

Navigator Holdings Ltd.
Form 20-F
March 03, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____

OR

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

Date of event requiring this shell company report _____

Commission file number: 001-36202

NAVIGATOR HOLDINGS LTD.

(Exact Name of Registrant as Specified in Its Charter)

Republic of the Marshall Islands

(Jurisdiction of Incorporation or Organization)

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(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	Name of Each Exchange on which Registered
Common Stock	New York Stock Exchange
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.

55,363,467 Shares of Common Stock

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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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
by the International Accounting Standards Board

Other

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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Presentation of Information in this Annual Report

This annual report on Form 20-F for the year ended December 31, 2015, or the annual report, should be read in conjunction with our consolidated financial statements and notes thereto included in this annual report. All references in this annual report to Navigator Holdings, our, we, us and the Company refer to Navigator Holdings PLC, an Isle of Man corporation, with regard to all periods prior to its redomiciliation in the Republic of the Marshall Islands, and to Navigator Holdings Ltd., a Marshall Islands corporation, with regard to all periods after its redomiciliation in the Republic of the Marshall Islands. All references in this annual report to our wholly-owned subsidiary Navigator Gas L.L.C. refer to Navigator Gas Transport PLC, an Isle of Man corporation, with regard to all periods prior to its redomiciliation in the Republic of the Marshall Islands, and to Navigator Gas L.L.C., a Marshall Islands limited liability company, with regard to all periods after its redomiciliation in the Republic of the Marshall Islands. As used in this annual report, unless the context indicates or otherwise requires, references to our fleet or our vessels include (i) 29 vessels we owned and operated as of December 31, 2015 and one newbuilding delivered to us from Jiangnan Shipyard (Group) Co. Ltd. in China, or Jiangnan, on January 15, 2016 (ii) four newbuildings expected to be delivered from Jiangnan between April, 2016 and November of 2016, or the 2016 newbuildings, and (iii) one newbuilding expected to be delivered from Jiangnan and three newbuildings expected to be delivered from Hyundai Mipo Dockyard Co. Ltd, in South Korea, or HMD, between January and July 2017, or the 2017 newbuildings. As used in the annual report, (i) WLR refers to WL Ross & Co. LLC and (ii) the WLR Group refers to WLR and certain of its affiliated investment funds owning shares of our common stock, collectively.

Cautionary Statement Regarding Forward Looking Statements

Statements included in this annual report concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto, including our financial forecast, contain forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that 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, or the negative of these terms or other comparable terminology. Forward-looking statements appear in a number of places in this annual report. These risks and uncertainties include, but are not limited to:

future operating or financial results;

pending acquisitions, business strategy and expected capital spending;

operating expenses, availability of crew, number of off-hire days, drydocking requirements and insurance costs;

general market conditions and shipping market trends, including charter rates and factors affecting supply and demand;

our financial condition and liquidity, including our ability to obtain additional financing in the future to fund capital expenditures, acquisitions and other corporate activities;

estimated future capital expenditures needed to preserve our capital base;

our expectations about the receipt of our eight newbuildings, and the timing of the receipt thereof;

our expectations about the availability of vessels to purchase, the time that it may take to construct new vessels, or the useful lives of our vessels;

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

changes in governmental rules and regulations or actions taken by regulatory authorities;

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potential liability from future litigation;

our expectations relating to the payment of dividends;

our expectation that in 2016 we will begin providing in-house technical management for one or more vessels in our fleet; and

other factors discussed in Item 3 Risk Factors of this annual report.

We expressly disclaim any obligation to update or revise any of these forward-looking statements, whether because of future events, new information, a change in our views or expectations, or otherwise. We make no prediction or statement about the performance of our common stock.

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Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

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

The following table presents selected historical financial data for the years ended December 31, 2011, 2012, 2013, 2014 and 2015 which has been derived from our audited consolidated financial statements included elsewhere in this annual report, and should be read together with and qualified in its entirety by reference to such audited consolidated financial statements.

In connection with the preparation of our consolidated financial statements for the year ended December 31, 2015, we identified an immaterial error in the treatment of interest costs in relation to vessel newbuildings. Certain amounts recorded as an interest expense should have been capitalized, rather than expensed. The error resulted in a prior overstatement of interest expense and an understatement of net income, book values of vessels under construction and vessels in operation, retained earnings and total stockholders' equity for the years ended December 31, 2012, 2013 and 2014 and the interim periods within the years, as well as the first three quarters of 2015, in the related financial statements. We have amended the financial statements to correct such items, and the following selected financial data as of and for the years ended December 31, 2012, 2013 and 2014 has been revised accordingly in accordance with accounting guidance presented in ASC 250, SEC Staff Accounting Bulletin No. 99 Materiality and Staff Accounting Bulletin 108 considering the effects of prior year misstatements when quantifying misstatements in current year financial statements. We assessed the materiality of the error and concluded that it was not material to any of our previously issued financial statements taken as a whole. Please read Note 2 (Summary of Significant Accounting Policies) to the audited historical consolidated financial statements.

The following table should be read together with Item 5 Operating and Financial Review and Prospects. The selected historical financial data reflects the earnings per share and dividends per share impact of our 3-for-1 stock split that was effected in the form of a stock dividend on October 29, 2013.

Navigator Holdings				
Year Ended December 31,				
2011	2012	2013	2014	2015
(in thousands, except per share data, fleet data and average daily results)				

Income Statement Data:					
Revenue	\$ 88,875	\$ 146,716	\$ 238,338	\$ 304,875	\$ 315,223
Operating expenses:					
Address and brokerage commissions	2,664	4,234	5,473	6,697	6,995
Voyage expenses	17,661	27,791	49,336	45,003	33,687
Costs of cargo sold			4,255		
Charter-in costs	344	11,288	6,834	9,111	
Vessel operating expenses	22,939	32,826	56,030	70,198	78,842
Depreciation and amortization	18,678	24,180	36,608	45,809	53,453
General and administrative costs	4,232	5,273	6,147	10,335	11,011
Other corporate expenses	1,166	1,402	3,496	2,260	2,553
Profit on sale of vessel					(550)
Vessel write down following collision					10,500
Insurance recoverable from vessel repairs					(9,892)
Total operating expenses	67,684	106,994	168,179	189,413	186,599

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	Navigator Holdings				
	Year Ended December 31,				
	2011	2012	2013	2014	2015
	(in thousands, except per share data, fleet data and average daily results)				
Operating income	\$ 21,191	\$ 39,722	\$ 70,159	\$ 115,462	\$ 128,624
Net interest expense	2,433	8,312	27,464	26,821	29,730
Income before income taxes	\$ 18,758	\$ 31,410	\$ 42,695	\$ 88,641	\$ 98,894
Income taxes	108	515	506	904	800
Net income	\$ 18,650	\$ 30,895	\$ 42,189	\$ 87,737	\$ 98,094
Earnings per share:					
Basic	\$ 0.60	\$ 0.83	\$ 0.92	\$ 1.59	\$ 1.77
Diluted	\$ 0.60	\$ 0.83	\$ 0.92	\$ 1.58	\$ 1.76
Dividends per share:					
Basic and diluted	\$ 0.31	\$ 0.06	\$	\$	\$
EBITDA ⁽¹⁾	\$ 39,869	\$ 63,902	\$ 106,767	\$ 161,271	\$ 182,077
Balance Sheet Data (at end of period):					
Cash and cash equivalents	\$ 26,734	\$ 140,870	\$ 194,740	\$ 62,526	\$ 87,779
Total assets	524,793	832,613	1,326,790	1,375,290	1,570,644
Total liabilities	152,765	384,431	604,574	564,726	660,553
Total shareholders' equity	372,028	448,182	722,216	810,564	910,091
Cash Flows Data:					
Net cash provided by operating activities	\$ 44,982	\$ 55,321	\$ 80,015	\$ 133,114	\$ 149,554
Net cash used in investing activities	(85,577)	(203,148)	(457,503)	(231,874)	(205,856)
Net cash provided by financing activities	51,086	261,963	431,358	(33,454)	81,555
Fleet Data:					
Weighted average number of vessels ⁽²⁾	8.3	12.7	19.6	24.8	27.8
Ownership days ⁽³⁾	3,033	4,663	7,168	9,051	10,135
Available days ⁽⁴⁾	3,033	4,663	7,044	8,906	9,865
Operating days ⁽⁵⁾	2,955	4,641	6,544	8,666	9,298
Fleet utilization ⁽⁶⁾	97.4%	99.5%	92.9%	97.3%	94.3%
Average Daily Results:					
Time charter equivalent rate ⁽⁷⁾	\$ 24,098	\$ 25,627	\$ 28,262	\$ 29,988	\$ 30,280
Daily vessel operating expenses ⁽⁸⁾	\$ 7,632	\$ 7,916	\$ 8,115	\$ 8,068	\$ 7,779

(1)

EBITDA represents net income before net interest expense, income taxes and depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to consolidated net income or cash generated from operations, as determined by U.S. GAAP, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is not a recognized measurement under U.S. GAAP. EBITDA is included herein because it is a basis upon which we assess our financial performance and because we believe that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness and it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

EBITDA does not recognize the interest expense or the cash requirements necessary to service interest or principal payments on our debt;

EBITDA ignores changes in, or cash requirements for, our working capital needs; and

other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

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Because of these limitations, EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business.

The following table sets forth a reconciliation of net income to EBITDA for the periods presented:

	Navigator Holdings				
	Year Ended December 31,				
	2011	2012	2013	2014	2015
	(in thousands)				
Net income	\$ 18,650	\$ 30,895	\$ 42,189	\$ 87,737	\$ 98,094
Net interest expense	2,433	8,312	27,464	26,821	29,730
Income taxes	108	515	506	904	800
Depreciation and amortization	18,678	24,180	36,608	45,809	53,453
EBITDA	\$ 39,869	\$ 63,902	\$ 106,767	\$ 161,271	\$ 182,077

- (2) We calculate the weighted average number of vessels during a period by dividing the number of total ownership days during that period by the number of calendar days during that period.
- (3) We define ownership days as the aggregate number of days in a period that each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenue and the amount of expenses that we record during a period.
- (4) We define available days as ownership days less aggregate off-hire days associated with scheduled maintenance, which includes drydockings, vessel upgrades or special or intermediate surveys. We use available days to measure the aggregate number of days in a period that our vessels should be capable of generating revenues.
- (5) We define operating days as available days less the aggregate number of days that our vessels are off-hire for any reason other than scheduled maintenance. We use operating days to measure the aggregate number of days in a period that our vessels actually generate revenues.
- (6) We calculate fleet utilization by dividing the number of operating days during a period by the number of available days during that period. An increase in non-scheduled off-hire days would reduce our operating days, and therefore, our fleet utilization. We use fleet utilization to measure our ability to efficiently find suitable employment for our vessels.
- (7) Time charter equivalent rate, or TCE rate, is a measure of the average daily revenue performance of a vessel. TCE rate is a shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., time charters, voyage charters and contracts of affreightment, or COAs) under which the vessels may be employed between the periods. Our method of calculating TCE rate is to divide operating revenue (net of voyage expenses) by operating days for the relevant time period.
- (8) Daily vessel operating expenses are calculated by dividing vessel operating expenses by ownership days (excluding ownership days for chartered-in vessels) for the relevant time period.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the following risk factors together with all of the other information included in this annual report in evaluating an investment in our common stock. If any of the following risks were actually to occur, our business, financial condition, results of operations and cash flows could be materially adversely affected. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment.

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Risks Related to Our Business

Charter rates for liquefied gas carriers are cyclical in nature.

The international liquefied gas carrier market is cyclical with attendant volatility in terms of profitability, charter rates and vessel values. The degree of charter rate volatility among different types of liquefied gas carriers has varied widely. Because many factors influencing the supply of, and demand for, vessel capacity are unpredictable, the timing, direction and degree of changes in the international liquefied gas carrier market are also unpredictable.

Future growth in the demand for our services will depend on changes in supply and demand, economic growth in the world economy and demand for liquefied gas product transportation relative to changes in worldwide fleet capacity. Adverse economic, political, social or other developments, including the return of the turmoil in the global financial system and economic crisis, could have a material adverse effect on world economic growth and thus on our business and results of operations.

The charter rates we receive will be dependent upon, among other things:

changes in the supply of vessel capacity for the seaborne transportation of liquefied gases, which is influenced by the following factors:

the number of newbuilding deliveries and the ability of shipyards to deliver newbuildings by contracted delivery dates and capacity levels of shipyards;

the scrapping rate of older vessels;

port and canal congestion; and

the number of vessels that are out of service, including due to vessel casualties, repairs and drydockings.

changes in the level of demand for seaborne transportation of liquefied gases, which is influenced by the following factors:

the level of production of liquefied gases in net export regions such as Russia, North America, the Middle East and Africa;

the level of demand for liquefied gases in net import regions such as Asia, Europe, Latin America and India;

the level of internal demand for petrochemicals to supply integrated petrochemical facilities in net export regions;

a reduction in global or general industrial activity specifically in the plastics and chemical industry;

the prices of alternative fuels;

changes in the cost of petroleum and natural gas from which liquefied gases are derived;

prevailing global and regional economic conditions;

political changes and armed conflicts in the regions traveled by our vessels and the regions where the cargoes we carry are produced or consumed that interrupt production, trade routes or consumption of liquefied gases and the products made therefrom;

developments in international trade;

the distances between exporting and importing regions over which liquefied gases are to be moved by sea;

infrastructure to support seaborne liquefied gases, including pipelines, railways and terminals;

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the availability of alternative transportation means;

changes in seaborne and other transportation patterns;

changes in liquefied gas carrier prices; and

changes in environmental and other regulations that may limit the production or consumption of liquefied gases or the useful lives of vessels.

Adverse changes in any of the foregoing factors could have an adverse effect on our revenues, profitability, liquidity, cash flow and financial position.

We are partially dependent on voyage charters in the spot market, and any decrease in spot charter rates in the future may adversely affect our earnings.

We currently own and operate a fleet of 30 vessels. Of those, 12 vessels are employed in the spot market, exposing us to fluctuations in spot market charter rates.

We may employ additional vessels that we may charter-in or acquire in the future in the spot market, including the eight newbuildings we expect will be delivered to us by July 2017. Although spot chartering is common in our industry, the spot market may fluctuate significantly. The successful operation of our vessels in the competitive spot market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling in ballast and to pick up cargo. If future spot charter rates decline, we may be unable to operate our vessels trading in the spot market profitably or meet our obligations, including payments on indebtedness. Furthermore, as charter rates for spot charters are fixed for a single voyage which may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

We may be unable to charter our vessels at attractive rates, which would have an adverse impact on our business, financial condition and operating results.

Payments under our charters represent substantially all of our operating cash flow. Our time charters expire on a regular basis. Furthermore, we anticipate receiving at least eight newbuildings by July 2017 as a result of our acquisition of the newbuildings, of which four are not currently subject to charters. If demand for liquefied gas carriers has declined at the time that our charters expire or vessels are received, we may not be able to charter our vessels at favorable rates or at all. If more vessels are added to the overall fleet through newbuilding programmes, charter rates may reduce. In addition, while longer-term charters would become more attractive to us at a time when charter rates are declining, our customers may not want to enter into longer-term charters in such an environment. As a result, if our charters expire or vessels are received at a time when charter rates are declining, we may have to accept charters with lower rates or shorter terms than would be desirable. Furthermore, we may be unable to charter our vessels immediately after the expiration of their charters or after their receipt, resulting in periods of non-utilization for our vessels. Our inability to charter our vessels at favorable rates or terms or at all would adversely impact our business, financial condition and operating results. Please read Item 4 Information on the Company Business Overview Our Fleet.

