritime Partners L.P.(1)
1.2	Second Amended and Restated Agreement of Limited Partnership of Navios Maritime Partners L.P.(2)
1.3	Certificate of Formation of Navios GP L.L.C.(1)
1.4	Limited Liability Company Agreement of Navios GP L.L.C.(1)
1.5	Certificate of Formation of Navios Maritime Operating L.L.C.(1)
1.6	Amended and Restated Limited Liability Company Agreement of Navios GP L.L.C.(1)
1.7	Limited Liability Company Agreement of Navios Operating L.L.C.(1)
4.1	Omnibus Agreement(1)
4.2	Management Agreement with Navios ShipManagement Inc.(1)
4.3	Administrative Services Agreement with Navios Maritime Holdings Inc.(1)
4.4	Form of First Contribution and Conveyance Agreement(1)
4.5	Form of Second Contribution and Conveyance Agreement(1)
4.6	Form of Share Purchase Agreement for Navios TBN I(1)
4.7	Form of Share Purchase Agreement for Navios TBN II(1)
4.8	Revolving Credit and Term Loan Facility Agreement(3)
4.9	Common Unit Purchase Agreement between Navios Maritime Partners L.P. and Amadeus Maritime S.A.(1)
4.10	Share Purchase Agreement for Navios Hope(4)
4.11	Registration Rights Agreement(4)
4.12	Supplemental Agreement, dated June 15, 2008, to the Facility Agreement(5)
4.13	Supplemental Agreement, dated January 30, 2009, to the Facility Agreement(6)
4.14	Amendment to Omnibus Agreement, dated as of June 29, 2009, relating to the Omnibus Agreement(7)
4.15	Amendment to Share Purchase Agreement, dated as of June 29, 2009, between Anemos Holdings and Navios Maritime Partners L.P. relating to the Share Purchase Agreement(7)
4.16	Waiver to Right of First Refusal and Corporate Opportunities Agreement, dated June 29, 2009, by Navios Maritime Partners L.P.(7)
4.17	Amendment to Management Agreement, dated October 29, 2009, between Navios Maritime Partners L.P. and Navios ShipManagement Inc. relating to the Management Agreement(8)
4.18	Supplemental Agreement, dated January 11, 2010, to the Facility Agreement(9)
4.19	Supplemental Agreement, dated March 30, 2010, to the Facility Agreement(10)
4.20	Supplemental Agreement, dated June 1, 2010, to the Facility Agreement(11)
4.21	Supplemental Agreement, dated December 13, 2010, to the Facility Agreement(12)
4.22	Supplemental Agreement, dated May 31, 2011, to the Facility Agreement(13)
4.23	Supplemental Agreement, dated September 30, 2011, to the Facility Agreement (14)
4.24	Supplemental Agreement, dated March 30, 2012, to the Facility Agreement(16)
4.25	Facility Agreement for \$35.0 million term loan facility, dated May 27, 2011(13)
4.26	Facility Agreement for \$290.45 million term loan facility, dated July 31, 2012(17)

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- 4.27 Supplemental Agreement, dated December 4, 2012, to Facility Agreement for \$290.45 million term loan facility, dated July 31, 2012(18)
- 4.28 Facility Agreement for \$44.0 million term loan facility, dated August 8, 2012(17)

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- 4.29 Amendment No. 1 to Administrative Services Agreement with Navios Maritime Holdings Inc., dated October 21, 2011(15)
- 4.30 Amendment No. 2 to Management Agreement, dated October 29, 2009, between Navios Maritime Partners L.P. and Navios ShipManagement Inc. relating to the Management Agreement, dated October 21, 2011(15)
- 4.31 Acquisition Omnibus Agreement*
- 8.1 List of Subsidiaries of Navios Maritime Partners L.P.*
- 12.1 Section 302 Certification of Chief Executive Officer*
- 12.2 Section 302 Certification of Chief Financial Officer*
- 13.1 Section 906 Certification of Chief Executive Officer and Chief Executive Officer*
- 15.1 Consent of PricewaterhouseCoopers S.A.*

- (1) Previously filed as an exhibit to the Company's Registration Statement on Form F-1, as amended (File No. 333-146972) as filed with the SEC and hereby incorporated by reference to the Annual Report.
 - (2) Previously filed as an exhibit to a Report on Form 6-K filed on July 14, 2009 and hereby incorporated by reference.
 - (3) Previously filed as an exhibit to a Report on Form 6-K filed on November 26, 2007 and hereby incorporated by reference.
 - (4) Previously filed as an exhibit to a Report on Form 6-K filed on July 2, 2008 and hereby incorporated by reference.
 - (5) Previously filed as an exhibit to a Report on Form 6-K filed on July 10, 2008 and hereby incorporated by reference.
 - (6) Previously filed as an exhibit to a Report on Form 6-K filed on February 25, 2009 and hereby incorporated by reference.
 - (7) Previously filed as an exhibit to a Report on Form 6-K filed on July 14, 2009 and hereby incorporated by reference.
 - (8) Previously filed as an exhibit to a Report on Form 6-K filed on October 30, 2009 and hereby incorporated by reference.
 - (9) Previously filed as an exhibit to a Report on Form 6-K filed on January 26, 2010 and hereby incorporated by reference.
 - (10) Previously filed as an exhibit to a Report on Form 6-K filed on April 8, 2010 and hereby incorporated by reference.
 - (11) Previously filed as an exhibit to a Report on Form 6-K filed on June 11, 2010 and hereby incorporated by reference.
 - (12) Previously filed as an exhibit to a Report on Form 6-K filed on March 1, 2011 and hereby incorporated by reference.
 - (13) Previously filed as an exhibit to a Report on Form 6-K filed on June 8, 2011 and hereby incorporated by reference.
 - (14) Previously filed as an exhibit to a Report on Form 6-K filed on October 5, 2011 and hereby incorporated by reference.
 - (15) Previously filed as an exhibit to a Report on Form 6-K filed on October 24, 2011 and hereby incorporated by reference.
 - (16) Previously filed as an exhibit to a Report on Form 6-K filed on April 9, 2012 and hereby incorporated by reference.
 - (17) Previously filed as an exhibit to a Report on Form 6-K filed on September 5, 2012 and hereby incorporated by reference.
 - (18) Previously filed as an exhibit to a Report on Form 6-K filed on January 31, 2013 and hereby incorporated by reference.
- * Filed herewith.

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SIGNATURES

Navios Maritime Partners L.P. hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Navios Maritime Partners L.P.

/s/ Angeliki Frangou

By: Angeliki Frangou

Its: Chairman and Chief Executive Officer

Date: March 15, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Partners of Navios Maritime Partners L.P.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in partners' capital and cash flows present fairly, in all material respects, the financial position of Navios Maritime Partners L.P. and its subsidiaries (the "Company") at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's annual report on internal control over financial reporting, appearing in Item 15(b) of the Company's 2012 Annual Report on Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers S.A.