If the demand for liquefied gases and the seaborne transportation of liquefied gases does not continue to grow, our business, financial condition and operating results could be adversely affected.

Our growth depends on continued growth in world and regional demand for liquefied gases and the seaborne transportation of liquefied gases, each of which could be adversely affected by a number of factors, such as:

increases in the demand for industrial and residential natural gas in areas linked by pipelines to producing areas, or the conversion of existing non-gas pipelines to natural gas pipelines in those markets;

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increases in demand for chemical feedstocks in net exporting regions;

decreases in the consumption of petrochemical gases;

decreases in the consumption of liquefied petroleum gas, or LPG, due to increases in its price relative to other energy sources or other factors making consumption of liquefied gas less attractive;

the availability of competing, alternative energy sources, transportation fuels or propulsion systems;

decreases in demand for liquefied gases resulting from changes in feedstock capabilities of petrochemical plants in net importing regions;

changes in the relative values of hydrocarbon and liquefied gases;

a reduction in global industrial activity, especially in the plastics and petrochemical industries, particularly in regions with high demand growth for liquefied gas, such as Asia;

adverse global or regional economic or political conditions, particularly in liquefied gas exporting or importing regions, which could reduce liquefied gas shipping or energy consumption;

changes in governmental regulations, such as the elimination of economic incentives or initiatives designed to encourage the use of liquefied gases over other fuel sources; or

decreases in the capacity of petrochemical plants and crude oil refineries worldwide or the failure of anticipated new capacity to come online.

Reduced demand for liquefied gases and the seaborne transportation of liquefied gases would have a material adverse effect on our future growth and could adversely affect our business, financial condition and operating results.

The expected growth in the supply of petrochemical gases, including ethane and ethylene, available for seaborne transport may not materialize, which would deprive us of the opportunity to obtain premium charters for petrochemical cargoes.

Charter rates for petrochemical gas cargoes are often higher than those for LPG, with charter rates for ethylene historically commanding an additional premium. While we believe that growth in production at petrochemical production facilities and regional supply and pricing imbalances will create opportunities for us to transport petrochemical gas cargoes, including ethane and ethylene, factors that are beyond our control may cause the supply of petrochemical gases available for seaborne transport to remain constant or even decline. For example, a significant portion of any increased production of petrochemicals in export regions may be used to supply local facilities that use petrochemicals as a feedstock rather than exported via seaborne trade. If the supply of petrochemical gases available

for seaborne transport does not increase, we will not have the opportunity to obtain the premium charter rates associated with petrochemical gas cargoes, including ethane and ethylene, and our expectations regarding the growth of our business may not be met.

The market values of our vessels may fluctuate significantly. This could cause us to incur a loss, which could adversely affect our business, financial condition and operating results.

The market value of liquefied gas carriers fluctuates. While the market values of our vessels have increased since the recent economic slowdown, they still remain below the historic high levels prior to the economic slowdown. In addition, they are subject to the potential significant fluctuations depending on a number of factors including, among other things: general economic and market conditions affecting the shipping industry, shipyard capacity and the cost of newbuildings, prevailing charter rates, competition from other shipping companies, other modes of transportation, other types, sizes and age of vessels and applicable governmental regulations.

In addition, when vessel prices are considered to be low, companies not usually involved in shipping may make speculative vessel orders, thereby increasing the supply of vessel capacity, satisfying demand sooner and potentially suppressing charter rates.

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Also, 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 that could have a material adverse effect on our business, financial condition and operating results.

Furthermore each of our loan agreements and bond agreement have covenants relating to asset values, whereby if vessel values were to reduce to below those set out in the covenants, a breach would occur and cause the loan amounts to be immediately repayable. This could have a material adverse effect on our business, financial condition and operating results.

Over the long term, we will be required to make substantial capital expenditures to preserve the operating capacity of, and to grow, our fleet.

We must make substantial capital expenditures over the long term to maintain the operating capacity and expansion of our fleet in order to preserve our capital base.

We estimate that drydocking expenditures can cost up to \$2.0 million per vessel per drydocking, although these expenditures could vary significantly from quarter to quarter and year to year and could increase as a result of changes in:

the location and required repositioning of the vessel;

the cost of labor and materials;

customer requirements;

the size of our fleet;

the cost of replacement vessels;

the length of charters;

the age of our fleet;

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

competitive standards.

Furthermore, we intend to make substantial capital expenditures to increase the size of our fleet. Following the delivery of the newbuilding *Navigator Ceto* in January 2016, we have eight newbuildings, expected to be delivered by July 2017, for an aggregate of \$509.2 million, comprised of one 22,000 cbm 2016 newbuilding from Jiangnan Shipyard, China for \$43.9 million, three 2016 and one 2017 35,000 cbm newbuildings from Jiangnan for an average of \$78.2 million per vessel, two 22,000 cbm 2017 newbuildings from HMD for \$51.0 million per vessel and one 38,000 cbm 2017 newbuilding from HMD for \$50.5 million.

We have fully financed the construction of *Navigator Ceto* and the 22,000 cbm and 35,000 cbm 2016 and 2017 newbuildings with debt financing. We plan to use cash on hand, together with future credit facilities, to fund the construction of the 38,000 cbm 2017 newbuilding.

Our ability to obtain bank financing or to access the capital markets for future debt or equity offerings in order to finance the expansion of our fleet 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 future capital expenditures could limit our ability to expand our fleet. Even if we are successful in obtaining necessary funds, the terms of such financings may significantly increase our interest expense and financial leverage and issuing additional equity securities may result in significant shareholder dilution. Please read [Item 5 Operating and Financial Review and Prospects](#) [Liquidity and Capital Resources](#) [Liquidity and Cash Needs](#).

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We may be unable to make, or realize the expected benefits from, acquisitions and the failure to successfully implement our growth strategy through acquisitions could adversely affect our business, financial condition and operating results.

Our growth strategy includes newbuildings or selectively acquiring existing liquefied gas carriers and investing in complementary assets. Factors such as competition from other companies, many of which have significantly greater financial resources than we do, could reduce our acquisition and investment opportunities or cause us to pay higher prices.

Any existing vessel or newbuilding we acquire (including the 2016 newbuildings and the 2017 newbuildings, of which four are not currently subject to charters) may not be profitable at or after the time of acquisition or delivery and may not generate cash flow sufficient to cover the cost of acquisition. Market conditions at the time of delivery of any newbuildings may be such that charter rates are not favorable and the revenue generated by such vessels is not sufficient to cover their purchase prices.

In addition, our acquisition and investment growth strategy exposes us to risks that could adversely affect our business, financial condition and operating results, including risks that we may:

fail to realize anticipated benefits of acquisitions, such as new customer relationships, cost savings or increased cash flow;

not be able to obtain charters at favorable rates or at all;

be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet or engage a third-party technical manager to do the same;

fail to integrate investments of complementary assets or vessels in capacity ranges outside our current operations in a profitable manner;

not have adequate operating and financial systems in place as we implement our expansion plan;

decrease our liquidity through the use of a significant portion of 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.

Unlike newbuildings, existing vessels typically do not carry warranties as to their condition. While we inspect existing vessels prior to purchase, such an inspection would normally not provide us with as much knowledge of a vessel's condition as we would possess if it had been built for us and operated by us during its life. Repairs and maintenance costs for existing vessels are difficult to predict and may be substantially higher than for vessels we have operated since they were built. These costs could decrease our cash flow and reduce our liquidity.

From time to time, we may selectively pursue new strategic acquisitions or ventures we believe complementary to our seaborne transportation services and any strategic transactions that are a departure from our historical operations could present unforeseen challenges and result in a competitive disadvantage relative to our more-established competitors.

We may pursue strategic acquisitions or investment opportunities we believe complementary to our core business of owning and operating handysize liquefied gas carriers and the transportation of LPG, petrochemical gases and ammonia. Such ventures may include, but are not limited to operating liquefied gas carriers in different size

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categories, expanding the types of cargo we carry and/or ventures involved in the distribution, mixing and/or storage of liquefied gas cargoes. While we have general knowledge and experience in the seaborne transportation services industry, we have no meaningful operating history outside of the ownership and operation of handysize liquefied gas carriers and the transportation of LPG, petrochemical gases and ammonia.

Any investments we pursue outside of our historical provision of seaborne transportation services could result in unforeseen operating difficulties and may require significant financial and managerial resources that would otherwise be available for the ongoing operation and growth of our fleet.

We may face several factors that could impair our ability to successfully execute these acquisitions or investments including, among others, the following:

delays in obtaining regulatory approvals, licenses or permits from different governmental or regulatory authorities, including environmental permits;

unexpected cost increases or shortages in the equipment, materials or labor required for the venture, which could cause the venture to become economically unfeasible; and

unforeseen engineering, design or environmental problems.

Any of these factors could delay any such acquisitions or investment opportunities and could increase our projected capital costs. If we are unable to successfully integrate acquisitions or investments into our historical business, any costs incurred in connection with these projects may not be recoverable. If we experience delays, cost overruns, or changes in market circumstances, we may not be able to demonstrate the commercial viability of such acquisitions or investment opportunities or achieve the intended economic benefits, which would materially and adversely affect our business, financial condition and results of operations.

Operations outside of the United States expose us to political, governmental and economic instability, which could adversely affect our business, financial condition and operating results.

Because our operations are primarily conducted outside of the United States, we may be affected by economic, political and governmental conditions in the countries where we engage in business or where our vessels are registered. Any disruption caused by these conditions could adversely affect our business, financial condition and operating results. We derive some of our revenues from transporting gas cargoes from, to and within politically unstable regions. Conflicts in these regions have included attacks on ships and other efforts to disrupt shipping. In addition, vessels operating in some of these regions have been subject to piracy. Hostilities or other political instability in regions where we operate or may operate could have a material adverse effect on our business, financial condition and operating results. In addition, tariffs, trade embargoes and other economic sanctions by the United States or other countries against countries where we engage in business as a result of terrorist attacks, hostilities or other events may limit trading activities with those countries, which could also harm our business. Finally, a government could requisition one or more of our vessels, which is most likely during a war or national emergency. Any such requisition would cause a loss of the vessel and would harm our business, financial condition and operating results.

The geopolitical risks associated with chartering vessels to Indonesian and Venezuelan state-owned corporations are significant and could have an adverse impact on our business, financial condition and operating results.

Petróleos de Venezuela S.A., or PDVSA, is a state-owned corporation of the Bolivarian Republic of Venezuela. PDVSA currently employs three of our vessels. PT Pertamina (Persero), or Pertamina, is a state-owned corporation of the Republic of Indonesia. Pertamina also currently employs three of our vessels. Collectively, our charters with PDVSA and Pertamina generated approximately 20.0% of our revenues for the year ended December 31, 2015. Our vessels that are chartered to Pertamina and PDVSA are subject to various

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risks, including (i) loss of revenue, property or equipment as a result of expropriation, nationalization, changes in laws, exchange controls, war, insurrection, civil unrest, strikes or other political risks, (ii) being subject to foreign laws and legal systems and the exclusive jurisdiction of Venezuelan or Indonesian courts or tribunals and (iii) the unilateral renegotiation of contracts and changes in laws and policies governing the operations of foreign companies in Venezuela or Indonesia. In addition, if a contract dispute arises it may be difficult for us to enforce our contractual rights against either Pertamina or PDVSA, as it may claim sovereign immunity against judgments from foreign courts. As a result, we are subject to significant economic uncertainty associated with doing business with state-owned corporations. We cannot predict how government policies may change under the current or any future Venezuelan or Indonesian administration, and future government policies could have a substantial adverse impact on our business, financial condition and operating results.

We depend to a significant degree upon third-party managers to provide technical management services for our fleet.

We subcontract the majority of the technical management of our fleet, including crewing, maintenance and repair, to third-party technical managers, Bernhard Schulte Ship Management, or BSSM, Northern Marine Management Ltd., or NMM, and Thome Ship Management Pte Ltd, or Thome. Our technical managers, in turn, contract with one or more manning agents for the provision of crews for our vessels. Although we have subcontracted the technical management of portions of our fleet to BSSM since 2001, NMM since 2009 and Thome since 2015, our agreements with them are subject to annual renewal and may be terminated by us or our technical managers with three months' notice. The loss of services of one or all of our technical managers or a failure to perform their obligations could have an adverse effect on our business, financial condition and operating results. Although we may have rights against our technical managers if they were to default on their obligations, shareholders will have no recourse against our technical managers. In addition, if we were to lose the services of one or all of our technical managers, we cannot guarantee that we will be able to find replacement technical managers on terms as favorable as those currently in place.

The ability of our technical managers to continue providing services for our benefit will depend in part on their financial strength. Circumstances beyond our control could impair our technical managers' financial strength. Because our technical managers are privately held, it is unlikely that information about their financial strength will be available. As a result, we might have little advance warning of problems that affect our technical managers, even though those problems could have a material adverse effect on us. Our inability to replace our technical managers or to successfully take over and perform the technical management of the vessels being managed by our technical managers would materially and adversely affect our business, financial condition and operating results.

We expect that in 2016 we will begin providing in-house technical management, for the first time, for at least one vessel in our fleet

We have not in the past provided in-house technical management for any vessel in our fleet. Providing in-house technical management for any vessel in our fleet may impose significant additional responsibilities on our management and staff. Further, because we have no prior experience providing technical management in-house, our technical managers may encounter challenges as we establish and refine our technical management system.

Some charterers may not charter our vessels if they do not accept our in-house technical managers as qualified technical managers or if they require the technical management of vessels to be performed by third party technical managers. Furthermore, some charterers may require technical managers to have a minimum of two years of experience with managing a vessel's on-board safety management systems. We will provide in-house technical management for a vessel in our fleet only if the charterer so agrees. Similarly, certain ports may not allow our vessels that are managed by technical in-house managers into their terminals to load or discharge cargoes. If we are not

successful with respect to any vessel for which we may provide technical management in-house, our reputation and ability to charter vessels may be negatively impacted, which could materially and adversely affect our business, financial condition and operating results.

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A fluctuation in fuel prices may adversely affect our charter rates for time charters and our cost structure for voyage charters and COAs.

The price and supply of bunker fuel are unpredictable and fluctuate based on events outside our control, including geopolitical developments, supply and demand for oil, actions by members of the Organization of the Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations. A significant portion of our revenues are generated by time charters, the terms of which require our customers to incur the cost of bunker fuel. During 2015 fuel prices declined to their lowest levels since 2005. Bunker fuel prices have continued to decline in 2016. However, if the fuel price increases our customers may be less willing in the future to enter into charters under which they bear the full risk of price increases or may shorten the periods for which they are willing to make such commitments. Under voyage charters and COAs, we bear the cost of bunker fuel used to power our vessels. In the future, we may experience an increase in bunker fuel prices that would correspondingly increase our voyage expenses under each of our voyages charters and COAs, which would adversely affect our profitability.

The required drydocking of our vessels could have a more significant adverse impact on our revenues than we anticipate, which would adversely affect our business, financial condition and operating results.