Athens, Greece

March 15, 2013

Table of Contents**NAVIOS MARITIME PARTNERS L.P.****CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of U.S. Dollars except unit data)

	Notes	December 31, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 32,132	\$ 48,078
Restricted cash	3	29,529	8,468
Accounts receivable, net	4	7,778	4,835
Prepaid expenses and other current assets	5	594	2,177
Total current assets		70,033	63,558
Non-current assets			
Vessels, net	6	721,391	667,213
Deferred financing costs, net		2,767	2,466
Other long term assets		282	106
Intangible assets	7	160,479	176,581
Total non-current assets		884,919	846,366
Total assets		\$ 954,952	\$ 909,924
LIABILITIES AND PARTNERS CAPITAL			
Current liabilities			
Accounts payable	8	\$ 2,090	\$ 2,022
Accrued expenses	9	3,599	2,986
Deferred voyage revenue	10	9,112	10,920
Current portion of long-term debt	11	23,727	36,700
Amounts due to related parties	18	21,748	4,077
Total current liabilities		60,276	56,705
Non-current liabilities			
Long-term debt	11	275,982	289,350
Deferred voyage revenue	10		4,230
Total non-current liabilities		275,982	293,580
Total liabilities		336,258	350,285
Commitments and contingencies	16		
Partners capital:			
Common Unitholders (60,109,163 and 46,887,320 units issued and outstanding at December 31, 2012 and December 31, 2011, respectively)	13	616,604	729,550
Subordinated Unitholders (0 and 7,621,843 units issued and outstanding at December 31, 2012 and December 31, 2011, respectively)	13		(177,969)
General Partner (1,226,721 and 1,132,843 units issued and outstanding at December 31, 2012 and December 31, 2011, respectively)	13	2,090	1,976
Subordinated Series A Unitholders (0 and 1,000,000 units issued and outstanding at December 31, 2012 and December 31, 2011, respectively)	13		6,082

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Total partners' capital	618,694	559,639
Total liabilities and partners' capital	\$ 954,952	\$ 909,924

See notes to consolidated financial statements

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Table of Contents**NAVIOS MARITIME PARTNERS L.P.****CONSOLIDATED STATEMENTS OF INCOME**

(Expressed in thousands of U.S. Dollars except unit and per unit data)

	Notes	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Time charter revenues (includes related party revenue of \$7,357, \$0 and \$0 for the years ended December 31, 2012, 2011 and 2010, respectively)	14,18	\$ 205,435	\$ 186,953	\$ 143,231
Time charter expenses		(12,937)	(13,473)	(12,027)
Direct vessel expenses		(25)	(61)	(92)
Management fees	18	(31,689)	(26,343)	(19,746)
General and administrative expenses	18	(5,555)	(4,965)	(4,303)
Depreciation and amortization	6,7	(71,622)	(63,971)	(41,174)
Write-off of intangible asset	7		(3,979)	
Interest expense and finance cost, net	11	(10,127)	(9,244)	(6,360)
Interest income		229	821	1,017
Other income	20	22,598	272	85
Other expense		(409)	(675)	(120)
Net income		\$ 95,898	\$ 65,335	\$ 60,511

Earnings per unit (see note 19):

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Net income	\$ 95,898	\$ 65,335	\$ 60,511
Weighted average units outstanding (basic and diluted)			
Common unit holders	58,008,617	45,409,807	33,714,905
Subordinated unit holders		7,621,843	7,621,843
General partner unit holders	1,193,889	1,102,689	864,017
Subordinated Series A unit holders		1,000,000	1,000,000
Earnings per unit (see Note 19):			
Common unit (basic and diluted)	\$ 1.61	\$ 1.33	\$ 1.51
Subordinated unit (basic and diluted)	\$	\$ 0.46	\$ 1.11
General partner unit (basic and diluted)	\$ 1.95	\$ 1.19	\$ 1.42
Subordinated Series A unit (basic and diluted)	\$	\$	\$

See notes to consolidated financial statements

Table of Contents**NAVIOS MARITIME PARTNERS L.P.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of U.S. Dollars)

	Notes	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
OPERATING ACTIVITIES				
Net income		\$ 95,898	\$ 65,335	\$ 60,511
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	6,7	71,622	63,971	41,174
Write-off of intangible asset	7		3,979	
Amortization and write-off of deferred financing cost		787	530	415
Amortization of deferred dry dock costs		25	61	92
Changes in operating assets and liabilities:				
Increase in restricted cash		(3)	(2)	(2)
Increase in accounts receivable		(2,943)	(3,899)	(334)
Decrease/(increase) in prepaid expenses and other current assets		1,583	396	(1,797)
(Increase)/decrease in other long term assets		(202)	75	(154)
Increase in accounts payable		68	946	558
Increase in accrued expenses		613	1,045	97
Decrease in deferred voyage revenue		(6,038)	(6,417)	(5,211)
Increase in amounts due to related parties		17,671	1,444	669
Net cash provided by operating activities		179,081	127,464	96,018
INVESTING ACTIVITIES:				
Acquisition of vessels	6	(88,505)	(76,220)	(291,591)
Acquisition of intangibles	7	(21,193)	(43,780)	(156,166)
Net cash used in investing activities		(109,698)	(120,000)	(447,757)
FINANCING ACTIVITIES:				
Cash distributions paid	19	(106,878)	(95,499)	(72,316)
Net proceeds from issuance of general partner units	13	1,472	2,052	6,150
Proceeds from issuance of common units, net of offering costs	13	68,563	86,288	253,871
Proceeds from long term debt	11	44,000	35,000	139,000
(Increase)/decrease in restricted cash	11	(21,058)	(7,642)	12,500
Repayment of long-term debt and payment of principal	11	(70,340)	(30,450)	(12,500)
Debt issuance costs		(1,088)	(413)	(1,566)
Net cash (used in)/provided by financing activities		(85,329)	(10,664)	325,139
Decrease in cash and cash equivalents		(15,946)	(3,200)	(26,600)
Cash and cash equivalents, beginning of period		48,078	51,278	77,878
Cash and cash equivalents, end of period		\$ 32,132	\$ 48,078	\$ 51,278

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest		\$ 9,957	\$ 8,131	\$ 5,806
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Issuance of common units to Navios Holdings related to the acquisition of the Navios Luz and the Navios Orbiter in May 2011	\$	\$	9,960	\$
Issuance of common units to Navios Holdings related to the acquisition of the Navios Fulvia and the Navios Melodia in November 2010	\$	\$		14,971
Issuance of common units to Navios Holdings related to the acquisition of the Navios Aurora II in March 2010	\$	\$		20,326

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Table of Contents**NAVIOS MARITIME PARTNERS L.P.****CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS CAPITAL**

(Expressed in thousands of U.S. Dollars except unit data)

	Limited Partners				Subordinated		Total		
	General Partner		Common Unitholders		Subordinated Unitholders	Series A Unitholders	Partners Capital		
	Units	\$	Units	\$	Units	Units			
Balance December 31, 2009	671,708	\$ (3,835)	24,291,815	\$ 369,747	7,621,843	\$ (164,004)	1,000,000	\$ 6,082	\$ 207,990
Cash distribution paid		(1,853)		(57,773)		(12,690)			(72,316)
Issuance of units for vessel acquisitions	40,053	714	1,962,589	35,297					36,011
Proceeds from issuance of common units, net of offering costs			15,525,000	253,871					253,871
Proceeds from issuance of general partners units (see note 13)	316,838	5,436							5,436
Net income		1,223		50,823		8,465			60,511
Balance December 31, 2010	1,028,599	\$ 1,685	41,779,404	\$ 651,965	7,621,843	\$ (168,229)	1,000,000	\$ 6,082	\$ 491,503
Cash distribution paid		(3,068)		(79,169)		(13,262)			(95,499)
Issuance of units for vessel acquisitions	10,366	204	507,916	9,960					10,164
Proceeds from issuance of common units, net of offering costs			4,600,000	86,288					86,288
Proceeds from issuance of general partners units (see note 13)	93,878	1,848							1,848
Net income		1,307		60,506		3,522			65,335
Balance December 31, 2011	1,132,843	\$ 1,976	46,887,320	\$ 729,550	7,621,843	\$ (177,969)	1,000,000	\$ 6,082	\$ 559,639
Cash distribution paid		(3,690)		(103,188)					(106,878)
Conversion of subordinated units into common units			7,621,843	(177,969)	(7,621,843)	177,969			
Conversion of subordinated Series A units into common units			1,000,000	6,082			(1,000,000)	(6,082)	
Proceeds from issuance of common units, net of offering costs (see note 13)			4,600,000	68,563					68,563
Proceeds from issuance of general partners units (see note 13)	93,878	1,472							1,472
Net income		2,332		93,566					95,898
Balance December 31, 2012	1,226,721	\$ 2,090	60,109,163	\$ 616,604		\$		\$	\$ 618,694

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NAVIOS MARITIME PARTNERS L.P.

NOTES TO THE 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), 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 55 years of operating history in the drybulk 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% general partner interest in Navios Partners.

Navios Partners is engaged in the seaborne transportation services of a wide range of drybulk commodities including iron ore, coal, grain and fertilizer, chartering its vessels under medium to long-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.

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 pursuant to which the Manager provides Navios Partners commercial and technical management services;
- (b) an administrative services agreement with the Manager pursuant to which the Manager provides Navios Partners administrative services; and
- (c) an omnibus agreement with Navios Holdings (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.

On January 1, 2012, in accordance with the terms of the partnership agreement, all of the outstanding subordinated units converted into 7,621,843 common units (conversion excluded the subordinated Series A units) and on June 29, 2012, in accordance with the terms of the partnership agreement, the outstanding subordinated Series A units converted into 1,000,000 common units.

As of December 31, 2012, there were outstanding: 60,109,163 common units and 1,226,721 general partnership units. Navios Holdings owns a 25.2% interest in Navios Partners, which includes the 2% general partner interest.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) **Basis of presentation:** The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
- (b) **Principles of consolidation:** The accompanying 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 as defined in the accounting guidance, if it determines that it is the primary beneficiary. A variable interest entity is defined as a legal entity where either (a) 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, (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) 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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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 each subsidiary.

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

The accompanying consolidated financial statements include the following entities and chartered-in vessels:

Company name	Vessel name	Country of incorporation	Statement of income					
			2012		2011		2010	
Libra Shipping Enterprises Corporation	Navios Libra II	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Alegria Shipping Corporation	Navios Alegria	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Felicity Shipping Corporation	Navios Felicity	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Gemini Shipping Corporation	Navios Gemini S	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Galaxy Shipping Corporation	Navios Galaxy I	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Aurora Shipping Enterprises Ltd.	Navios Hope	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Palermo Shipping S.A.	Navios Apollon	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Fantastiks Shipping Corporation	Navios Fantastiks	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Sagittarius Shipping Corporation	Navios Sagittarius	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Hyperion Enterprises Inc.	Navios Hyperion	Marshall Is.	1/01	12/31	1/01	12/31	1/08	12/31
Chilali Corp.	Navios Aurora II	Marshall Is.	1/01	12/31	1/01	12/31	3/18	12/31
Surf Maritime Co.	Navios Pollux	Marshall Is.	1/01	12/31	1/01	12/31	5/21	12/31
Pandora Marine Inc.	Navios Melodia	Marshall Is.	1/01	12/31	1/01	12/31	11/15	12/31
Customized Development S.A.	Navios Fulvia	Liberia	1/01	12/31	1/01	12/31	11/15	12/31
Kohylia Shipmanagement S.A.	Navios Luz	Marshall Is.	1/01	12/31	5/19	12/31		
Orbiter Shipping Corp.	Navios Orbiter	Marshall Is.	1/01	12/31	5/19	12/31		
Floral Marine Ltd.	Navios Buena							
	Ventura	Marshall Is.	6/15	12/31				
Golem Navigation Limited	Navios Soleil	Marshall Is.	5/09	12/31				
Kymata Shipping Co.	Navios Helios	Marshall Is.	6/18	12/31				
Chartered-in vessels								
Prosperity Shipping Corporation	Navios Prosperity	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Aldebaran Shipping Corporation	Navios Aldebaran	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Other								
JTC Shipping and Trading Ltd (*)	Holding Company	Malta	1/01	12/31	1/01	12/31	3/18	12/31
Navios Maritime Partners L.P.	N/A	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31
Navios Maritime Operating LLC	N/A	Marshall Is.	1/01	12/31	1/01	12/31	1/01	12/31

(*) Not a vessel-owning subsidiary and only holds right to a charter-in contract.

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

- (c) **Use of Estimates:** The preparation of consolidated financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates the estimates and judgments, including those related to future drydock dates, the selection of useful lives for tangible assets, expected future cash flows from long-lived assets to support impairment tests, provisions necessary for accounts receivables, provisions for legal disputes, and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.
- (d) **Cash and Cash equivalents:** Cash and cash equivalents consist of cash on hand, deposits held on call with banks, and other short-term liquid investments with original maturities of three months or less.
- (e) **Restricted Cash:** Restricted cash includes an amount of \$28,700 held in retention and pledged accounts as required by Navios Partners credit facilities and an amount of \$829 to guarantee a claim related to an owned vessel. As of December 31, 2012 and 2011 the restricted cash held in retention accounts was \$29,529 and \$8,468, respectively.
- (f) **Accounts Receivable, net:** The amount shown as accounts receivable, net at each balance sheet date includes receivables from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. The allowance for doubtful accounts as of December 31, 2012 and 2011 was \$458 and \$49, respectively.
- (g) **Insurance claims:** Insurance claims consist of claims submitted and/or claims in the process of compilation or submission (claims pending against vessels' insurance underwriters). They are recorded on the accrual basis and represent the claimable expenses, net of applicable deductibles, incurred through December 31 of each reported period, which are expected to be recovered from insurance companies. Any remaining costs to complete the claims are included in accrued liabilities. The classification of insurance claims into current and non-current assets is based on management's expectations as to their collection dates. As provided in the management agreement, adjustments and negotiations of settlements of any claim damages which are recoverable under insurance policies are managed by the Manager. Navios Partners pays the deductible of any insurance claims relating to its vessels or for any claims that are within such deductible range.
- (h) **Vessels, net:** Vessels are stated at historical cost, which consists of the contract price and any material expenses incurred upon acquisition (improvements and delivery expenses). Vessels acquired in an asset acquisition or in a business combination are recorded at fair value. Subsequent expenditures for major improvements and upgrading are capitalized, provided they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight line method over the useful life of the vessels, after considering the estimated residual value. Management estimates the residual values of our dry bulk vessels based on a scrap value of \$285 per lightweight ton, as we believe these levels are common in the shipping industry. Management estimates the useful life of our vessels to be 25 years from the vessel's original construction. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective.

- (i) **Deferred Drydock and Special Survey costs:** Navios Partners' vessels are subject to regularly scheduled dry docking and special surveys which are carried out every 30 or 60 months to coincide with the renewal of the related certificates issued by the classification societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of dry docking and special surveys are included in the daily management fee of \$4.65 per owned Ultra-Handymax vessel, \$4.55 per owned Panamax vessel and \$5.65 per owned Capesize vessel through December 31, 2013. From January 2014 to December 2017, Navios Partners expects that it will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of its fleet.
- (j) **Impairment of long lived assets:** Vessels, other fixed assets and other long lived assets held and used by Navios Partners are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In accordance with accounting for the impairment or disposal of long-lived assets, Navios Partners' management evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events or changes in circumstances have occurred that would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, certain indicators of potential impairment, are reviewed such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. Undiscounted projected net operating cash flows are determined for each vessel and compared to the vessel carrying value of the vessel and related carrying value of the intangible with respect to the time charter agreement attached to that vessel. Within the shipping industry, vessels are customarily bought and sold with a charter attached. The value of the charter may be favorable or unfavorable when comparing the charter rate to then current market rates. The loss recognized either on impairment (or on disposition) will reflect the excess of carrying value over fair value (selling price) for the vessel asset group.

During the fourth quarter of fiscal 2012, management concluded that events occurred and circumstances had changed, which indicated that potential impairment of Navios Partners' long-lived assets may exist. These indicators included continued deterioration in the spot market, and the related, impact of the current drybulk sector has on management's expectation for future revenues. As a result, an impairment assessment of long-lived assets was performed.