The drydocking of our vessels requires significant capital expenditures and results in loss of revenue while our vessels are off-hire. Any significant increase in the number of days of off-hire due to such drydocking or in the costs of any repairs could have a material adverse effect on our financial condition. Although we attempt to ensure that no more than one vessel will be out of service at any given time, this may not always be possible because we may underestimate the time required to drydock our vessels, or unanticipated problems may arise.

Our operating costs are likely to increase in the future as our vessels age, which would adversely affect our business, financial condition and operating results.

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As our vessels age, we will incur increased costs. Older vessels are typically less fuel-efficient and more costly to maintain than newer vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations, including environmental, safety or other equipment standards related to the age of vessels may also require expenditures for alterations, or the addition of new equipment, to our vessels to comply. These laws or regulations may also restrict the type of activities in which our vessels may engage or limit their operation in certain geographic regions. 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 expected useful lives.

The loss or inability to operate any of our vessels would result in a significant loss of revenues and cash flow which would adversely affect our business, financial condition and operating results.

We do not carry loss of hire insurance. If, at any time, we cannot operate any of our vessels due to loss of the vessel, mechanical problems, lack of seafarers to crew a vessel, prolonged drydocking periods, loss of certification, the loss of any charter or otherwise, our business, financial condition and operating results will be materially adversely affected. In the worst case, we may not receive any revenues because of the inability to operate any of our vessels, but we may be required to pay expenses necessary to maintain the vessel in proper operating condition.

An economic downturn could have a material adverse effect on our business, financial condition and operating results.

Future adverse economic conditions may lead to a decline in our customers' operations or ability to pay for our services, which could result in decreased demand for our vessels. There has historically been a strong link

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between the development of the world economy and demand for energy, including liquefied gases. The world economy is currently facing a number of challenges. Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. An extended period of adverse development in the outlook for European countries could reduce the overall demand for liquefied gases and have a negative impact on our customers. These potential developments, or market perceptions concerning these and related issues, could affect our business, financial condition and operating results.

Furthermore, a future economic slowdown could have an impact on our customers and/or suppliers including, among other things, causing them to fail to meet their obligations to us. Similarly, a future economic slowdown could affect lenders participating in our secured term loan and revolving credit facilities, making them unable to fulfill their commitments and obligations to us. Any reductions in activity owing to such conditions or failure by our customers, suppliers or lenders to meet their contractual obligations to us could adversely affect our business, financial condition and operating results.

Due to our lack of diversification, adverse developments in the seaborne liquefied gas transportation business could adversely affect our business, financial condition and operating results.

We rely exclusively on the cash flow generated from vessels that operate in the seaborne liquefied gas transportation business. Unlike many other shipping companies, which have vessels that can carry drybulk, crude oil and oil products, we depend exclusively on the transport of LPG, petrochemicals and ammonia. Due to our lack of diversification, an adverse development in the international liquefied gas shipping industry would have a significantly greater impact on our business, financial condition and operating results than it would if we maintained more diverse assets or lines of business.

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, cargo receivers and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder 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 to have the arrest lifted.

In addition, in some jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest both the vessel that 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 all of the vessels in our fleet for claims relating to only one of our ships. The arrest of any of our vessels would adversely affect our business, financial condition and operating results.

We may experience operational problems with vessels that reduce revenue and increase costs.

Liquefied gas carriers are complex vessels and their operation is technically challenging. Marine transportation operations are subject to mechanical risks and problems. Operational problems may lead to loss of revenue or higher than anticipated operating expenses or require additional capital expenditures. Any of these results could adversely affect our business, financial condition and operating results.

A shortage of qualified officers makes it more difficult to crew our vessels and increases our operating costs. If a shortage were to develop, it could impair our ability to operate and have an adverse effect on our business, financial condition and operating results.

Our liquefied gas carriers require technically skilled officer staff with specialized training. As the world liquefied gas carrier fleet and the liquefied natural gas, or LNG, carrier fleet continue to grow, the demand for such

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technically skilled officers has increased and could lead to a shortage of such personnel. If our technical managers were to be unable to employ such technically skilled officers, they would not be able to adequately staff our vessels and effectively train crews. The development of a deficit in the supply of technically skilled officers or an inability of our technical managers to attract and retain such qualified officers could impair our ability to operate and increase the cost of crewing our vessels and, thus, materially adversely affect our business, financial condition and operating results. Please read Item 4 Information on the Company Business Overview Crewing and Staff.

Compliance with safety and other vessel requirements imposed by classification societies may be very costly and could adversely affect our business, financial condition and operating results.

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 the Safety of Life at Sea Convention. Our vessels are currently enrolled with, Lloyd's Register or DNV GL Group AS. All of our vessels have been awarded International Safety Management certification.

As part of the certification process, a vessel must undergo annual surveys, intermediate surveys and special surveys. 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. Seven of the vessels in our existing fleet are on a planned maintenance system, or PMS, approval, and as such the classification society attends on-board once every year to verify that the maintenance of the on-board equipment is done correctly. The remaining ships are operating continuous management surveys. All of the vessels in our fleet have been qualified within its respective classification society for drydocking once every five years, subject to an intermediate underwater survey done using an approved diving company in the presence of a surveyor from the classification society. When gas carriers reach an age of 15 years, they must undergo hull / bottom surveys twice in each five-year cycle, with a maximum of 30 months between each underwater survey.

If any vessel does not maintain its class and/or fails any annual survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable. This would adversely affect our business, financial condition and operating results.

Our fleet includes sets of sister ships, which have identical specifications. As a result, any latent design or equipment defect discovered in one of our sister ships will likely affect all of the other vessels.

Our vessels consist of a number of sets of sister ships, ranging from two vessels to six vessels, and our newbuildings also consist of sets of sister ships. The vessels in each set of sister ships were or will be built based on standard designs and are uniform in all material respects. Any latent design defects in one of the sister ships would likely affect all of its respective sister ships. We cannot assure you that latent defects will not be discovered in any of these vessels. In addition, all vessels that are sister ships have the same or similar equipment as all other such vessels. As a result, any equipment defect discovered in one vessel may affect one or all of the vessels that are sister ships with that vessel. Any disruptions in the operation of the vessels in our fleet, resulting from any such defects could adversely affect our business, financial condition and operating results.

Delays in deliveries of newbuildings or acquired vessels, or deliveries of vessels with significant defects, could harm our operating results and lead to the termination of any related charters that may be entered into prior to their delivery.

The delivery of any of the newbuildings we have ordered or may order or of any vessels we agree to acquire in the future could be delayed, which would delay our receipt of revenues under any future charters we enter into for the vessels. In addition, under some of the charters we may enter into for these newbuildings, if our delivery of a vessel to the customer is delayed, we may be required to pay liquidated damages in amounts equal to or,

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under some charters, almost double the hire rate during the delay. For prolonged delays, the customer may terminate the time charter, resulting in loss of revenues. The delivery of any newbuilding with substantial defects could have similar consequences.

Our receipt of newbuildings could be delayed because of many factors, including:

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 in the locations where the vessels are being built;

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

our requests for changes to the original vessel specifications;

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

our inability to finance the purchase of the vessels; or

our inability to obtain requisite permits or approvals.

We do not carry delay of delivery insurance to cover any losses that are not covered by delay penalties in our construction contracts. As a result, if delivery of a vessel is materially delayed, it could adversely affect our business, financial condition and operating results.

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

The process of obtaining new charters is highly competitive, generally involves an intensive screening process and competitive bids, and often extends for several months. Contracts are awarded based upon a variety of factors,

including:

the operator's industry relationships, experience and reputation for customer service, quality operations and safety;

the quality, experience and technical capability of the crew;

the operator's relationships with shipyards and the ability to get suitable berths;

the operator's construction management experience, including the ability to obtain on-time delivery of new vessels according to customer specifications;

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

the competitiveness of the bid in terms of overall price.

Our ability to obtain new customers will depend upon a number of factors, including our ability to:

successfully manage our liquidity and obtain the necessary financing to fund our growth;

attract, hire, train and retain qualified personnel and ship management companies to manage and operate our fleet;

identify and consummate desirable acquisitions, joint ventures or strategic alliances; and

identify and capitalize on opportunities in new markets.

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We expect substantial competition for providing transportation services from a number of experienced companies. As a result, we may be unable to expand our relationships with existing customers or to obtain new customers on a profitable basis, if at all, which would have a material adverse effect on our business, financial condition and operating results.

The marine transportation industry is subject to substantial environmental and other regulations, which may limit our operations and increase our expenses.

Our operations are affected by extensive and changing environmental protection laws and other regulations and international treaties and conventions, including those relating to equipping and operating vessels and vessel safety. These regulations include the U.S. Oil Pollution Act of 1990, or OPA 90, the U.S. Clean Water Act, the U.S. Maritime Transportation Security Act of 2002 and regulations of the International Maritime Organization, or IMO, including the International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended and generally referred to as the CLC, the IMO International Convention for the Prevention of Pollution from Ships of 1975, as from time to time amended and generally referred to as MARPOL, the International Convention for the Prevention of Marine Pollution of 1973, the IMO International Convention for the Safety of Life at Sea of 1974, as from time to time amended and generally referred to as SOLAS, the IMO International Convention on Load Lines of 1966, as from time to time amended, the International Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code, the International Convention on Civil Liability for Bunker Oil Pollution Damage, generally referred to as the Bunker Convention, and the European Union 2015 Regulation on the monitoring, reporting, and verification of carbon dioxide emissions from maritime transport. We have incurred, and expect to continue to incur, substantial expenses in complying with these laws and regulations, including expenses for vessel modifications and changes in operating procedures. Additional laws and regulations may be adopted that could limit our ability to do business or further increase costs, which could harm our business. In addition, failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of operations. We may become subject to additional laws and regulations if we enter into new markets or trades.

In addition, we believe that the heightened environmental, quality and security concerns of the public, regulators, insurance underwriters and charterers will generally lead to additional regulatory requirements, including enhanced risk assessment and security requirements, greater inspection and safety requirements on all vessels in the marine transportation markets and possibly restrictions on the emissions of greenhouse gases from the operation of vessels. These requirements are likely to add incremental costs to our operations and the failure to comply with these requirements may affect the ability of our vessels to obtain and, possibly, collect on insurance or to obtain the required certificates for entry into the different ports where we operate.

Please read [Item 4 Information on the Company Business Overview Environmental and Other Regulation](#) for a more detailed discussion on these topics.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emission from vessel emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. Additionally, a treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws and regulations relating to climate change could increase our costs of operating and maintaining our vessels and could require us to make significant financial expenditures that we cannot predict with certainty at this time.

Adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also have an effect on demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for

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oil and gas in the future or create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on our business that we cannot predict with certainty at this time.

Marine transportation is inherently risky. An incident involving significant loss of product or environmental contamination by any of our vessels could adversely affect our reputation, business, financial condition and operating results.

Our vessels and their cargoes and the LPG and petrochemical production and terminal facilities that we service are at risk of being damaged or lost because of events such as:

marine disasters;

bad weather;

mechanical failures;

grounding, capsizing, fire, explosions and collisions;

piracy;

human error; and

war and terrorism.

An accident involving any of our vessels could result in any of the following:

death or injury to persons, loss of property or damage to the environment and natural resources;

delays in the delivery of cargo;

loss of revenues from time charters;

liabilities or costs to recover any spilled cargo and to restore the ecosystem where the spill occurred;

governmental fines, penalties or restrictions on conducting business;

higher insurance rates; and

damage to our reputation and customer relationships generally.

Any of these results could have a material adverse effect on our business, financial condition and operating results.

Our operating results are subject to seasonal fluctuations.

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter rates. The liquefied gas carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of propane and butane for heating during the winter months in the Northern Hemisphere. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. While our time charters typically provide a uniform monthly fee over the term of the charter, to the extent any of our time charters expires during the relatively weaker fiscal quarters ending June 30 and September 30, we may have difficulty re-chartering those vessels at similar rates or at all.

Competition from more technologically advanced liquefied gas carriers could reduce our charter hire income and the value of our vessels.

The charter rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes fuel economy, speed and the

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ability to be loaded and unloaded quickly. Flexibility includes the ability to enter ports, utilize related docking facilities and pass through canals and straits. Physical life is related to the original design and construction, maintenance and the impact of the stress of operations. If new liquefied gas carriers are built that are more efficient or flexible or have longer physical lives than our vessels, competition from these more technologically advanced liquefied gas carriers could adversely affect the charter rates we receive for our vessels once their current charters are terminated and the resale value of our vessels. As a result, our business, financial condition and operating results could be adversely affected.

Acts of piracy on any of our vessels or on ocean going vessels could adversely affect our business, financial condition and results of operations.

Acts of piracy have historically affected ocean going vessels trading in regions of the world such as the South China Sea, the Gulf of Aden off the coast of Somalia, and West Africa. If such piracy attacks result in regions in which our vessels are deployed being named on the Joint War Committee Listed Areas, war-risk insurance premiums payable for such coverage could increase significantly and such insurance coverage might become more difficult to obtain. In addition, crew costs, including costs that may be incurred to the extent we employ on-board security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, 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 and results of operations.

Terrorist attacks, increased hostilities, piracy or war could lead to further economic instability, increased costs and disruption of business.

Terrorist attacks may adversely affect our business, operating results, financial condition, ability to raise capital and future growth. Continuing hostilities in the Middle East may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may contribute further to economic instability and disruption of production and distribution of LPG, petrochemical gases and ammonia, which could result in reduced demand for our services.

In addition, petrochemical production and terminal facilities and vessels that transport petrochemical products could be targets of future terrorist attacks. Any such attacks could lead to, among other things, bodily injury or loss of life, vessel or other property damage, increased vessel operational costs, including insurance costs, and the inability to transport gases to or from certain locations. Terrorist attacks, piracy, war or other events beyond our control that adversely affect the distribution, production or transportation of gases to be shipped by us could entitle customers to terminate our charters, which would harm our cash flow and business. In addition, the loss of a vessel as a result of terrorism or piracy would have a material adverse effect on our business, financial condition and operating results.

Our insurance may be insufficient to cover losses that may occur to our vessels or result from our operations.

The operation of liquefied gas carriers is inherently risky. We may not be able to adequately insure against all risks, and any particular claim may not be paid by insurance. None of our vessels are insured against loss of revenues resulting from vessel off-hire time. Certain insurance coverage is maintained through mutual protection and indemnity associations, and as a member of such associations we may be required to make additional payments over and above budgeted premiums if the member claims exceed association reserves.

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. The costs arising from a catastrophic spill or marine disaster could exceed the insurance coverage. Changes in the insurance markets attributable to terrorist attacks or piracy may also make certain types of insurance more

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expensive or more difficult to obtain. In addition, the insurance may be voidable by the insurers as a result of certain actions, such as vessels failing to maintain certification with applicable maritime self-regulatory organizations. Any uninsured or underinsured loss could have a material adverse effect on our business, financial condition and operating results.

Restrictive covenants in our secured term loan facilities and revolving credit facility impose, and any future debt facilities will impose, financial and other restrictions on us.

The secured term loan facilities and revolving credit facility impose, and any future debt facility will impose, operating and financial restrictions on us. The restrictions in the existing secured term loan facilities and revolving credit facility may limit our ability to, among other things:

pay dividends out of operating revenues generated by the vessels securing indebtedness under the facility, redeem any shares or make any other payment to our equity holders, if there is a default under any secured term loan facility or revolving credit facility;

incur additional indebtedness, including through the issuance of guarantees;

create liens on our assets;

sell our vessels;

merge or consolidate with, or transfer all or substantially all our assets to, another person;

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

enter into a new line of business.