Navios Partners determined undiscounted projected net operating cash flows for each vessel and compared it to the vessel's carrying value together with the carrying value of the related intangible. The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis included: determining the projected net operating cash flows by considering the charter revenues from existing time charters for the fixed fleet days (Navios Partners' remaining charter agreement rates) and an estimated daily time charter equivalent for the unfixed days (based on a combination of the Navios Partners' remaining charter agreement rates and the 10-year average historical one year time charter rates adjusted for outliers) over the remaining economic life of each vessel, net of brokerage and address commissions and excluding days of scheduled off-hires, management fees fixed until December 2013 and thereafter assuming an annual increase of 3.0% and utilization rate of 98.6% based on the fleet's historical performance. The assessment concluded that step two of the impairment analysis was not required and no impairment of vessels and the intangible assets existed as of December 31, 2012, as the undiscounted projected net operating cash flows exceeded the carrying value.

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

In the event that impairment would occur, the fair value of the related asset would be determined and an impairment charge would be recorded to operations calculated by comparing the asset's carrying value to its fair value. Fair value is estimated primarily through the use of third-party valuations performed on an individual vessel basis.

Although management believes the underlying assumptions supporting this assessment are reasonable, if charter rate trends and the length of the current market downturn, vary significantly from our forecasts, management may be required to perform step two of the impairment analysis in the future that could expose Navios Partners to material impairment charges in the future.

No impairment loss was recognized for any of the periods presented.

(k) *Deferred Financing Cost:* Deferred financing costs include fees, commissions and legal expenses associated with obtaining loan facilities. These costs are amortized over the life of the related debt using the effective interest rate method, and are included in interest expense. Amortization expense and write offs of deferred financing cost for each of the years ended December 31, 2012, 2011 and 2010 were: \$787, \$530 and \$415, respectively.

(l) *Intangible assets and liabilities:* Navios Partners' intangible assets and liabilities consist of favorable lease terms and unfavorable lease terms. When intangible assets or liabilities associated with the acquisition of a vessel are identified, they are recorded at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where charter rates are higher than market charter rates, an asset is recorded, being the difference between the acquired charter rate and the market charter rate for an equivalent vessel. Where charter rates are less than market charter rates, a liability is recorded, being the difference between the assumed charter rate and the market charter rate for an equivalent vessel. The determination of the fair value of acquired assets and assumed liabilities requires Navios Partners to make significant assumptions and estimates of many variables including market charter rates, expected future charter rates, the level of utilization of its vessels and its weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on Navios Partners' financial position and results of operations.

The amortizable value of favorable and unfavorable leases is amortized over the remaining life of the lease term and the amortization expense is included in the statement of income in the depreciation and amortization line item. The amortizable value of favorable leases would be considered impaired if their fair market values could not be recovered from the future undiscounted cash flows associated with the asset. Vessel purchase options that have not been exercised, which are included in favorable lease terms, are not amortized and would be considered impaired if the carrying value of an option, when added to the option price of the vessel, exceeded the fair value of the vessel. If the purchase option is exercised the portion of this asset will be capitalized as part of the cost of the vessel and will be depreciated over the remaining useful life of the vessel. Management, after considering various indicators performed on impairment test which included intangible assets as described in paragraph (j) above. As of December 31, 2012, there was no impairment of intangible assets.

(m) *Foreign currency translation:* Navios Partners' functional and reporting currency is the U.S. Dollar. Navios Partners engages in worldwide commerce with a variety of entities. Although, its operations may expose it to certain levels of foreign currency risk, its transactions are predominantly U.S. dollar denominated. Additionally, Navios Partners' wholly-owned vessel subsidiaries transacted a nominal amount of their operations in Euros; however, all of the subsidiaries' primary cash flows are U.S. dollar denominated. Transactions in currencies other than the functional currency 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 in the statement of operations. The foreign currency exchange (losses)/gains recognized in the accompanying consolidated statements of income, in other income or expense, for each of the years ended December 31, 2012, 2011 and

2010 were \$(1), \$(4) and \$22, respectively.

- (n) **Provisions:** Navios Partners, in the ordinary course of its business, is subject to various claims, suits and complaints. Management, in consultation with internal and external advisors, will provide for a contingent loss in the financial statements if the contingency had been incurred and the likelihood of loss is deemed to be probable at the date of the financial statements and the amount of the loss can be reasonably estimated. In accordance with the accounting for contingencies, if Navios Partners has determined that the reasonable estimate of the loss is a range and there is no best estimate within the range, Navios Partners will accrue the lower amount of the range. Navios Partners, through the management agreement, participates in Protection and Indemnity (P&I) insurance coverage plans provided by mutual insurance societies known as P&I clubs. Under the terms of these plans, participants may be required to pay additional premiums to fund operating deficits incurred by the clubs (deferred calls). Obligations for deferred calls are accrued annually based on information provided by the clubs regarding supplementary calls. Services such as the ones described above are provided by the Manager under the management agreement and included as part of the daily fee of \$4.55 for each Panamax vessel, \$5.65 for each Capesize vessel and \$4.65 for each Ultra-Handymax vessel through December 31, 2013.
- (o) **Segment Reporting:** Navios Partners reports financial information and evaluates its operations by charter revenues and not by the length of ship employment for its customers. Navios Partners does not use discrete financial information to evaluate operating results for each type of charter. Management does not identify expenses, profitability or other financial information by charter type. 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.

(p) **Revenue and Expense Recognition:**

Revenue Recognition: Revenue is recorded when services are rendered, under a signed charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. Revenue is generated from time charter of vessels.

Revenues from time chartering of vessels are accounted for as operating leases and are thus recognized on a straight line basis as the average minimum lease revenue over the rental periods of such charter agreements, as service is performed. A time charter involves placing a vessel at the charterer's disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Under time charters, operating costs such as for crews, maintenance and insurance are typically paid by the owner of the vessel.

Revenues from profit-sharing are calculated at an agreed percentage of the excess of the charterer's average daily income over an agreed amount and accounted for on an accrual basis based on provisional amounts.

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 rate. Since address commissions represent a discount (sales incentive) on services rendered by Navios Partners 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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NAVIOS MARITIME PARTNERS L.P.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. Dollars except unit and per unit data)

Time Charter Expenses: Time charter expenses comprise time charter hire, brokerage commissions, fuel costs and other miscellaneous expenses. Time charter expenses are expensed over the period of the time charter.

Management fees: Pursuant to the Management Agreement dated November 16, 2007, which was revised in October 2009 and 2011, 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) \$4.65 daily rate per Ultra-Handymax vessel; (b) \$4.55 daily rate per Panamax vessel; and (c) \$5.65 daily rate per Capesize vessel until December 31, 2013.

These daily fees cover all of the vessels' operating expenses, including the cost of drydock and special surveys and are classified as management fees in the consolidated statements of income.

General and administrative expenses: Pursuant to the Administrative Services agreement dated November 16, 2007, 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 pursuant to the same terms, until December 31, 2017.

Deferred Voyage Revenue: Deferred voyage revenue primarily relates to cash received from charterers prior to it being earned. These amounts are recognized as revenue over the voyage or charter period. In January 2009, Navios Partners and its counterparty to the Navios Hope charter party mutually agreed for a lump sum amount of approximately \$30,443, of which Navios Partners received net of expenses in the amount of \$29,589 in February 2009. Under a new charter agreement, the balance of the aggregate value of the original contract will be allocated to the period until its original expiration. The amount of \$30,443 has been recognized as deferred revenue and amortized over the life of the vessel's contract.

Prepaid Voyage Costs: Prepaid voyage costs relate to cash paid in advance for expenses associated with voyages. These amounts are recognized as expense over the charter period.

(q) **Financial Instruments:** Financial instruments carried on the balance sheet include cash and cash equivalents, restricted cash, accounts receivables and accounts payables, other receivables and other liabilities and long-term debt. The particular recognition methods applicable to each class of financial instrument are disclosed in the applicable significant policy description of each item, or included below as applicable.

Financial risk management: Navios Partners' activities expose it to a variety of financial risks including fluctuations in future freight rates, time charter hire rates, and fuel prices, credit and interest rates risk. Risk management is carried out under policies approved by executive management. Guidelines are established for overall risk management, as well as specific areas of operations.

Credit risk: Navios Partners closely monitors its exposure to customers and counter-parties for credit risk. Navios Partners has entered into the management agreement with the Manager, pursuant to which the Manager agreed to provide commercial and technical management services to Navios Partners. When negotiating on behalf of Navios Partners' various vessel employment contracts, the Manager has policies in place to ensure that it trades with customers and counterparties with an appropriate credit history.

Financial instruments that potentially subject Navios Partners to concentrations of credit risk are accounts receivable. Navios Partners does not believe its exposure to credit risk is likely to have a material adverse effect on its financial position, results of operations or cash flows.

For the year ended December 31, 2012, Navios Partners' customers representing 10% or more of total revenue were Cosco Bulk Carrier Co. Ltd., Mitsui O.S.K. Lines, Ltd. and Samsung Logix, which accounted for 22.8%, 16.0% and 13.0%, respectively. For the year ended December 31,

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2011, Cosco Bulk Carrier Co. Ltd., Mitsui O.S.K. Lines, Ltd. and Samsun Logix accounted for 22.2%, 18.5% and 13.2%, respectively, of total revenue. For the year ended December 31, 2010, Mitsui O.S.K. Lines, Ltd., Cargill International S.A. and Cosco Bulk Carrier Co. Ltd. accounted for 27.7%, 11.8% and 11.2%, respectively, of total revenue. No other customers accounted for 10% or more of total revenue for any of the years presented.

Foreign exchange risk: Foreign currency transactions are translated into the measurement currency rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income.

(r) **Cash Distribution:** As per the Partnership Agreement, within 45 days following the end of each quarter, an amount equal to 100% of Available Cash with respect to such quarter shall be distributed to the partners as of the record date selected by the Board of Directors.
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 the 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 US GAAP and should not be considered as an alternative to net income or any other indicator of Navios Partners' performance required by US GAAP.

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NAVIOS MARITIME PARTNERS L.P.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. Dollars except unit and per unit data)

Maintenance and Replacement Capital Expenditures: 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, and expansion capital expenditures are those capital expenditures that increase the operating capacity of or the revenue generated by the capital assets. To the extent, however, that capital expenditures associated with acquiring a new vessel increase the revenues or the operating capacity of our fleet, those capital expenditures would be classified as expansion capital expenditures. As at December 31, 2012 and 2011, Maintenance and Replacement capital expenditures reserve approved by the Board of Directors was \$18,869 and \$18,569, respectively.

(s) Recent Accounting Pronouncements:

Fair Value Disclosures

In January 2010, the FASB issued amended standards requiring additional fair value disclosures. The amended standards require disclosures of transfers in and out of Levels 1 and 2 of the fair value hierarchy, as well as requiring gross basis disclosures for purchases, sales, issuances and settlements within the Level 3 reconciliation. Additionally, the update clarifies the requirement to determine the level of disaggregation for fair value measurement disclosures and to disclose valuation techniques and inputs used for both recurring and nonrecurring fair value measurements in either Level 2 or Level 3. Navios Partners adopted the new guidance in the first quarter of fiscal 2010, except for the disclosures related to purchases, sales, issuance and settlements, which was effective for Navios Partners beginning in the first quarter of fiscal 2012. The adoption of the new standards did not have a significant impact on Navios Partners' consolidated financial statements.

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	December 31, 2012	December 31, 2011
Cash on hand and at banks	\$ 18,180	\$ 20,704
Short term deposits and highly liquid funds	13,952	27,374
Total cash and cash equivalents	\$ 32,132	\$ 48,078

Short term deposits and highly liquid funds relate to amounts held in banks for general financing purposes. As of December 31, 2012, Navios Partners held time deposits of \$13,129 and money market funds of \$823 with duration of less than three months. As of December 31, 2011, Navios Partners held time deposits of \$25,281 and money market funds of \$2,093 with duration 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 as of December 31, 2012 and 2011 includes an amount held as security in the form of a letter of guarantee related to an owned vessel in the amount of \$829 and \$826, respectively. In addition, at each of December 31, 2012 and 2011, restricted cash included \$28,700 and \$7,642, which related to amounts held in retention accounts as required by certain of Navios Partners' credit facilities. As of December 31, 2012 and 2011 the restricted cash held in retention accounts was \$29,529 and \$8,468, respectively.

NOTE 4 ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of the following:

	December 31, 2012	December 31, 2011
Accounts receivable	\$ 8,236	\$ 4,884
Less: Provision for doubtful receivables	(458)	(49)
Accounts receivable, net	\$ 7,778	\$ 4,835

Charges to provisions for doubtful accounts are summarized as follows:

Allowance for doubtful receivables	Balance at	Charges to costs	Amount utilized	Balance at end
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	beginning of period	and expenses		of period
Year ended December 31, 2012	\$ (49)	\$ (409)	\$	\$ (458)
Year ended December 31, 2011	\$ (49)	\$	\$	\$ (49)
Year ended December 31, 2010	\$ (49)	\$	\$	\$ (49)

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NAVIOS MARITIME PARTNERS L.P.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. Dollars except unit and per unit data)

NOTE 5 PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2012	December 31, 2011
Prepaid voyage costs	\$ 252	\$ 258
Insurance claims		1,700
Other	342	219
Total prepaid expenses and other current assets	\$ 594	\$ 2,177

NOTE 6 VESSELS AND OTHER FIXED ASSETS

Vessels	Cost	Accumulated Depreciation	Net Book Value
Balance December 31, 2010	\$ 678,725	\$ (66,367)	\$ 612,358
Additions	86,180	(31,325)	54,855
Balance December 31, 2011	\$ 764,905	\$ (97,692)	\$ 667,213
Additions	88,505	(34,327)	54,178
Balance December 31, 2012	\$ 853,410	\$ (132,019)	\$ 721,391

To date, for each of the vessels purchased from Navios Holdings, the vessel acquisition was effected through the acquisition of all of the capital stock of the vessel-owning companies, which held the ownership and other contractual rights and obligations related to each of the acquired vessels, including the vessel and a charter-out contract. Management accounted for each acquisition as an asset acquisition. At the transaction date, the purchase price approximated the fair value of the assets acquired, which was determined based on a combination of methodologies including discounted cash flow analyses and independent valuation analyses. The consideration paid, for each of these transactions, was allocated between the intangible assets (favorable lease term) and the vessel value.

On July 27, 2012, Navios Partners acquired the Navios Helios from unrelated party, a 77,075 dwt Panamax vessel built in 2005, for an acquisition cost of \$21,128 in cash consideration.

On July 24, 2012, Navios Partners acquired the Navios Soleil from unrelated party, a 57,337 dwt Ultra-Handymax vessel built in 2009, for an acquisition cost of \$21,070 in cash consideration.

On June 15, 2012, Navios Partners acquired from Navios Holdings the Navios Buena Ventura for a purchase price of \$67,500 of which \$46,307 was allocated to the vessel and \$21,193 allocated to the acquired time charter-out contract with favorable leases.

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On May 19, 2011, Navios Partners purchased from Navios Holdings the Navios Luz for a purchase price of \$78,000 and the Navios Orbiter for a purchase price of \$52,000. The purchase price consisted of 507,916 common units issued to Navios Holdings valued at \$9,960 and cash of \$120,000. The number of common units issued was calculated based on a price of \$19.6883 per common unit, which was the NYSE volume weighted average trading price of the common units for the ten business days immediately prior to the date of the acquisition. For accounting purposes, the common units were valued based on the closing price on the day of the transaction, which was \$19.61. Favorable lease terms recognized through this transaction amounted to \$22,879 for the Navios Luz and \$20,901 for the Navios Orbiter and were related to the acquisition of the rights on the time charter out contract of the vessels (see note 7). The amounts of \$55,097 for the Navios Luz and the amount of \$31,083 for the Navios Orbiter were classified under vessels, net.