The secured term loan facilities and revolving credit facility require us to maintain various financial ratios. These include requirements that we maintain specified maximum ratios of net debt to total capitalization, that we maintain specified minimum levels of cash and cash equivalents (including undrawn lines of credit with maturities greater than 12 months), that we maintain specified minimum ratios of consolidated earnings before interest, taxes, depreciation and amortization (consolidated EBITDA), to consolidated interest expense and that we maintain specified minimum levels of collateral coverage. Under our secured term loan facilities, if at any time the aggregate fair market value of (i) the vessels subject to a mortgage in favor of our lenders and (ii) the value of any additional collateral we grant to the lenders is less than 135% of the outstanding principal amount under the secured term loan facilities and any commitments to borrow additional funds, our lenders may require us to provide additional collateral. Upon notice from our lenders that additional collateral is required, we will have 30 days to either provide collateral that is acceptable to the lenders, cancel remaining commitments to lend and/or prepay outstanding debt in an amount to maintain the minimum collateral coverage ratio. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Secured Term Loan Facilities and Revolving Credit Facility Financial Covenants. The failure to

comply with such covenants would cause an event of default that could materially adversely affect our business, financial condition and operating results.

Because of these covenants, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours, and we may not be able to obtain our lenders' permission when needed. This may limit our ability to finance our future operations and make acquisitions or pursue business opportunities. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Secured Term Loan Facilities and Revolving Credit Facility.

The secured term loan facilities are reducing facilities. The required repayments under the secured term loan facilities may adversely affect our business, financial condition and operating results.

Loans under the secured term loan facilities are subject to quarterly repayments beginning three months after the initial borrowing date or delivery dates of the newbuildings, as applicable. If at such time we have not made

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alternative financing arrangements or generate substantial cash flows, any such repayments and our declining borrowing availability could have a material adverse effect on our business, financial condition and operating results.

We may not be able to borrow further amounts under the secured term loan facilities, which we may need to fund the acquisition of the remaining newbuildings that we have agreed to purchase.

Our ability to borrow further amounts under the secured term loan facilities will be subject to satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. To the extent that we are not able to satisfy these requirements, including as a result of a decline in the value of our vessels, we may be required to repay a portion of our existing debt or provide additional collateral and we may not be able to borrow further amounts under the secured term loan facilities. If we are unable to borrow further amounts under the secured term loan facilities, we may be unable to fund the acquisition of the newbuildings that we have agreed to purchase, which would adversely affect our business, financial condition and operating results.

The derivative contracts we may enter into to hedge our exposure to fluctuations in interest rates could result in higher than market interest rates and reductions in our shareholders' equity, as well as charges against our income.

We may enter into interest rate swaps for purposes of managing our exposure to fluctuations in interest rates applicable to indebtedness under our secured term loan facilities and revolving credit facility which were advanced at floating rates based on LIBOR. Our hedging strategies, however, may not be effective and we may incur substantial losses if interest rates move materially differently from our expectations.

To the extent our future derivative contracts may not qualify for treatment as hedges for accounting purposes, we will recognize fluctuations in the fair value of such contracts in our statement of income. In addition, changes in the fair value of future derivative contracts, even those that qualify for treatment as hedges, will be recognized in Other Comprehensive Income on our balance sheet, and can affect compliance with the net worth covenant requirements in our secured term loan facilities. Our financial condition could also be materially adversely affected to the extent we do not hedge our exposure to interest rate fluctuations under our financing arrangements under which loans have been advanced at a floating rate based on LIBOR.

Any hedging activities we engage in may not effectively manage our interest rate exposure or have the desired impact on our financial conditions or results of operations.

Our business depends upon certain key employees.

Our future success depends to a significant extent upon our senior management, including our chairman, president and chief executive officer, David J. Butters. Mr. Butters has substantial experience in the shipping industry and he and others are crucial to the development of our business strategy and to the growth and development of our business. The loss of any of these individuals could adversely affect our business, financial condition and operating results.

Our major shareholder may exert considerable influence on the outcome of matters on which our shareholders will be entitled to vote, and its interests may be different from yours.

The WLR Group, our principal shareholder, owned approximately 39.5% of our common stock, as of December 31, 2015. The WLR Group may exert considerable influence on the outcome of matters on which our shareholders are entitled to vote, including the election of our directors to our board of directors and other significant corporate actions. The interests of the WLR Group may be different from your interests.

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We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations.

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to satisfy our financial obligations depends on our subsidiaries and their ability to distribute funds to us. The ability of a subsidiary to make these distributions could be affected by a claim or other action by a third party, including a creditor, or by the Republic of the Marshall Islands law, which regulates the payment of dividends by companies. In addition, under the secured term loan facilities, Navigator Gas L.L.C., our wholly-owned subsidiary, and our vessel-owning subsidiaries that are parties to the secured term loan facilities and revolving credit facility may not make distributions to us out of operating revenues from vessels securing indebtedness thereunder, redeem any shares or make any other payment to our shareholders if an event of default has occurred and is continuing. Please read Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Secured Term Loan Facilities and Revolving Credit Facility. The inability of our subsidiaries to make distributions to us would have an adverse effect on our business, financial condition and operating results.

Risks Relating to Our Common Stock

We may issue additional equity securities without your approval, which would dilute your ownership interests.

We may issue additional shares of common stock or other equity or equity-linked securities without the approval of our shareholders, subject to certain limited approval requirements of the NYSE. In particular, we may finance all or a portion of the acquisition price of future vessels, including newbuildings, that we agree to purchase through the issuance of additional shares of common stock. Our amended and restated articles of incorporation, which became effective on November 5, 2013, authorize us to issue up to 400,000,000 shares of common stock, of which 55,363,467 shares were outstanding as of December 31, 2015. The issuance by us of additional shares of common stock or other equity or equity-linked securities of equal or senior rank will have the following effects:

our shareholders' proportionate ownership interest in us will decrease;

the relative voting strength of each previously outstanding share may be diminished; and

the market price of the common stock may decline.

Future sales of our common stock could cause the market price of our common stock to decline.

Sales of a substantial number of our shares of common stock in the public market, or the perception that these sales could occur, may depress the market price for our common stock. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future. The WLR Group, our principal shareholder, owned approximately 39.5% of our common stock, as of December 31, 2015. In the future, the WLR Group may elect to sell large numbers of shares from time to time.

We have no current plans to pay dividends on our common stock. Consequently, your only opportunity to achieve a return on your investment is if the price of our common stock appreciates.

We have no current plans to declare dividends on our common stock in the foreseeable future. Consequently, your only opportunity to achieve a return on your investment in us will be if you sell your shares of common stock at a price greater than you paid for it. There is no guarantee that the market price of our common stock will ever exceed the price that you pay.

The obligations associated with being a public company requires significant resources and management attention.

As a public company in the United States, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Sarbanes-Oxley Act of 2002, or the

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Sarbanes-Oxley Act, the listing requirements of the NYSE and other applicable securities rules and regulations. As we are no longer an emerging growth company under the Jumpstart Our Business Act, or the JOBS Act, there are additional compliance and regulations that have increased our legal and financial compliance costs, made some activities more difficult, time-consuming or costly and placed greater demand on our systems and resources. The Exchange Act requires that we file annual and current reports with respect to our business, financial condition and results of operations. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we continue to take may not be sufficient to satisfy our obligations as a public company.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative costs and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business, financial condition, results of operations and cash flow could be adversely affected.

Our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. Even if our management concludes that our internal controls over financial reporting are effective, our independent registered public accounting firm may issue an adverse report on the effectiveness of our internal control over financial reporting. Failure to comply with Section 404 could subject us to regulatory scrutiny and sanctions, impair our ability to raise capital, cause investors to lose confidence in the accuracy and completeness of our financial reports and negatively affect our share price.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

We are a foreign private issuer, as such term is defined in Rule 405 under the Securities Act of 1933, as amended, and therefore, we are not required to comply with all the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. Under Rule 405, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2016.

In the future, we would lose our foreign private issuer status if a majority of our shareholders, directors or management are U.S. citizens or residents and we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the U.S. Securities and Exchange Commission, or the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. For example, the annual report on Form 10-K requires domestic issuers to disclose executive compensation information on an individual basis with specific disclosure regarding the domestic compensation philosophy, objectives, annual total

compensation (base salary, bonus, equity compensation) and potential payments in connection with change in control, retirement, death or disability, while the annual report on Form 20-F, including this annual report, permits foreign private issuers to disclose compensation information on an

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aggregate basis. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. We may also be required to modify certain of our policies to comply with good governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law.

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the Republic of the Marshall Islands law are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction.

Because we are a Marshall Islands corporation, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

We are a Marshall Islands corporation, and substantially all of our assets are located outside of the United States. A majority of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Republic of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against our assets or the assets of our directors and officers.

There is substantial doubt that the courts of the Republic of the Marshall Islands would (1) enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws; or (2) recognize or enforce against us or any of our officers, directors or experts, judgments of courts of the United States predicated on U.S. federal or state securities laws.

We are a Marshall Islands corporation, have limited operations in the United States and maintain limited assets in the United States. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us, bankruptcy laws other than those of the United States could apply. The Republic of the Marshall Islands does not have a bankruptcy statute or general statutory mechanism for insolvency proceedings. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction. These factors may delay or prevent us from entering bankruptcy in the United States and may affect the ability of our shareholders to receive any recovery following our bankruptcy.

Provisions of our articles of incorporation and bylaws may have anti-takeover effects.

Several provisions of our articles of incorporation, which are summarized below, may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of

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control and enhance the ability of our board of directors to maximize shareholder value in connection with any unsolicited offer to acquire our company. However, these anti-takeover provisions could also discourage, delay or prevent the merger or acquisition of our company by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest and the removal of incumbent officers and directors.

Blank Check Preferred Stock. Under the terms of our articles of incorporation our board of directors has the authority, without any further vote or action by our shareholders, to issue up to 40,000,000 shares of blank check preferred stock. Our board could authorize the issuance of preferred stock with voting or conversion rights that could dilute the voting power or rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of us or the removal of our management and may harm the market price of our common stock.

Election of Directors. Our articles of incorporation provide that directors will be elected at each annual meeting of shareholders to serve until the next annual meeting of shareholders and until his or her successor shall have been duly elected and qualified, except in the event of his or her death, resignation, removal or the earlier termination of his or her term of office. Our articles of incorporation do not provide for cumulative voting in the election of directors. Our bylaws require shareholders to provide advance written notice of nominations for the election of directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Advance Notice Requirements for Shareholder Proposals and Director Nominations. Our bylaws provide that, with a few exceptions, shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder's notice must be received at our principal executive office not less than 90 days or more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of shareholders. Our bylaws also specify requirements as to the form and content of a shareholder's notice. These provisions may impede a shareholder's ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

Limited Actions by Shareholders. Our bylaws provide that only the board of directors may call special meetings of our shareholders and the business transacted at the special meeting is limited to the purposes stated in the notice.

Tax Risks

In addition to the following risk factors, please read Item 4 Information on the Company Business Overview Taxation of the Company and Item 10 Additional Information Taxation 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 our common stock.

We will be subject to taxes.

We and our subsidiaries will be subject to tax in the jurisdictions in which we are organized or operate. In computing our tax obligations in these jurisdictions, we are required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which we have not received rulings from the governing authorities. Upon review of these positions the applicable authorities may disagree with our positions. A successful challenge by a tax authority could result in additional tax imposed on us or our subsidiaries. In addition, changes in our operations or ownership could result in additional tax being imposed on us or our subsidiaries in jurisdictions in which operations are conducted.

Table of Contents***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. shareholders.***

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 PFIC, for U.S. federal income tax purposes if at least 75.0% of its gross income for any taxable year consists of passive income or at least 50.0% of the average value of its assets produce, or are held for the production of, passive income. For purposes of these tests, passive income 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. shareholders 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 interests in the PFIC.

Based on our current and projected method of operation we believe that we were not a PFIC for any taxable year, and we expect that we will not be treated as a PFIC for the current or any future taxable year. We believe that more than 25.0% of our gross income for each taxable year was or will be non-passive income, and more than 50.0% of the average value of our assets for each such year was or will be held for the production of such non-passive income. This belief is based on certain valuations and projections regarding our assets, income and charters, and its validity is conditioned on the accuracy of such valuations and projections. While we believe such valuations and projections to be accurate, the shipping market is volatile and no assurance can be given that our assumptions and conclusions will continue to be accurate at any time in the future.

Moreover, there are legal uncertainties involved in determining whether the income derived from our time-chartering activities constitutes rental income or income derived from the performance of services. In *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), the United States Court of Appeals for the Fifth Circuit, or the Fifth Circuit, held that income derived from certain time-chartering activities should be treated as rental income rather than services income for purposes of a provision of the Internal Revenue Code of 1986, as amended, or the Code, relating to foreign sales corporations. In that case, the Fifth Circuit did not address the definition of passive income or the PFIC rules; however, the reasoning of the case could have implications as to how the income from a time charter would be classified under such rules. If the reasoning of the case were extended to the PFIC context, the gross income we derive from our time-chartering activities may be treated as rental income, and we would likely be treated as a PFIC. In published guidance, the Internal Revenue Service, or IRS, stated that it disagreed with the holding in *Tidewater*, and specified that time charters similar to those at issue in that case should be treated as service contracts. We have not sought, and we do not expect to seek, an IRS ruling on the treatment of income generated from our time-chartering activities. As a result, the IRS or a court could disagree with our position. No assurance can be given that this result will not occur. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to each taxable year, we cannot assure shareholders that the nature of our operations will not change in the future and that we will not become a PFIC in the future. If the IRS were to determine that we are or have been a PFIC for any taxable year (and regardless of whether we remain a PFIC for subsequent taxable years), our U.S. shareholders would face adverse U.S. federal income tax consequences. Please read Item 10 Additional Information Taxation Material U.S. Federal Income Tax Consequences U.S. Federal Income Taxation of U.S. Holders and Distributions PFIC Status and Significant Tax Consequences for a more detailed discussion of the U.S. federal income tax consequences to U.S. shareholders if we are treated as a PFIC.

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

Under the Code, U.S. source gross transportation income (as defined below) generally is subject to a 4.0% U.S. federal income tax without allowance for deduction of expenses, unless an exemption from tax applies under a tax treaty or Section 883 of the Code and the Treasury Regulations promulgated thereunder. U.S. source gross transportation income consists of 50.0% of the gross transportation income of a vessel owning or chartering corporation, such as ourselves that is attributable to transportation that either begins or ends, but that does not both begin and end, in the United States.

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If a non-U.S. corporation satisfies the requirements of Section 883 of the Code and the Treasury Regulations thereunder, it will not be subject to the 4.0% U.S. federal income tax referenced above on its U.S. source gross transportation income. The Section 883 exemption does not apply to income attributable to transportation that both begins and ends in the United States.