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

NOTE 7 INTANGIBLE ASSETS AND UNFAVORABLE LEASE TERMS

Intangible assets and unfavorable lease terms as of December 31, 2012 and 2011 consist of the following:

	Cost	Accumulated Amortization	Net Book Value
Total favorable lease terms charter-out December 31, 2010	\$ 191,874	\$ (21,783)	\$ 170,091
Additions	43,780	(33,311)	10,469
Write-off of intangible asset	(8,319)	4,340	(3,979)
Total favorable lease terms charter-out December 31, 2011	\$ 227,335	\$ (50,754)	\$ 176,581
Additions	21,193	(37,295)	(16,102)
Total favorable lease terms charter-out December 31, 2012	\$ 248,528	\$ (88,049)	\$ 160,479

Amortization (expense)/income of favorable and unfavorable lease terms for the years ended December 31, 2012, 2011 and 2010 are presented in the following table:

	December 31, 2012	Year Ended December 31, 2011	December 31, 2010
Unfavorable lease terms	\$	\$ 665	\$ 1,997
Favorable lease terms charter-out	(37,295)	(33,311)	(19,685)
Favorable lease terms charter-in			(2)
Total	\$ (37,295)	\$ (32,646)	\$ (17,690)

The aggregate amortizations of the intangibles are estimated to be as follows:

Year	Amount
2013	\$ 38,451
2014	27,608
2015	22,335
2016	17,526
2017	17,526

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2018 and thereafter

37,033

\$ 160,479

On June 15, 2012, Navios Partners acquired from Navios Holdings, the Navios Buena Ventura for a purchase price of \$67,500 of which \$46,307 was allocated to the vessel and \$21,193 allocated to the acquired time charter-out contract with favorable leases.

On May 19, 2011, Navios Partners purchased from Navios Holdings, the Navios Luz, a 2010 built Capesize vessel and the Navios Orbiter, a 2004 built Panamax vessel. Favorable lease terms recognized through this transaction amounted to \$22,879 for the Navios Luz and \$20,901 for the Navios Orbiter and were related to the acquisition of the rights on the time charter-out contracts of the vessels.

The Navios Apollon was off-hire due to an engine breakdown and therefore the charter-out contract was terminated. The net book value of the favorable lease term that was attached to the time charter-out contract was \$3,979 and was written-off in the statement of income.

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 7.7 years for favorable lease terms charter out.

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

NOTE 8 ACCOUNTS PAYABLE

Accounts payable as of December 31, 2012 and 2011 consist of the following:

	December 31, 2012	December 31, 2011
Creditors	\$ 496	\$ 392
Brokers	1,342	1,353
Insurances	138	165
Professional and legal fees	114	112
Total accounts payable	\$ 2,090	\$ 2,022

NOTE 9 ACCRUED EXPENSES

Accrued expenses as of December 31, 2012 and 2011 consist of the following:

	December 31, 2012	December 31, 2011
Accrued voyage expenses	\$ 2,410	\$ 1,279
Accrued loan interest	780	1,397
Accrued legal and professional fees	409	310
Total accrued expenses	\$ 3,599	\$ 2,986

NOTE 10 DEFERRED VOYAGE REVENUE

Deferred voyage revenue primarily reflects charter-out amounts collected on voyages that have not yet been completed. In addition, in January 2009, Navios Partners and its counterparty to the Navios Hope charter party mutually agreed for a lump sum amount of approximately \$30,443, of which Navios Partners received net of expenses in the amount of \$29,589 in February 2009. Under a new charter agreement, the balance of the aggregate value of the original contract is allocated to the period until its original expiration. The amount of \$30,443 has been recognized as deferred revenue and amortized over the life of the vessel's contract in August 2013. As of December 31, 2012 and December 31, 2011, the deferred voyage revenue of \$9,112 and \$15,150, respectively, included the unamortized amount of the lump sum amount related to the Navios Hope of \$4,230 and \$10,991, respectively. As of December 31, 2012, the current and long-term portion of the lump sum amount was \$4,230 and \$0, respectively.

NOTE 11 BORROWINGS

Borrowings as of December 31, 2012 and 2011 consist of the following:

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	December 31, 2012	December 31, 2011
Credit facility	\$ 299,709	\$ 326,050
Less current portion	(23,727)	(36,700)
Total long term borrowings	\$ 275,982	\$ 289,350

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

As of December 31, 2012, all of our facilities were fully drawn and the total borrowings under the credit facilities amounted to \$299,709. Navios Partners has no undrawn available facilities. Both facilities require compliance with certain financial covenants. As of December 31, 2012, Navios Partners was in compliance with the financial covenants of its credit facilities.

On July 31, 2012, Navios Partners entered into the July 2012 Credit Facility for \$290,450. The July 2012 Credit Facility was entered into to refinance and merge Navios Partners' two existing facilities consisting of the Credit Facility, as amended, and the May 2011 Credit Facility. The July 2012 Credit Facility matures on November 30, 2017. In December 2012, Navios Partners amended the July 2012 Credit Facility to prepay \$24,600. The prepayment will be applied in partial settlement of the next installments. As of December 31, 2012 the outstanding balance was \$256,634 and is repayable in 20 installments in various amounts during the term of the July 2012 Credit Facility consisting of \$5,006 (five quarterly installments), \$6,967 (13 quarterly installments) and \$11,829 (two quarterly installments) with a final payment of \$117,375. The July 2012 Credit Facility bears interest at rates ranging from 180 to 205 bps per annum (depending on the loan amount compared to the security value) plus, depending on the length of the interest period, either LIBOR or the actual cost of funds. The refinancing of this facility was accounted for as debt modification in accordance with ASC470 Debt.

On August 8, 2012, Navios Partners entered into the August 2012 Credit Facility, and borrowed an amount of \$44,000 to partially finance the acquisitions of the Navios Buena Ventura, the Navios Helios and the Navios Soleil. The August 2012 Credit Facility matures on February 9, 2018 and is repayable in 22 equal quarterly installments of \$925 each with a final balloon payment of \$23,650 to be repaid on the last repayment date. The August 2012 Credit Facility bears interest at a rate of LIBOR plus 350 bps.

Amounts drawn under the facilities are secured by first preferred mortgages on Navios Partners' vessels and other collateral and are guaranteed by each vessel-owning subsidiary. 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; 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 also require Navios Partners to comply with the ISM Code and ISPS Code and to maintain valid safety management certificates and documents of compliance at all times. The credit facilities also require compliance with a number of financial covenants of Navios Partners, including Net Worth, debt coverage ratios and minimum liquidity. It is an event of default under the loan facilities if such covenants are not complied with.

The maturity table below reflects the principal payments due under its credit facilities for the 12-month periods ended December 31:

Year	Amount
2013	\$ 23,727
2014	34,469
2015	31,567
2016	36,429
2017	148,942
2018 and thereafter	24,575
	\$ 299,709

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS

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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 consolidated balance sheets for interest bearing deposits approximate their fair value because of the short maturity of these investments.

Borrowings: The carrying amount of the floating rate loans approximates its fair value.

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

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

	December 31, 2012		December 31, 2011	
	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	\$ 32,132	\$ 32,132	\$ 48,078	\$ 48,078
Restricted cash	\$ 29,529	\$ 29,529	\$ 8,468	\$ 8,468
Accounts receivable, net	\$ 7,778	\$ 7,778	\$ 4,835	\$ 4,835
Accounts payable	\$ (2,090)	\$ (2,090)	\$ (2,022)	\$ (2,022)
Amounts due to related parties	\$ (21,748)	\$ (21,748)	\$ (4,077)	\$ (4,077)
Long-term debt	\$ (299,709)	\$ (299,709)	\$ (326,050)	\$ (326,050)

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 3 inputs as of December 31, 2012.