We believe that we satisfied the requirements to qualify for an exemption from U.S. tax on our U.S. source gross transportation income imposed by Section 883 of the Code for 2014 and 2015, and that we will be able to satisfy those requirements for 2016 and future taxable years provided that our common stock satisfies certain listing and trading requirements and not more than 50.0% of our common stock is owned, or is deemed to be owned by operation of certain attribution rules, for more than half of the days of such year, by 5.0% shareholders. The composition of owners of our common stock, including the quantity a shareholder may purchase in a given year, and the trading volumes of our common stock, are beyond our control. As a result, there can be no assurance that we can satisfy this stock ownership requirement for the current or any future year, in which case we would likely not qualify for an exemption under Section 883 for such year. If we fail to qualify for this exemption in any taxable year, U.S. source gross transportation income earned by us and our subsidiaries will generally be subject to a 4.0% U.S. federal income tax. For a more detailed discussion of Section 883 of the Code, the rules relating to exemptions under Section 883 and our ability to qualify for an exemption, please read Item 4B Business Taxation of the Company U.S. Taxation.

The vessels in our fleet do not currently engage in transportation that begins and ends in the United States, and we do not expect that we or our subsidiaries will in the future earn income from such transportation. If, notwithstanding this expectation, our subsidiaries earn income in the future from transportation that begins and ends in the United States, that income would be subject to a 35% net income tax in the United States.

Item 4. Information on the Company

A. History and Development of the Company

General

Navigator Holdings Ltd. was formed in 1997 as an Isle of Man public limited company for the purpose of building and operating a fleet of five semi-refrigerated, ethylene-capable liquefied gas carriers. In January 2003, the previous owners and management filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. On August 9, 2006, the Company emerged from bankruptcy. As part of the plan of reorganization, the bondholders received all of the equity interests in the Company. Lehman Brothers Inc. became our principal shareholder, holding an approximate 44.1% ownership interest (subsequently reduced to 33.0%). In October 2012, the ownership interests held by Lehman Brothers Holdings Inc. were acquired by our principal shareholder, the WLR Group, which currently owns 39.5% of our common stock. Please see Item 7 Major Shareholders and Related Party Transactions.

In November 2013, we completed our initial public offering of 13,800,000 shares of our common stock at \$19.00 per share, including the full exercise by the underwriters of their option to purchase an additional 1,800,000 shares of common stock from the selling stockholders. We offered 9,030,000 shares of common stock and certain selling shareholders offered 4,770,000 shares of common stock. We received net proceeds of approximately \$156.4 million, after deducting underwriting discounts and expenses, from our sale of 9,030,000 shares in the offering.

Our shares of common stock are traded on the New York Stock Exchange under the ticker symbol NVGS.

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In March 2008, we redomiciled in the Republic of the Marshall Islands and maintain our principal executive offices at 21 Palmer Street, London, SW1H 0AD, United Kingdom. Our telephone number at that address is +44 20 7340 4850. Our agent for service of process in the United States is CT Corporation System and its address is 111 Eighth Avenue, 13th floor, New York, New York 10103.

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We are the owner and operator of the world's largest fleet of handysize liquefied gas carriers. We provide international and regional seaborne transportation services of liquefied petroleum gas, or LPG, petrochemical gases and ammonia for energy companies, industrial users and commodity traders. These gases are transported in liquefied form, by applying cooling and/or pressure, reduce volume by up to 900 times depending on the cargo, making their transportation more efficient and economical. Vessels in our fleet are capable of loading, discharging and carrying cargoes across a range of temperatures from ambient to minus 104° Celsius and pressures from 1 bar to 6.4 bar.

Our fleet consists of 38 vessels, including eight newbuilding vessels scheduled for delivery by July 2017. Of the 38 vessels, 33 are semi- or fully-refrigerated liquefied handysize gas carriers, four are midsize 35,000 cbm ethylene capable semi-refrigerated liquefied gas carrier newbuilding expected to be delivered by January 2017 and one is a 38,000 cbm fully refrigerated gas carrier newbuilding expected to be delivered by July 2017. We define handysize as liquefied gas carriers between 15,000 and 24,999 cbm, including three of our newbuilding vessels expected to be delivered by March 2017. Our handysize liquefied gas carriers can accommodate medium- and long-haul routes that may be uneconomical for smaller vessels and can call at ports that are unable to support larger vessels due to limited onshore capacity, absence of fully-refrigerated loading infrastructure and/or vessel size restrictions.

We entered into agreements with Jiangnan in China to construct four 22,000 cbm semi-refrigerated liquefied gas carriers two of which were delivered during 2015 and one in January 2016 and four 35,000 cbm semi-refrigerated ethylene-capable liquefied gas carriers. We also entered into agreements with HMD, in South Korea to build two 22,000 cbm semi-refrigerated liquefied gas carriers for delivery between January and March 2017 and one 38,000 cbm fully refrigerated liquefied gas carrier for delivery in July 2017. We have fully financed the construction of seven of our eight newbuildings through a combination of debt and equity financings. We plan to use cash on hand together with future credit facilities to fund the construction of the 38,000 cbm 2017 newbuilding.

Three 2016 newbuildings and one 2017 newbuilding, will have a capacity of 35,000 cbm and will be among the largest ethane/ethylene carriers in the world. One of these vessels is on a ten-year fixed rate charter from delivery to carry ethane exports from the United States to Sweden for Borealis, a leading producer of polyolefins, base chemicals and fertilizers. The 38,000 cbm 2017 newbuilding, is on a ten-year fixed rate charter upon its anticipated delivery in July 2017 to carry ammonia for a leading producer of fertilizer.

We carry LPG for major international energy companies, state-owned utilities and reputable commodities traders. LPG, which consists of propane and butane, is a relatively clean alternative energy source with more than 1,000 applications, including as a heating, cooking and transportation fuel and as a petrochemical and refinery feedstock. LPG is a by-product of oil refining and gas extraction, the availability of which has historically been limited by the flaring of natural gas at the wellhead.

We also carry petrochemical gases for numerous industrial users. Petrochemical gases, including ethylene, propylene, butadiene and vinyl chloride monomer, are derived from the cracking of petroleum feedstock's such as ethane, LPG and naphtha and are primarily used as raw materials in various industrial processes, like the manufacture of plastics, vinyl and rubber, with a wide application of end uses.

Our vessels also carry ammonia for both ammonia traders and producers of fertilizers, a main use of ammonia for the agricultural industry.

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Our Business Strategies

Our objective is to enhance shareholder value by executing the following business strategies:

Capitalize on the increasing demand for seaborne transportation of LPG and petrochemicals, including U.S. ethane and ethylene. We intend to use our vessels to further pursue the anticipated increases in liquefied gas transportation opportunities globally, and in particular, LPG and ethane and ethylene that we expect will result directly and indirectly from the growth in U.S. shale oil and gas production and associated liquids.

Maintain a flexible, customer-driven chartering strategy. We will seek to enhance our returns through a flexible vessel employment strategy that combines a base of time charters and COAs with more opportunistic, high-rate voyage charters. In addition, we will seek to further strengthen our relationships with existing customers and expand our client base by providing companies with liquefied gas transportation solutions in the form and duration they require.

Capitalize on backhaul and triangulation opportunities in the petrochemical market. We believe that the versatility of our fleet, in particular our ethylene-capable and semi-refrigerated vessels, enhances our ability to pursue current and emerging backhaul and triangulation opportunities as new trade routes develop, thereby maximizing utilization and enhancing profitability. To further capitalize on such opportunities, we are seeking to expand our leading ethylene-capable liquefied gas carrier position through the acquisition of our six semi-refrigerated newbuildings, four of which will be midsize ethylene-capable vessels. This represents an upsizing from our strategy of owning and operating only handysize liquefied gas carriers. We intend to seek opportunities to improve our financial results and maximize the utilization of our vessels by transporting both LPG and petrochemicals during vessel repositioning voyages and between time charters.

Maintain reputation for operational excellence. We believe we have established a track record in the industry of operational excellence based on our significant experience in the operation and ownership of high-specification liquefied gas carriers. We will endeavor to adhere to the highest standards with regard to reliability, safety and operational excellence.

Selectively grow and expand our operations. We intend to maintain our market position by growing our fleet through newbuildings and selective acquisitions of modern, high-quality vessels, as well as opportunistically expanding our business through the investment in complementary assets, including ventures that expand the types of cargo we carry and/or involve receiving, storing, partially mixing and distributing liquefied gas cargoes, should such opportunities arise.

Maintain a strong balance sheet with moderate leverage. We will seek to maintain modest leverage in the future by financing our growth with a balanced mix of cash from operations, debt financings and proceeds from future equity offerings. Notwithstanding the foregoing, based on prevailing conditions and our outlook for the liquefied gas carrier market, we are likely to consider incurring further indebtedness in the future.

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The following table sets forth our vessels:

Operating Vessel	Year Built	Vessel Size (CBM)	Ethylene Capable	Employment Status	Charter Expiration Date
<i>Semi-refrigerated</i>					
Navigator Magellan	1998	20,700		Time charter	September 2016
Navigator Mars	2000	22,085	ü	Spot market	
Navigator Neptune	2000	22,085	ü	Spot market	
Navigator Pluto	2000	22,085	ü	Time charter	March 2017
Navigator Saturn	2000	22,085	ü	Spot market	
Navigator Venus	2000	22,085	ü	Spot market	
Navigator Aries	2008	20,750		Spot market	
Navigator Capricorn	2008	20,750		Time charter	May 2016
Navigator Gemini	2009	20,750		Spot market	
Navigator Pegasus	2009	22,200		Spot market	
Navigator Phoenix	2009	22,200		Spot market	
Navigator Scorpio	2009	20,750		Time charter	March 2016
Navigator Taurus	2009	20,750		Time charter	March 2016
Navigator Virgo	2009	20,750		Time charter	April 2016
Navigator Leo	2011	20,600		Time charter	December 2023
Navigator Libra	2012	20,600		Time charter	December 2023
Navigator Atlas	2014	21,000	ü	Spot market	
Navigator Europa	2014	21,000	ü	Contract of affreightment	December 2016
Navigator Oberon	2014	21,000	ü	Spot market	
Navigator Triton	2015	21,000	ü	Contract of affreightment	December 2016
Navigator Umbrio	2015	21,000	ü	Contract of affreightment	December 2016
Navigator Centauri	2015	21,000		Spot market	
Navigator Ceres	2015	21,000		Time charter	December 2017
Navigator Ceto*	2015	21,000		Spot market	
<i>Fully-refrigerated</i>					
Navigator Glory	2010	22,500		Time charter	December 2016
Navigator Grace	2010	22,500		Time charter	March 2016
Navigator Galaxy	2011	22,500		Time charter	January 2017
Navigator Genesis	2011	22,500		Time charter	February 2017
Navigator Global	2011	22,500		Time charter	November 2016
Navigator Gusto	2011	22,500		Time charter	September 2016

* Vessel delivered on January 15, 2016.

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The following table presents certain information concerning our newbuildings:

Newbuilding Vessel	Year Built	Vessel Size (CBM)	Ethylene Capable	Anticipated Delivery
<i>Semi-refrigerated</i>				
Navigator Copernico	2016	22,000		April 2016
Navigator Aurora	2016	35,000	ü	June 2016
Navigator Eclipse	2016	35,000	ü	September 2016
Navigator Nova	2016	35,000	ü	October 2016
Navigator Prominence	2016	35,000	ü	January 2017
Navigator Yauza	2017	22,000		January 2017
Navigator Luga	2017	22,000		March 2017
H8234	2017	38,000		July 2017

Our operations in Indonesia are subject, among other things, to the Indonesian Shipping Act. That law generally provides that in order for certain vessels involved in Indonesian cabotage to obtain the requested licenses, the owners must either be wholly Indonesian owned or have a majority Indonesian shareholding. *Navigator Pluto*, *Navigator Aries* and *Navigator Global*, which are chartered to Pertamina, the Indonesian state-owned producer of hydrocarbons, are owned by PT Navigator Khatulistiwa, an Indonesian limited liability company, or PTNK. PTNK is a joint venture of which 49% of the voting and dividend rights are owned by a subsidiary though ultimately controlled at the shareholder level by a subsidiary of Navigator Holdings, and 51% of such rights are owned by Indonesian limited liability companies. The joint venture agreement for PTNK provides that certain actions relating to the joint venture or the vessels require the prior written approval of Navigator Holdings subsidiary, which may be withheld only on reasonable grounds and in good faith. PTNK is accounted for as a consolidated subsidiary in our financial statements.

As of December 31, 2015, the average monthly time charter rate for our 19 vessels, operating under time charters was approximately \$888,474 per calendar month. Our current monthly charter rates range from approximately \$779,000 to approximately \$1,085,000. These time charter rates are the gross monthly charter rates before payment of address and brokerage commissions to charterers and their shipbrokers. Address and brokerage commissions typically range between 1.0% and 5.0% of the gross monthly charter rate. On average, we pay a 2.5% address and brokerage commission with respect to our current time charters.

Our Customers

We provide seaborne transportation and distribution services for LPG, ethylene, petrochemical gases and ammonia to:

Oil and Gas Companies, such as Shell, Statoil and Total SA, leading oil and gas companies; Petróleos de Venezuela S.A., or PDVSA, the Venezuelan state-owned integrated oil and petrochemical company; PT Pertamina (Persero), or Pertamina, the Indonesian state-owned producer of hydrocarbons and petrochemicals; Sibur, a Russian gas processing and petrochemicals company and Sonatrach, the national oil and gas company of Algeria;

Chemical Companies, such as BASF, a multi-national chemicals manufacturing corporation; Sunoco an American petroleum and petrochemical manufacturer and Dow an American leading multinational chemical

corporation; and

Energy Trading Companies, such as BGN an international commodity trading company; Mitsubishi International Corporation, a leading trade, commodities, finance and investment company; Geogas, a leading LPG trading company; Trafigura Limited, an international commodities trading and logistics company; and the Vitol Group, an independent energy trading company.

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In 2015, an aggregate of 51.4% of our revenues were derived from time charters with PDVSA, Pertamina, Sibur, Trafigura, and from voyage charters with BGN. The following table sets forth the percentage of our total revenues derived from our customers for the years ended December 31, 2014 and 2015:

Customer	Percentage of Total Revenues Year Ended December 31,	
	2014	2015
Trafigura	8.9%	14.0%
PDVSA	10.7%	11.7%
Sibur	5.3%	9.1%
Pertamina	10.3%	8.3%
BGN	8.3%	8.3%
Other customers	56.5%	48.6%

Vessel Employment

Our chartering strategy is to combine a base of time charters and COAs with voyage charters. We currently operate a total of 30 vessels, of which 15 are employed under time charters, 12 are employed in the spot market and three under contracts of affreightment. As of December 31, 2015, we operated a total of 29 vessels, of which 19 were employed under time charters, nine were employed in the spot market and one was undergoing repairs.

Our voyage charters during 2015 included significant seaborne transportation of petrochemicals. Our semi-refrigerated vessels are highly versatile in that they, unlike fully-refrigerated vessels, can accommodate LPG, petrochemicals and ammonia at ambient as well as fully-refrigerated temperatures. LPG transported on spot voyage contracts during the 12 months of 2015 amounted to 685,299 metric tons, and petrochemicals carried, including ethylene, propylene and butadiene, totaled 211,076 metric tons. Typical routes for petrochemical voyages are longer in duration than those carrying LPG and during 2015 were from the Middle East to Northwest Europe and from the Mediterranean and Northwest Europe to Asia.

Time Charter

A time charter is a contract under which a vessel is chartered for a defined period of time at a fixed daily or monthly rate. Under time charters, we are responsible for providing crewing and other vessel operating services, the cost of which is intended to be covered by the fixed rate, while the customer is responsible for substantially all of the voyage expenses, including any bunker fuel consumption, port expenses and canal tolls.

Initial Term. The initial term for a time charter commences upon the vessel's delivery to the customer. Under the terms of our charters, the customer may redeliver the vessel to us up to 15 to 30 days earlier or up to 15 to 30 days later than the respective charter expiration dates, upon advance notice to us.

Hire Rate. The hire rate refers to the basic payment by the customer for the use of the vessel. Under our time charters, the hire rate is payable monthly in advance, in U.S. Dollars, as specified in the charter.

Hire payments may be reduced if the vessel does not perform to certain of its specifications, such as if the average vessel speed falls below a guaranteed speed or the amount of fuel consumed to power the vessel under normal circumstances exceeds a guaranteed amount.

Off-hire. Under our time charters, when the vessel is off-hire (or not available for service), the customer generally is not required to pay the hire rate, and the shipowner is 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, strikes, certain vessel detentions or similar problems; or

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

Management and Maintenance. Under our time charters, we are responsible for providing for the technical management of the vessel and for maintaining the vessel, periodic drydocking, cleaning and painting and performing work required by regulations. Currently, we work together with our technical managers, BSSM, NMM and Thome, to arrange for these services to be provided for all of our vessels. Please read Technical Management of the Fleet for a description of the material terms of the technical management agreements with BSSM, NMM and Thome.

Termination. Each of our time charters terminates automatically in the event of loss of the applicable vessel. In addition, we are generally entitled to suspend performance (but with the continuing accrual to our benefit of hire payments and default interest) under most of the time charters if the customer defaults in its payment obligations. Under most of the time charters, either party may also terminate the charter in the event of war in specified countries or in locations that would significantly disrupt the free trade of the vessel.

Voyage Charter/ Contract of Affreightment

A voyage charter is a contract, typically for shorter intervals, for transportation of a specified cargo between two or more designated ports. A COA essentially constitutes a number of voyage charters to carry a specified amount of cargo during a specified time period. A voyage charter is priced on a current or spot market rate, typically on a price per ton of product carried rather than a daily or monthly rate. Under voyage charters, we are responsible for all of the voyage expenses in addition to providing the crewing and other vessel operating services.

Term. Our voyage charters are typically for periods ranging from 10 days to three months.

Freight Rate. The freight rate refers to the basic payment by the customer for the use of the vessel or movement of cargo. Under our voyage charters, the freight rate is payable upon discharge, in U.S. Dollars, as specified in the charter.

Management, Maintenance and Voyage Expenses. Under our voyage charters, we are responsible for providing for the technical management of the vessel and for maintaining the vessel, periodic drydocking, cleaning and painting and performing work required by regulations. Currently, we work together with our technical managers, BSSM, NMM and Thome, to arrange for these services to be provided for all of our vessels. Please read Technical Management of the Fleet for a description of the material terms of the technical management agreements with BSSM, NMM and Thome.

We are also responsible for all expenses unique to a particular voyage, including any bunker fuel consumption, port expenses and canal tolls.

Termination. Each of our voyage charters terminates automatically upon the discharge of the cargo at the discharge port.

Classification and Inspections

Every seagoing 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

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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 inspections that are required by the regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull and 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 machinery, including the electrical plant, and where applicable, on 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 one-half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

Class Renewal Surveys. Class renewal surveys, also known as special surveys, are carried out on the ship's hull and machinery, including the electrical plant, and on any special equipment classed at the intervals indicated by the character of classification for the hull. During the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. On vessels which are over 15 years old, substantial amounts of funds 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, a shipowner has the option of arranging with the classification society for the vessel's 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. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

Commercial Management of the Fleet

We perform commercial management of our vessels in-house through our wholly-owned subsidiary, Navigator Gas L.L.C., under the terms of 30 individual management contracts between Navigator Gas L.L.C. and each of our vessel-owning subsidiaries. Commercial management includes the chartering of vessels and accounting services. Navigator Gas L.L.C. in turn has appointed its wholly-owned subsidiary, NGT Services (UK) Limited, as its agent. As of December 31, 2015, NGT Services (UK) Limited had an in-house staff of 33 personnel, which we believe is sufficient to manage the commercial and administrative operations of our current fleet.

Technical Management of the Fleet

General

We currently outsource the technical management of our vessels to BSSM, NMM and Thome, third-party technical management companies, under the terms of standard ship management agreements, or the technical management agreements. We refer to BSSM, NMM and Thome herein as our technical managers.

BSSM was formed in 2008 through the combination of four ship management companies owned by the Schulte Group into one integrated maritime services company. NMM is a wholly-owned subsidiary of Stena AB Gothenburg, formed in 1983 and located in Clydebank, Scotland. Thome Ship Management was formed in 1976, and is a wholly owned subsidiary of Thome Group located in Singapore. Each of our technical managers involved in the management of a wide range of vessels, with BSSM having over 600 vessels under management NMM having over 100 vessels under management and Thome over 300 vessels under management. Our

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technical managers have fully-owned crew recruitment agencies in major crew recruitment countries, are active in all aspects of technical, marine and crewing activities, and are each accredited to ISO 9001 and ISO 14001 standards. We believe our technical managers manage all of their vessels in a safe and proper manner in accordance with owners requirements, design parameters, flag state and class requirements, charter party requirements and the international safety management code.

In 2016, we expect to begin providing in-house technical management, for the first time, for at least one of the vessels in our fleet. As we grow, we intend to seek opportunities to gain greater control over the management of our vessels and enhance customer service, reliability and our relationship with our charterers. We have not in the past provided in-house technical management for any vessel in our fleet. Providing in-house technical management for any vessel in our fleet may impose significant additional responsibilities on our management and staff. Please see [Item 3 Key Information Risk Factors Risks Related to Our Business](#) We expect that in 2016 we will begin providing in-house technical management, for the first time, for at least one vessel in our fleet.

We believe our vessels are operated in a manner intended to protect the safety and health of employees, the general public and the environment. We actively manage the risks inherent in our business and are committed to eliminating incidents that threaten safety and the integrity of the vessels, such as groundings, fires, collisions and petroleum spills. We are also committed to reducing emissions and waste generation.

Technical Management Services

Under the terms of our ship management agreements with our technical managers, and under our supervision, our technical managers are responsible for the day-to-day activities of our fleet and are required to, among other things:

provide competent personnel to supervise the maintenance and general efficiency of our vessels;

arrange and supervise the maintenance, drydockings, repairs, alterations and upkeep of our vessels to the standards required by us and in accordance with all requirements and recommendations of our vessels classification society and applicable national and international regulations;

ensure that our vessels comply with the law of their flag state;

arrange the supply of necessary stores, spares and lubricating oil for our vessels;

appoint such surveyors and technical consultants as they may consider from time to time necessary;

operate the vessels in accordance with the ISM Code and the ISPS Code;

develop, implement and maintain a safety management system in accordance with the ISM Code;

arrange the sampling and testing of bunkers; and

install plan maintenance system software on-board our vessels.

In the event that our technical managers pay certain expenses attributable to us, we have agreed to indemnify our technical managers against such expenses. In the event that our technical managers (or any of their related companies) are sued as a result of a breach or alleged breach of an obligation of ours to a third party, we have agreed to defend our technical managers (or their related companies) and indemnify our technical managers (and their related companies) against certain expenses incurred in their defense.

Fees and Expenses

As consideration for providing us with both technical and crewing management for our fleet, our managers currently receive a management fee of approximately \$0.2 million per vessel per year, payable in equal monthly installments in advance. We pay for any expenses incurred in connection with purchasing spare parts for our vessels.

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We carry insurance coverage consistent with industry standards for certain matters, but we cannot assure you that our insurance will be adequate to cover all extraordinary costs and expenses. Please read Insurance and Risk Management.

Notwithstanding the foregoing, if any costs and expenses are caused solely by our technical managers' negligence or willful default, our technical managers will be responsible for them subject to certain limitations. Our technical managers are insured against claims of errors and omissions by third parties.

Term and Termination Rights

The ship management agreements automatically renew on their termination dates unless terminated by either party with three months' prior written notice. Our technical managers may also terminate any of the ship management agreements immediately upon written termination notice to us if:

they do not receive amounts payable by us under the agreement within the time period specified for payment thereof, or if the vessels are repossessed by any vessel mortgagees; or

after notice to us of the default and a reasonable amount of time to remedy, we fail to:

comply with our obligation to indemnify them for any expenses attributable to us or defend them (and their related companies) against any third party claims based on a breach or alleged breach of an obligation of ours to a third party; or

cease the employment of our vessels in the transportation of contraband, blockage running, or in an unlawful trade, or on a voyage that in their reasonable opinion is unduly hazardous or improper.

If, for any reason under our technical managers' control, our technical managers fail to provide the services agreed upon under the terms of the management agreements or they fail to provide for the satisfaction of all requirements of the law of the vessels' flag state or the ISM Code, we may terminate the agreements immediately upon written notice of termination to our technical managers, as applicable, if, after notice to our technical managers of the default and a reasonable amount of time to remedy, they fail to remedy the default to our satisfaction.

The technical management agreements will automatically terminate (i) if the vessels are sold, are requisitioned, become a total loss or are declared as a constructive, compromised or arranged total loss, (ii) in the event of our winding up, dissolution, bankruptcy or the appointment of a receiver, or (iii) if we suspend payments, cease to carry on business or make any special arrangement with our creditors.

Under the terms of the BSSM ship management agreement, either we or BSSM may terminate the BSSM ship management agreement by giving three months' notice. Under the terms of the NMM and Thome ship management agreement, in the event that the technical management agreement is terminated for any reason other than by reason of default by either technical manager or the loss, sale or other disposition of the vessels, we are obligated to continue to pay the management fee for three calendar months from the termination date.

Crewing and Staff

We have entered into crew management agreements with our technical managers for each of our vessels. Under the terms of the crew management agreements, our technical managers are responsible for arranging crews for our fleet and are required to, among other things:

select and supply a suitably qualified crew for each vessel in our fleet;

pay all crew wages and salaries;

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ensure that the applicable requirements of the laws of our vessels' flag states are satisfied in respect of the rank, qualification and certification of the crew;

pay the costs of obtaining all documentation necessary for the crew's employment, such as vaccination certificates, passports, visas and licenses; and

pay all costs and expenses of transportation of the crews to and from the vessels while traveling.

Unless two months' prior written notice of termination is given, the agreements are automatically extended. Crewing costs could be higher due to increased demand for qualified officers as a result of the high number of newbuildings we expect to become operational over the next five years. Please read **Item 3 Key Information Risk Factors Risks Related to Our Business**. A shortage of qualified officers makes it more difficult to crew our vessels and increases our operating costs. If a shortage were to develop, it could impair our ability to operate and have an adverse effect on our business, financial condition and operating results.

We believe that the crewing arrangements ensure that our vessels are crewed with qualified seamen that have the licenses required by international regulations and conventions. As of December 31, 2015, we had approximately 1,250 seagoing staff.

Insurance and Risk Management

The operation of any ocean going vessel carries an inherent risk of catastrophic marine disasters, death or injury of persons and property losses caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. The occurrence of any of these events may result in loss of revenues or increased costs. 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

We carry hull and machinery insurance for each of our vessels, which insures against the risk of actual or constructive total loss of our vessels. Hull and machinery insurance also covers damage to mechanical equipment on board and loss of, or damage to a vessel due to marine perils such as collisions, grounding and weather. Each vessel in our existing fleet is covered for up to \$80.0 million, with deductibles of \$0.1 million.

War Risks Insurance

We also carry insurance policies covering war risks (including piracy and terrorism). Each vessel in our existing fleet is covered for up to \$80 million, with no deductible. When our vessels travel into certain hostile regions, we are required to notify our war risk insurance carrier, and may incur an additional premium of approximately \$2,000 per breach, generally up to seven days. These additional premiums are typically paid by the charterers pursuant to the terms of our time charter agreements and are paid by us under the terms of our voyage charter and COA agreements.

Protection and Indemnity Insurance Associations

We also carry protection and indemnity insurance for each of the vessels in our existing fleet to protect against most of the accident-related risks involved in the conduct of our business. Protection and indemnity insurance is provided

by mutual protection and indemnity associations, or P&I Associations, and covers our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss of 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. Each of the vessels in our existing fleet is

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entered in the Standard Steamship Owners' Protection & Indemnity Association (Bermuda) Limited, or The Standard Club, or the Britannia Steam Ship Insurance Association Limited, or Britannia, both P&I Associations which are members of The International Group of P&I Clubs, or The International Group.

The Standard Club and Britannia each insure approximately 110 million gross tons of shipping from all parts of the world and from all sectors of the shipping industry. The Standard Club and Britannia each have entered into pooling agreements to reinsure the respective association's liabilities. Each International Group P&I Association currently bears the first \$9.0 million of each claim. The excess of each claim over \$9.0 million up to \$80.0 million is shared by the P&I Associations under the pooling agreement. The excess of each claim over \$80.0 million is shared by the members of The International Group under a reinsurance contract, which provides coverage of up to \$3.1 billion per claim. Claims which exceed \$3.1 billion are pooled between The International Group by way of overflow up to approximately \$5.5 billion, which represents the current coverage limit per vessel per incident. Our current protection and indemnity insurance coverage for pollution is limited to \$1.0 billion per vessel per incident, with the following per vessel per incident deductibles: \$22,000 for fixed and floating objects claims, \$50,000 for collisions, \$5,500 to \$6,500 for crew claims, \$8,500 to \$10,000 for cargo damage and \$5,000 to \$5,500 for all other incidents. As a member of both The Standard Club and Britannia, each of which is a member of The International Group, we are subject to calls payable to the associations based on our 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.

Risk Management

Together with our technical managers, we use in our operations a risk management program that includes, among other things, computer-aided risk analysis tools, root cause analysis programs, maintenance and condition-based assessment programs, a seafarers competence training program, seafarers workshops and seminars, as well as membership in emergency response organizations.

Environmental and Other Regulation

General

Governmental and international agencies extensively regulate the ownership and operation of our vessels. These regulations include international conventions and national, state and local laws and regulations in the countries where our vessels now or, in the future, will operate or where our vessels are registered. We cannot predict the ultimate cost of complying with these regulations, or the impact that these regulations will have on the resale value or useful lives of our vessels. Various governmental and quasi-governmental agencies require us to obtain permits, licenses and certificates for the operation of our vessels.

Although we believe that we are substantially in compliance with applicable environmental laws and regulations and have all permits, licenses and certificates required for our vessels, future non-compliance or failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of our vessels. A variety of governmental and private entities inspect our vessels on both a scheduled and unscheduled basis. These entities, each of which may have unique requirements and each of which conducts frequent inspections, include local port authorities, such as the U.S. Coast Guard, harbor master or equivalent, classification societies, flag state, or the administration of the country of registry and charterers. We expect that our vessels will also be subject to inspection by these governmental and private entities on both a scheduled and unscheduled basis.

We believe that the heightened levels of environmental and quality concerns among insurance underwriters, regulators and charterers have led 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 tankers that conform to the stricter environmental standards. We will be required to maintain operating

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standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with applicable local, national and international environmental laws and regulations. We intend to assure that the operation of our vessels will be in substantial compliance with applicable environmental laws and regulations and that our vessels will have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that results in significant oil pollution or otherwise causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our results of operations or financial condition.