	Fair Value Measurements at December 31, 2012 Using			
	Total	Level I	Level II	Level III
Cash and cash equivalents	\$ 32,132	\$ 32,132	\$	\$
Restricted cash	\$ 29,529	\$ 29,529	\$	\$
Long-term debt ⁽¹⁾	\$ (299,709)	\$	\$ (299,709)	\$

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

NOTE 13 ISSUANCE OF UNITS

On May 8, 2012, Navios Partners completed its public offering of 4,600,000 common units at \$15.68 per unit and raised gross proceeds of approximately \$72,128 to fund its fleet expansion. The net proceeds of this offering were approximately \$68,729. Pursuant to this offering, Navios Partners issued 93,878 additional general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$1,472.

On May 19, 2011, Navios Partners acquired from Navios Holdings the Navios Luz for a purchase price of \$78,000 and the Navios Orbiter for a purchase price of \$52,000. The purchase price consisted of 507,916 common units of Navios Partners issued to Navios Holdings and \$120,000 cash. The number of the common units issued was calculated based on a price of \$19.6883 per common unit, which was the NYSE volume weighted average trading price of the common units for the ten business days immediately prior to the acquisition. For accounting purposes, the common units were valued based on the closing price on the day of the transaction, which was \$19.61. Navios Partners issued 10,366 additional general partnership units to the General Partner. The net proceeds from the issuance of the general partnership units were \$204.

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On April 13, 2011, Navios Partners completed its public offering of 4,000,000 common units at \$19.68 per unit and raised gross proceeds of approximately \$78,720 to fund its fleet expansion. The net proceeds of this offering, including the underwriting discount and excluding offering costs of \$161 were approximately \$75,178. Pursuant to this offering, Navios Partners issued 81,633 additional general partnership units to the General Partner. The net proceeds from the issuance of the general partnership units were \$1,607. On the same date, Navios Partners completed the exercise of the overallotment option previously granted to the underwriters in connection with the offering and issued 600,000 additional common units at the public offering price less the underwriting discount, raising gross proceeds of \$11,808 and net proceeds, including the underwriting discount, of approximately \$11,277. As a result of the exercise of the overallotment option, Navios Partners issued 12,245 additional general partnership units to the General Partner. The net proceeds from the issuance of the general partnership units were \$241.

NOTE 14 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. 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. Dry bulk vessels operate worldwide. Revenues from specific geographic region which contribute over 10% of total revenue are disclosed separately.

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

Revenue by Geographic Region

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Europe	\$ 29,658	\$ 24,436	\$ 26,067
Asia	151,608	147,642	99,442
North America	15,968	7,218	9,716
Australia	8,201	7,657	8,006
Total	\$ 205,435	\$ 186,953	\$ 143,231

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.

NOTE 15 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 consolidated statements of income.

As of January 1, 2013, foreign flagged vessels that are managed by Greek or foreign ship management companies in Greece are subject to Greek tonnage tax. The payment of tonnage tax exhausts the tax liability of the foreign ship owning company 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 16 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 to Navios Partners financial position, results of operations or liquidity.

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In January 2011, Korea Line Corporation (KLC) which is the charterer of the Navios Melodia filed for receivership. The charter contract was affirmed and will be performed by KLC on its original terms, provided that during an interim suspension period the sub-charterer pays Navios Partners directly.

The future minimum commitments for the 12-month periods ended December 31, of Navios Partners under its charter-in contracts, net of commissions, are as follows:

	Amount
2013	\$ 9,864
2014	6,594
2015	1,005
2016	
	\$ 17,463

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

NOTE 17 LEASES

The future minimum contractual lease income (charter-out rates are presented net of commissions), is as follows:

	Amount
2013	173,948
2014	113,805
2015	97,123
2016	80,412
2017	80,192
2018 and thereafter	173,634
	\$ 719,114

NOTE 18 TRANSACTIONS WITH RELATED PARTIES AND AFFILIATES

Management fees: Pursuant to the Management Agreement dated November 16, 2007, which was revised in October 2009 and 2011, 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) \$4.65 daily rate per Ultra-Handymax vessel; (b) \$4.55 daily rate per Panamax vessel; and (c) \$5.65 daily rate per Capesize vessel until December 31, 2013.

These daily fees cover all of the vessels' operating expenses, including the cost of dry dock and special surveys. Total management fees for the year ended December 31, 2012, 2011 and 2010 amounted to \$31,689, \$26,343 and \$19,746, respectively.

General and administrative expenses: Pursuant to the Administrative Services agreement dated November 16, 2007, 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 pursuant to the same terms, until December 31, 2017.

Total general and administrative expenses charged by Navios Holdings for each of the three years ended December 31, 2012, 2011 and 2010 amounted to \$3,883, \$3,447 and \$2,725, respectively.

Balance due to related parties: Amounts due to related parties as of December 31, 2012 is \$21,748 which represents the current account payable to Navios Holdings and its subsidiaries. The balance mainly consists of the management fees amounting to \$17,133 and administrative service expenses and other expenses amounting to \$4,615.

Acquisitions: On June 15, 2012, Navios Partners acquired from Navios Holdings, the Navios Buena Ventura for a purchase price of \$67,500. Favorable lease terms recognized through this transaction amounted to \$21,193 and were related to the acquisition of the rights on the time charter-out contract of the vessel.

On May 19, 2011, Navios Partners acquired from Navios Holdings, the Navios Luz for a purchase price of \$78,000 and the Navios Orbiter for a purchase price of \$52,000. Favorable lease terms recognized through this transaction amounted to \$22,879 for the Navios Luz and \$20,901 for the Navios Orbiter and were related to the acquisition of the rights on the time charter-out contracts of the vessels. The purchase price consisted of 507,916 common units issued to Navios Holdings valued at \$9,960 and cash of \$120,000. The number of common units issued was calculated

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based on a price of \$19.6883 per common unit, which was the NYSE volume weighted average trading price of the common units for the ten business days immediately prior to the date of the acquisition.

Vessel Chartering: In February 2012, Navios Partners entered into a charter with a subsidiary of Navios Holdings for the Navios Apollon. The term of this charter is approximately two years commencing in February 2012, at a daily rate of \$12,500 net per day for the first year and \$13,500 net per day for the second year, plus 50/50 profit sharing based on actual earnings. For this charter, for the years ended December 31, 2012, 2011 and 2010 the total revenue of Navios Partners from Navios Holdings amounted to \$4,091, \$0 and \$0, respectively.

In May 2012, Navios Partners entered into a charter with a subsidiary of Navios Holdings for the Navios Prosperity. The term of this charter is approximately one year commencing in May 2012, at a daily rate of \$12,000 net per day plus profit sharing the first \$1,500 in profits above the base rate and thereafter all profits will be split 50% to each party. For this charter, for the years ended December 31, 2012, 2011 and 2010, the total revenue of Navios Partners from Navios Holdings amounted to \$2,364, \$0 and \$0, respectively.

In September 2012, Navios Partners entered into a charter with a subsidiary of Navios Holdings for the Navios Libra. The term of this charter is approximately three years commencing in October 2012, at a daily rate of \$12,000 net per day plus 50/50 profit sharing based on actual earnings. For this charter, for the years ended December 31, 2012, 2011 and 2010 the total revenue of Navios Partners from Navios Holdings amounted to \$902, \$0 and \$0, respectively.