NMM holds the International Standards Organization, or ISO, Environmental Standard for the management of the significant environmental aspects associated with the ownership and operation of a fleet of drybulk carriers and vessels. NMM, BSSM and Thome have received their ISO 9001 certification (quality management systems), the ISO 14001 Environmental Standard, and NMM the ISO 50001 (energy efficiency). In summary terms, the ISO 14001 certification requires that we commit managerial resources to act on our environmental policy through an effective management system.

International Maritime Regulations

The IMO is the United Nations agency that provides international regulations governing shipping and international maritime trade. The requirements contained in the ISM Code, promulgated by the IMO, govern our operations. Among other requirements, the ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a policy for safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and also describing procedures for responding to emergencies. Our ship managers each hold a Document of Compliance under the ISM Code for operation of Gas Carriers.

Vessels that transport gas, including vessels, are also subject to regulation under the International Gas Carrier Code, or the IGC Code, published by the IMO. The IGC Code provides a standard for the safe carriage of LNG and certain other liquid gases by prescribing the design and construction standards of vessels involved in such carriage. Compliance with the IGC Code must be evidenced by a Certificate of Fitness for the Carriage of Liquefied Gases of Bulk. Each of our vessels is in compliance with the IGC Code and each of our newbuilding/conversion contracts requires that the vessel receive certification that it is in compliance with applicable regulations before it is delivered. Non-compliance with the IGC Code or other applicable IMO regulations may subject a shipowner or a bareboat charterer 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.

The IMO also promulgates ongoing amendments to the international convention for the Safety of Life at Sea 1974 and its protocol of 1988, otherwise known as SOLAS. SOLAS provides rules for the construction of and equipment required for commercial vessels and includes regulations for safe operation. It requires the provision of lifeboats and other life-saving appliances, requires the use of the Global Maritime Distress and Safety System which is an international radio equipment and watchkeeping standard, afloat and at shore stations, and relates to the Treaty on the Standards of Training and Certification of Watchkeeping Officers, or STCW, also promulgated by the IMO. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

SOLAS and other IMO regulations concerning safety, including those relating to treaties on training of shipboard personnel, lifesaving appliances, radio equipment and the global maritime distress and safety system, are applicable to our operations. Non-compliance with these types of IMO regulations may subject us to increased liability or penalties, may lead to decreases in available insurance coverage for affected vessels and may result in

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the denial of access to or detention in some ports. For example, the U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in U.S. and European Union ports, respectively.

In January 2016, additional amendments became effective to the International Code for the Construction of Equipment of Ships Carrying Dangerous Chemicals in Bulk (IBC Code) that was adopted in May 2014. The provisions of the IBC Code are mandatory under MARPOL and SOLAS. These amendments, which entered into force in June 2014, pertain to revised international certificates of fitness for the carriage of dangerous chemicals in bulk and identifying new products that fall under the IBC Code.

In the wake of increased worldwide security concerns, the IMO amended SOLAS and added The International Security Code for Ports and Ships, or the ISPS Code, as a new chapter to that convention. The objective of the ISPS Code, which came into effect on July 1, 2004, is to detect security threats and take preventive measures against security incidents affecting ships or port facilities. NMM has developed Security Plans, appointed and trained Ship and Office Security Officers and all of our vessels have been certified to meet the ISPS Code. See Vessel Security Regulations for a more detailed discussion about these requirements.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulation may have on our operations.

Air Emissions

The International Convention for the Prevention of Marine Pollution from Ships, or MARPOL, is the principal international convention negotiated by the IMO governing marine pollution prevention and response. MARPOL imposes environmental standards on the shipping industry relating to oil spills, management of garbage, the handling and disposal of noxious liquids, sewage and air emissions. MARPOL 73/78 Annex VI Regulations for the prevention of Air Pollution, or Annex VI, entered into force on May 19, 2005, and applies to all ships, fixed and floating drilling rigs and other floating platforms. Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts, emissions of volatile compounds from cargo tanks, incineration of specific substances, and prohibits deliberate emissions of ozone depleting substances. Annex VI also includes a global cap on sulfur content of fuel oil and allows for emission control areas (ECAs) to be established with more stringent controls on sulfur emissions. The certification requirements for Annex VI depend on size of the vessel and time of periodical classification survey. Ships weighing more than 400 gross tons and engaged in international voyages involving countries that have ratified the conventions, or ships flying the flag of those countries, are required to have an International Air Pollution Certificate, or an IAPP Certificate. Annex VI came into force in the United States on January 8, 2009. As of December 31, 2015, all our ships delivered or drydocked since May 19, 2005, have all been issued with IAPP Certificates.

In March 2006, the IMO amended Annex I to MARPOL, including a new regulation relating to oil fuel tank protection, which became effective August 1, 2007. The new regulation applies to various ships delivered on or after August 1, 2010. It includes requirements for the protected location of the fuel tanks, performance standards for accidental oil fuel outflow, a tank capacity limit and certain other maintenance, inspection and engineering standards. IMO regulations also require owners and operators of vessels to adopt Ship Oil Pollution Emergency Plans. Periodic training and drills for response personnel and for vessels and their crews are required.

On July 1, 2010, amendments to Annex VI proposed by the United States, Norway and other IMO member states took effect that require progressively stricter reductions in sulfur emissions from ships. Beginning on January 1, 2012, fuel used to power ships in all seas may contain no more than 3.5% sulfur. This cap will decrease progressively. For fuels

used in Emission Control Areas (ECA), the cap settled at .1% in January 2015. For fuels used in all seas, the cap will settle at 0.5% on January 1, 2020. The amendments also establish new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The

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European directive 2005/33/EU, which is effective from January 1, 2010, bans the use of fuel oils containing more than 0.1% sulfur by mass by any merchant vessel while at berth in any EU country. In 2011, the European Commission adopted a proposal to amend directive 2005/33/EU to bring it into alignment with the latest IMO provisions on the sulfur content of marine fuels. Review of the directive under this amendment is ongoing. Our vessels have achieved compliance, where necessary, by purchasing and utilizing fuel that meets the low-sulfur requirements.

As of January 2015, the limitations on sulfur emissions from ships operating within all Emission Control Areas (ECA) require that fuels contain no more than 0.1% sulfur. Additionally, more stringent emission standards for sulfur and nitrogen oxide apply in United States and Canadian coastal areas designated by the IMO's Marine Environment Protection Committee, as discussed in Clean Air Act below. On March 26, 2010, the IMO designated waters off North American coasts as an ECA in which stringent emission standards would apply. The first-phase fuel standard for sulfur in the North American ECA went into effect in 2012, and the second phase began in 2015. Further, on July 15, 2011, the IMO designated waters around Puerto Rico and the U.S. Virgin Islands as an ECA. The first-phase fuel standard for sulfur in the U.S. Caribbean ECA went into effect in 2014, and the second phase began in 2015. Beginning in 2016, stringent engine standards for nitrogen oxide will become effective in both the North American ECA and the U.S. Caribbean ECA. Finally, U.S. air emissions standards have incorporated these amended Annex VI requirements, and once these amendments become fully effective, we may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems.

Ballast Water Management Convention

The IMO has negotiated international conventions that impose liability for oil pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with a requirement for mandatory ballast water treatment. The BWM Convention will not become effective 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. Though this has not occurred to date, the IMO has passed a resolution encouraging the ratification of the BWM Convention and calling upon those countries that have already ratified to encourage the installation of ballast water management systems on new ships. As referenced below, the U.S. Coast Guard issued new ballast water management rules on March 23, 2012, and the U.S. Environmental Protection Agency, or EPA, issued a new Vessel General Permit in March 2013 that contains numeric technology-based ballast water effluent limitations. Under the requirements of the convention for units with ballast water capacity more than 5,000 cubic meters that were constructed in 2011 or before, ballast water management exchange or treatment will be accepted until 2016. From 2016 (or not later than the first intermediate or renewal survey after 2016), only ballast water treatment will be accepted by the BWM Convention. Installation of ballast water treatments systems will be needed on all our vessels to comply with the BWM Convention and U.S. regulations discussed below. We will begin implementing the ballast water treatment system on vessels at an additional cost of \$0.4 million per vessel in 2016.

Bunker Convention/CLC State Certificate

The International Convention on Civil Liability for Bunker Oil Pollution 2001, or the Bunker Convention, entered into force in State Parties to the Convention on November 21, 2008. The Bunker Convention provides a liability, compensation and compulsory insurance system for the victims of oil pollution damage caused by spills of bunker oil. The Bunker Convention requires the ship owner liable to pay compensation for pollution damage (including the cost

of preventive measures) caused in the territory, including the territorial sea of a State Party, as well as its economic zone or equivalent area. Registered owners of any sea going vessel and seaborne craft over 1,000 gross tonnage, of any type whatsoever, and registered in a State Party, or entering or leaving a port in the

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territory of a State Party, will be required to maintain insurance which meets the requirements of the Bunker Convention and to obtain a certificate issued by a State Party attesting that such insurance is in force. The State issued certificate must be carried on-board at all times.

Although the United States is not a party to these conventions, many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended in 2000, or the CLC. Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. The limited liability protections are forfeited under the CLC where the spill is caused by the owner's actual fault and under the 1992 Protocol where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to states that are parties to these conventions must provide evidence of insurance covering the liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or on a strict-liability basis

P&I Clubs in the International Group issue the required Bunkers Convention Blue Cards to provide evidence that there is in place insurance meeting the liability requirements. All of our vessels have received Blue Cards from their P&I Club and are in possession of a CLC State-issued certificate attesting that the required insurance coverage is in force.

Anti-Fouling Requirements

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the Anti-fouling Convention. The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels after September 1, 2003. Vessels of over 400 gross tons engaged in international voyages must obtain an International Anti-fouling System Certificate and undergo a survey before the vessel is put into service or when the anti-fouling systems are altered or replaced. Our managers have obtained Anti-fouling System Certificates for all of our vessels and we do not believe that maintaining such certificates will have an adverse financial impact on the operation of our vessels.

Compliance Enforcement

The flag state, as defined by the United Nations Convention on Law of the Sea, has overall responsibility for the implementation and enforcement of international maritime regulations for all ships granted the right to fly its flag. The Shipping Industry Guidelines on Flag State Performance evaluates flag states based on factors such as sufficiency of infrastructure, ratification of international maritime treaties, implementation and enforcement of international maritime regulations, supervision of surveys, casualty investigations, and participation at IMO meetings. As of January 2016, auditing of flag states that are parties to the SOLAS convention is mandatory and will be conducted under the IMO Instruments Implementation Code (III Code), which provides guidance on implementation and enforcement of IMO policies by flag states. These audits may lead the various flag states to be more aggressive in their enforcement, which may in turn lead us to incur additional costs.

Non-compliance with the ISM Code and other IMO regulations may subject the vessel owner or bareboat charterer 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. The U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

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U.S. Environmental Regulation of Our Vessels

Our vessels operating in U.S. waters now or in the future will be subject to various federal, state and local laws and regulations relating to protection of the environment. In some cases, these laws and regulations require us to obtain governmental permits and authorizations before we may conduct certain activities. These environmental laws and regulations may impose substantial penalties for noncompliance and substantial liabilities for pollution. Failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties. As with the industry generally, our operations will entail risks in these areas, and compliance with these laws and regulations, which may be subject to frequent revisions and reinterpretation, increases our overall cost of business.

Oil Pollution Act of 1990

The U.S. Oil Pollution Act of 1990, or OPA 90, established an extensive regulatory and liability regime for environmental protection and cleanup of oil spills. OPA 90 affects all owners and operators whose vessels trade with the United States or its territories or possessions, or whose vessels operate in the waters of the United States, which include the U.S. territorial waters and the two hundred nautical mile exclusive economic zone of the United States. OPA 90 may affect us because we carry oil as fuel and lubricants for our engines, and the discharge of these could cause an environmental hazard. Under OPA 90, vessel operators, including vessel owners, managers and bareboat or demise charterers, are responsible parties who are all liable regardless of fault, individually and as a group, for all containment and clean-up costs and other damages arising from oil spills from their vessels. These responsible parties would not be liable if the spill results solely from the act or omission of a third party, an act of God or an act of war. The other damages aside from clean-up and containment costs are defined broadly to include:

natural resource damages and related assessment costs;

real and personal property damages;

net loss of taxes, royalties, rents, profits or earnings capacity;

net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards; and

loss of subsistence use of natural resources.

Effective July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability to the greater of \$2,000 per gross ton or \$17.088 million for any double-hull tanker that is over 3,000 gross tons (subject to possible adjustment for inflation) (relevant to the Alma Maritime carriers). These limits of liability do not apply, however, where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or willful misconduct. These limits likewise do not apply if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. This limit is subject to possible adjustment for inflation. OPA 90 specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters. In some cases, states, which

have enacted their own legislation, have not yet issued implementing regulations defining shipowners' responsibilities under these laws. We believe that we are in substantial compliance with OPA 90 and all applicable state regulations in the ports where our vessels call.

OPA 90 requires owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential strict liability under OPA 90. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA 90 regulations, an owner or operator of more than one vessel is required to demonstrate evidence of financial responsibility for the entire fleet in an amount equal only to the financial responsibility requirement of the vessel having the greatest maximum liability under OPA 90. Each of our ship-owning subsidiaries that has vessels trading in U.S. waters has applied for, and obtained from the U.S. Coast Guard

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National Pollution Funds Center, three-year certificates of financial responsibility, or COFRs, supported by guarantees which we purchased from an insurance based provider. We believe that we will be able to continue to obtain the requisite guarantees and that we will continue to be granted COFRs from the U.S. Coast Guard for each of our vessels that is required to have one.

In response to the 2010 BP Deepwater Horizon oil spill, the U.S. Congress has considered a number of bills that could potentially increase or even eliminate the limits of liability under OPA 90. Compliance with any new requirements of OPA 90 may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation or regulation applicable to the operation of our vessels that may be implemented in the future as a result of the 2010 BP Deepwater Horizon oil spill in the Gulf of Mexico could adversely affect our business and ability to make distributions to our shareholders.

Clean Water Act

The United States Clean Water Act, or CWA, prohibits the discharge of oil or hazardous substances in United States navigable waters unless authorized by a permit or exemption, and imposes strict liability in the form of penalties for unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The EPA has enacted rules governing the regulation of ballast water discharges and other discharges incidental to the normal operation of vessels within U.S. waters. The rules require commercial vessels 79 feet in length or longer (other than commercial fishing vessels), or Regulated Vessels, to obtain a CWA permit regulating and authorizing such normal discharges. This permit, which the EPA has designated as the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or VGP, incorporates the current U.S. Coast Guard requirements for ballast water management as well as supplemental ballast water requirements, and includes limits applicable to 26 specific discharge streams, such as deck runoff, bilge water and gray water.

The VGP was updated in 2013 to incorporate numeric effluent limits for ballast water expressed as the maximum concentration of living organisms in ballast water, as opposed to the prior non-numeric requirements. These requirements correspond with the IMO's requirements under the BWM Convention, as discussed above. The permit also contains maximum discharge limitations for biocides and residuals. The numeric effluent limits in the new VGP will not apply to all vessels. Those that will be required to comply with the numeric limits will do so under a staggered implementation schedule. Certain existing vessels must achieve the numeric effluent limits for ballast water by the first drydocking after January 1, 2014 or January 1, 2016, depending on the vessel size. Newbuild vessels are subject to the numeric limits upon the effective date of the new permit. Vessels that have deferred deadlines for meeting the numeric standards must meet Best Management Practices, or BMPs, which are substantially similar to the requirements under the previous VGP.