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Others: Navios Partners has entered into an Omnibus Agreement with Navios Holdings pursuant to which Navios Holdings and its controlled affiliates (other than us, our general partner and our subsidiaries) generally agreed not to acquire or own Panamax or Capesize drybulk carriers under time charters of three or more years without the consent of our general partner. The Omnibus Agreement, however, contains significant exceptions that allow Navios Holdings or any of its controlled affiliates to compete with us under specified circumstances which could harm our business. In addition, concurrently with the successful consummation of the initial business combination by Navios Maritime Acquisition Corporation, or Navios Acquisition, on May 28, 2010, because of the overlap between Navios Acquisition, Navios Holdings and us, with respect to possible acquisitions under the terms of our Omnibus Agreement, we entered into a business opportunity right of first refusal agreement which provides the types of business opportunities in the marine transportation and logistics industries, we, Navios Holdings and Navios Acquisition must share with the each other.

On January 1, 2012, in accordance with the terms of the partnership agreement, all of the outstanding subordinated units converted into 7,621,843 shares of common units (conversion excluded the subordinated Series A units). On June 29, 2012, in accordance with the terms of the partnership agreement, the outstanding subordinated Series A units converted into 1,000,000 shares of common units. As of December 31, 2012, Navios Holdings held a total of 14,223,763 common units, representing a 23.2% common interest in Navios Partners.

On November 15, 2012, Navios Holdings and Navios Partners entered into an agreement by which Navios Holdings will provide supplemental credit default insurance with a maximum cash payment of \$20,000. As of December 31, 2012, the Company has not put forth any claims to Navios Holdings in connection with this supplemental insurance.

NOTE 19 CASH DISTRIBUTIONS AND EARNINGS PER UNIT

The partnership agreement of Navios Partners requires that all available cash is distributed quarterly, after deducting expenses, including estimated maintenance and replacement capital expenditures and reserves. Distributions 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. The amount of the minimum quarterly distribution is \$0.35 per unit or \$1.40 unit per year and are made in the following manner, during the subordination period:

First, 98% to the holders of common units and 2% to the General Partner until each common unit has received a minimum quarterly distribution of \$0.35 plus any arrearages from previous quarters;

Second, 98% to the holders of subordinated units and 2% to the General Partner until each subordinated unit has received a minimum quarterly distribution of \$0.35; and

Third, 98% to all unitholders, pro rata, and 2% to General Partner, until each unit has received an aggregate amount of \$0.4025

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

Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions	
	Common and	General Partner

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		Subordinated (1)	Unitholders (2)
Minimum Quarterly Distribution	\$0.35	98%	2%
First Target Distribution	up to \$0.4025	98%	2%
Second Target Distribution	above \$0.4025 up to \$0.4375	85%	15%
Third Target Distribution	above \$0.4375 up to \$0.525	75%	25%
Thereafter	above \$0.525	50%	50%

(1) As of January 1, 2012, all subordinated units, excluding subordinated Series A units, were converted into common units.

(2) As of June 29, 2012, all subordinated Series A units were converted into common units.

On January 24, 2012, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended December 31, 2011 of \$0.44 per unit. The distribution was paid on February 14, 2012 to all holders of record of common and general partner units (not including holders of subordinated Series A units) on February 9, 2012. The aggregate amount of the declared distribution was \$24,829.

On April 25, 2012, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended March 31, 2012 of \$0.44 per unit. The distribution was paid on May 14, 2012 to all holders of record of common and general partner units (not including holders of subordinated Series A units) on May 10, 2012. The aggregate amount of the declared distribution was \$26,923.

On July 23, 2012, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended June 30, 2012 of \$0.4425 per unit. The distribution was paid on August 13, 2012 to all holders of record of common and general partner units on August 8, 2012. The aggregate amount of the declared distribution was \$27,563.

On October 18, 2012, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended September 30, 2012 of \$0.4425 per unit. The distribution was paid on November 13, 2012 to all holders of record of common and general partner units on November 8, 2012. The aggregate amount of the declared distribution was \$27,563.

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(Expressed in thousands of U.S. Dollars except unit and per unit data)

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. Basic earnings net income per unit is determined by dividing net income by the weighted average number of units outstanding during the period. Diluted earnings per unit is calculated in the same manner as net income per unit, except that the weighted average number of outstanding units increased to include the dilutive effect of outstanding unit options or phantom units. There were no options or phantom units outstanding during the years ended December 31, 2012, 2011 and 2010.

The General Partner's interest in net income is calculated as if all net income for the year was distributed according to the terms of Navios Partners' partnership agreement, regardless of whether those earnings would or could be distributed. Navios Partners' partnership agreement does not provide for the distribution of net income; rather, it provides for the distribution of available cash, which is a contractually defined term that generally means all cash on hand at the end of each quarter less the amount of cash reserves established by Navios Partners' board of directors to provide for the proper conduct of Navios Partners' business including reserves for maintenance and replacement capital expenditure and anticipated credit needs.

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

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Net income	\$ 95,898	\$ 65,335	\$ 60,511
Earnings attributable to:			
Common unit holders	93,566	60,506	50,823
Subordinated unit holders		3,522	8,465
General partner unit holders	2,332	1,307	1,223
Subordinated Series A unit holders			
Weighted average units outstanding (basic and diluted)			
Common unit holders	58,008,617	45,409,807	33,714,905
Subordinated unit holders		7,621,843	7,621,843
General partner unit holders	1,193,889	1,102,689	864,017
Subordinated Series A unit holders		1,000,000	1,000,000
Earnings per unit (basic and diluted):			
Common unit holders	\$ 1.61	\$ 1.33	\$ 1.51
Subordinated unit holders	\$	\$ 0.46	\$ 1.11
General partner unit holders	\$ 1.95	\$ 1.19	\$ 1.42
Earnings per unit distributed (basic and diluted):			
Common unit holders	\$ 1.79	\$ 1.76	\$ 1.76
Subordinated unit holders	\$	\$ 1.75	\$ 1.69
General partner unit holders	\$ 3.13	\$ 2.90	\$ 2.35
Loss per unit undistributed (basic and diluted):			
Common unit holders	\$ (0.18)	\$ (0.43)	\$ (0.25)
Subordinated unit holders	\$	\$ (1.29)	\$ (0.58)
General partner unit holders	\$ (1.18)	\$ (1.71)	\$ (0.93)

NOTE 20 OTHER INCOME

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	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Income from credit default insurance	\$ 22,453	\$ 272	\$ 85
Other Income	145	272	85
Total	\$ 22,598	\$ 272	\$ 85

On November 15, 2012, the Company agreed to restructure its credit default insurance. In connection with this restructuring, Navios Partners recognized in other income an amount of \$22,453 net of related expenses received from its credit default insurer. The amount was considered other income since the Company has no future requirement to repay any of the lump sum cash payment back to the insurance company. As of December 31, 2012, the other income also included an amount of \$145 related to other income.

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NOTE 21 SUBSEQUENT EVENTS

On January 21, 2013, the Board of Directors of Navios Partners authorized its quarterly cash distribution for the three month period ended December 31, 2012 of \$0.4425 per unit. The distribution was paid on February 14, 2013 to all holders of record of common and general partner units on February 8, 2013. The aggregate amount of the declared distribution was \$27,563.

On February 6, 2013, Navios Partners completed its public offering of 4,500,000 common units at \$14.15 per unit and raised gross proceeds of approximately \$63,675 to fund its fleet expansion. The net proceeds of this offering, including the underwriting discount and excluding offering costs of \$320 were approximately \$60,840. Pursuant to this offering, Navios Partners issued 91,837 general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$1,299. On the same date, Navios Partners completed the exercise of the option previously granted to the underwriters in connection with the offering and issued 675,000 additional common units at the public offering price less the underwriting discount. As a result of the exercise of the option, Navios Partners raised additional gross proceeds of \$9,551 and net proceeds, including the underwriting discount, of approximately \$9,126 and issued 13,776 additional general partnership units to its general partner. The net proceeds from the issuance of the general partnership units were \$195.

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