The new VGP includes a tiered requirement for obtaining coverage based on the size of the vessel and the amount of ballast water carried. Vessels that are 300 gross tons or larger and have the capacity to carry more than eight cubic meters of ballast water must submit notices of intent (NOIs) to receive permit coverage between six and nine months after the permit's issuance date. Vessels that do not need to submit NOIs are automatically authorized under the permit.

The VGP imposes additional requirements on certain Regulated Vessel types that emit discharges unique to those vessels. Administrative provisions, such as inspection, monitoring, recordkeeping and reporting requirements, are also included for all Regulated Vessels.

National Invasive Species Act

In March 2012, the U.S. Coast Guard issued a final rule establishing standards for the allowable concentration of living organisms in ballast water discharged in U.S. waters and requiring the phase-in of Coast Guard approved

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BWM Systems. The rule went into effect in June 2012, and adopts ballast water discharge standards for vessels calling on U.S. ports and intending to discharge ballast water equivalent to those set in IMO's BWM Convention. The final rule requires that ballast water discharge have fewer than 10 living organisms per milliliter for organisms between 10 and 50 micrometers in size. For organisms larger than 50 micrometers, the discharge must have fewer than 10 living organisms per cubic meter of discharge. The U.S. Coast Guard will review the practicability of implementing a more stringent ballast water discharge standard and publish the results. The rule requires installation of Coast Guard approved BWM Systems by new vessels constructed on or after December 1, 2013, and existing vessels as of their first drydocking after January 1, 2016. If Coast Guard type approved technologies are not available by a vessel's compliance date, the vessel may request an extension to the deadline from the U.S. Coast Guard. While the 2013 rule imposes consistent numeric effluent limits for living organisms in ballast water discharges, it does not provide for compliance date extensions if Coast Guard-approved treatment technologies are not available.

Clean Air Act

The U.S. Clean Air Act of 1970, as amended, or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas and emission standards for so-called Category 3 marine diesel engines operating in U.S. waters. The marine diesel engine emission standards are currently limited to new engines beginning with the 2004 model year. On April 30, 2010, the EPA promulgated final emission standards for Category 3 marine diesel engines equivalent to those adopted in the amendments to Annex VI to MARPOL. The emission standards apply in two stages: near-term standards for newly-built engines will apply from 2011, and long-term standards requiring an 80% reduction in nitrogen dioxides will apply from 2016. In February 2015, the EPA amended its marine diesel engine requirements to temporarily allow marine equipment manufacturers to use allowances if a compliant marine engine is not available. Compliance with these standards may cause us to incur costs to install control equipment on our vessels in the future.

European Union Regulations

The European Union has also adopted legislation that would: (1) ban manifestly sub-standard vessels (defined as those over 15 years old that have been detained by port authorities at least twice in a six month period) from European waters and create an obligation of port states to inspect vessels posing a high risk to maritime safety or the marine environment; and (2) provide the European Union with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies.

The European Union has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/EC/33 (amending Directive 1999/32/EC) introduced parallel requirements in the European Union to those in MARPOL Annex VI in respect of the sulfur content of marine fuels. In addition, it has introduced a 0.1% maximum sulfur requirement for fuel used by ships at berth in EU ports, effective January 1, 2010. In 2011, the European Commission adopted a proposal to amend directive 2005/33/EU to bring it into alignment with the latest IMO provisions on the sulfur content of marine fuels. Review of the directive under this amendment is ongoing.

In 2005, the European Union adopted a directive on ship-source pollution, imposing criminal sanctions for intentional, reckless or negligent pollution discharges by ships. The directive could result in criminal liability for pollution from vessels in waters of European countries that adopt implementing legislation. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. We cannot predict what regulations, if any, may be adopted by the European Union or any other country or authority.

Table of Contents***Regulation of Greenhouse Gas Emissions***

Currently, the emissions of greenhouse gases from ships involved in international transport are not subject to the Kyoto Protocol, which entered into force in 2005 and which countries have relied on to produce national plans to reduce greenhouse gas emissions. The Paris Agreement, which was announced by the Parties to the United Nations Framework Convention on Climate Change in December 2015, similarly does not cover international shipping, however the IMO has subsequently reaffirmed its strong commitment to continue to work to address greenhouse gas emissions from ships engaged in international trade. The IMO is evaluating various mandatory measures to reduce greenhouse gas emissions from international shipping, which may include market-based instruments or a carbon tax. In June 2013, the European Commission developed a strategy to integrate maritime emissions into the overall European Union strategy to reduce greenhouse gas emissions. In accordance with this strategy, in April 2015 the European Parliament and Council adopted regulations requiring large vessels using European Union ports to monitor, report and verify their carbon dioxide emissions beginning in January 2018. In December 2013 the European Union environmental ministers discussed draft rules to implement monitoring and reporting of carbon dioxide emissions from ships.

As of January 1, 2013 all new ships must comply with mandatory requirements adopted by the Marine Environment Protection Committee (MEPC) of IMO in July 2011 in part to address greenhouse gas emission. These requirements add energy efficiency standards through an Energy Efficiency Design Index (EEDI). IMO's Greenhouse Gas Working Group agreed on these guidelines to require all ships to develop and implement a Ship Energy Efficiency Plan (SEEMP). The regulations apply to all ships of 400 gross tonnage and above. These new rules will likely affect the operations of vessels that are registered in countries that are signatories to MARPOL Annex VI or vessels that call upon ports located within such countries.

In the United States, the EPA issued a final finding that greenhouse gases threaten public health and safety, and has promulgated regulations under the Clean Air Act that control the emission of greenhouse gases from mobile sources, but not from marine shipping vessels and their engines and fuels. The EPA may decide in the future to regulate greenhouse gas emissions from these sources. The Agency has already been petitioned by the California Attorney General to regulate greenhouse gas emissions from oceangoing vessels. Other federal and state regulations relating to the control of greenhouse gas emissions may follow, including climate change initiatives that have recently been considered by the U.S. Congress and by individual states.

Any passage of further climate control legislation or other regulatory initiatives by the IMO, the European Union, the United States, or other countries where we operate, or any treaty adopted at the international level, that restrict emissions of greenhouse gases could require us to make significant financial expenditures that we cannot predict with certainty at this time.

Safety Requirements

The IMO has adopted the International Convention for the Safety of Life at Sea, or SOLAS Convention, and the International Convention on Load Lines, 1966, or LL Convention, which impose a variety of standards to regulate design and operational features of ships. SOLAS Convention and LL Convention standards are revised periodically. All of our vessels are in compliance with SOLAS Convention and LL Convention standards.

Chapter IX of SOLAS, the requirements contained in the ISM Code, promulgated by the IMO, also affects our operations. The ISM Code requires the party with operational control of a vessel to develop and maintain 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

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system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. NMM has obtained documents of compliance and safety management certificates for all of our vessels for which certificates are required by the IMO.

The International Labour Organization, or ILO, is a specialized agency of the United Nations with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006, or MLC 2006, to improve safety on-board merchant vessels. A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. On August 20, 2012, the required number of countries ratified the MLC 2006 and it came into force on August 20, 2013. MLC 2006 requires us to develop new procedures to ensure full compliance with its requirements.

Vessel 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 Maritime Transportation 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 SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the ISPS Code. The ISPS Code is designed to protect ports and international shipping against terrorism. After July 1, 2004, to trade internationally, a vessel must attain an International Ship Security Certificate from a recognized security organization approved by the vessel's flag state.

Among the various requirements are:

on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;

on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;

the development of vessel security plans;

ship identification number to be permanently marked on a vessel's hull;

a continuous synopsis record kept on-board showing a vessel's history including, the name of the ship and of the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and

compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from obtaining U.S. Coast Guard-approved MTSA vessel security plans provided such vessels have on-board an International Ship Security Certificate, or ISSC, that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code.

Our vessel managers have developed Security Plans, appointed and trained Ship and Office Security Officers and each of our vessels in our fleet complies with the requirements of the ISPS Code, SOLAS and the MTSA.

Table of Contents***Other Regulation***

Our vessels may also become subject to the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, 1996 as amended by the Protocol to the HNS Convention, adopted in April 2010, or the 2010 HNS Protocol, and collectively, the 2010 HNS Convention, if it is entered into force. The Convention creates a regime of liability and compensation for damage from hazardous and noxious substances, or HNS. The 2010 HNS Convention sets up a two-tier system of compensation composed of compulsory insurance taken out by shipowners and an HNS Fund which comes into play when the insurance is insufficient to satisfy a claim or does not cover the incident. Under the 2010 HNS Convention, if damage is caused by bulk HNS, claims for compensation will first be sought from the shipowner up to a maximum of 100 million Special Drawing Rights, or SDR, which was equivalent to \$138 million U.S. dollars as of January 31, 2016. SDRs are supplementary, foreign exchange reserve assets created and maintained by the International Monetary Fund, or IMF, based upon a basket of currencies (consisting of the euro, Japanese yen, pound sterling and U.S. dollar). SDRs are not a currency, but instead represent a claim to currency held by IMF member countries for which SDRs may be exchanged. Monetary values and limits in many international maritime treaties are expressed in terms of SDRs. As of January 31, 2016, the exchange rate was 1 SDR equal to 1.37618 U.S. dollars. If the damage is caused by packaged HNS or by both bulk and packaged HNS, the maximum liability is 115 million SDR (equivalent to \$158 million U.S. dollars as of January 31, 2016). Once the limit is reached, compensation will be paid from the HNS Fund up to a maximum of 250 million SDR (equivalent to \$344 million U.S. dollars as of January 31, 2016). The 2010 HNS Convention has not been ratified by a sufficient number of countries to enter into force, and we cannot estimate the costs that may be needed to comply with any such requirements that may be adopted with any certainty at this time.

In-House Inspections

NMM, BSSM and Thome carry out inspections of the ships on a regular basis; both at sea and while the vessels are in port, while we carry out inspection and ship audits to verify conformity with managers' reports. The results of these inspections, which are conducted both in port and underway, result in a report containing recommendations for improvements to the overall condition of the vessel, maintenance, safety and crew welfare. Based in part on these evaluations, we create and implement a program of continual maintenance for our vessels and their systems.

Competition

The process of obtaining new charters is highly competitive, generally involves an intensive screening process and competitive bids, and often extends for several months.

While the majority of the existing handysize liquefied gas carrier world fleet is employed on 12-month charters, there is competition for the employment of vessels when these charters expire and for the employment of those vessels which trade on the spot market. Competition for mid- or longer-term charters is based primarily on industry relationships, experience and reputation for customer service, quality operations and safety, the experience and technical capability of the crews, the vessel's efficiency, operational flexibility and physical life, and the competitiveness of the bid in terms of overall price.

Our existing fleet had an average age of 6.6 years as of December 31, 2015, which is significantly less than the average age of the world-wide fleet of handysize liquefied gas carriers. We believe that our relatively young fleet positions us well to compete in terms of our vessels meeting the operational needs of charterers. We own and operate the largest fleet in our size segment, which, in our view, enhances our position relative to our competitors. While there are some barriers to entry, including the complexity of operating semi-refrigerated gas carriers that constantly require switching between a myriad of cargo types, crew expertise and the cost of liquefied gas carriers, new entrants have

entered the market over the last five years.

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We believe that the market for obtaining new charters will continue to be highly competitive for the foreseeable future. However, we believe that our relationships, the experience of the crews that service our vessels and the age and technical ability of our existing fleet, as well as our eight newbuildings expected to be delivered by July 2017, will provide us with a competitive advantage, both within the handsized segment and across the broader liquefied gas carrier industry.

Properties

Other than our vessels, we do not own any material property. We lease office space for our representative offices in London and New York. The lease term for our representative office in London is for a period of 10 years with a mutual break option in March 2017, which is the fifth anniversary from the lease commencement date. The gross rent per year is approximately \$480,000, although we sublease part of the space, thus recouping approximately \$180,000 per year. The initial lease term for our representative office in New York is five years ending June 30, 2017. The total rent per year is approximately \$231,000.

Seasonality

Liquefied gases are primarily used for industrial and domestic heating, as a chemical and refinery feedstock, as a transportation fuel and in agriculture. The liquefied gas carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of propane and butane for heating during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and the supply of certain commodities. As a result, demand for our vessels may be stronger in our fiscal quarters ending December 31 and March 31 and relatively weaker during our fiscal quarters ending June 30 and September 30, although 12-month time charter rates tend to smooth these short-term fluctuations. To the extent any of our time charters expire during the relatively weaker fiscal quarters ending June 30 and September 30, it may not be possible to re-charter our vessels at similar rates. As a result, we may have to accept lesser rates or experience off-hire time for our vessels, which may adversely impact our business, financial condition and operating results.

Employees

We had 37 employees as of December 31, 2015. We consider our employee relations to be good. Our crewing and technical managers provide crews for our vessels under separate crew management agreements.

Legal Proceedings

We expect that in the future we will be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. These claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We are not aware of any legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on us.

Exchange Controls

Under the Republic of the Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of distributions, interest or other payments to non-resident shareholders.

Taxation of the Company

Certain of our subsidiaries are subject to taxation in the jurisdictions in which they are organized, conduct business or own assets. We intend that our business and the business of our subsidiaries will be conducted and operated in a manner designed to minimize the tax imposed on us and our subsidiaries. However, we cannot assure this result as tax laws in these or other jurisdictions may change or we may enter into new business transactions relating to such jurisdictions, which could affect our tax liability.

Table of Contents***U.S. 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 Code, final and temporary regulations thereunder, or Treasury Regulations, and administrative rulings and court decisions, all as in effect as of the date hereof and all of which are subject to change or differing interpretation, 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.

Status as a Corporation. We are 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 is effectively connected with the conduct of a trade or business in the United States as discussed below, unless such income is exempt from tax under Section 883 of the Code.

Taxation of Operating Income. Substantially all of our gross income is, and we expect that substantially all of our gross income will be, attributable to the transportation of LPGs and petrochemicals and related products. Gross income that is attributable to transportation that either begins or ends, but that does not both begin and end, in the United States, or U.S. Source International Transportation Income, is considered to be 50.0% derived from sources within the United States and may be subject to U.S. federal income tax as described below. Gross income attributable to transportation that both begins and ends in the United States, or U.S. Source Domestic Transportation Income, is considered to be 100.0% derived from sources within the United States and generally is subject to U.S. federal income tax. Gross income attributable to transportation exclusively between non-U.S. destinations is considered to be 100.0% derived from sources outside the United States and generally is not subject to U.S. federal income tax. We are not permitted by law to engage in transportation that gives rise to U.S. Source Domestic Transportation Income. However, certain of our activities give rise to U.S. Source International Transportation Income, and we may in the future increase our operations in the United States, which would result in an increase in the amount of our U.S. Source International Transportation Income, all of which would be subject to U.S. federal income taxation unless the exemption from U.S. taxation under Section 883 of the Code, or the Section 883 Exemption, applies.

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, or the Section 883 Regulations, it will not be subject to the net basis and branch profits 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 will qualify for the Section 883 Exemption if, among other things, 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, or an Equivalent Exemption ;

we satisfy the Publicly Traded Test (as described below); and

we meet certain substantiation, reporting and other requirements (or the Substantiation Requirement). In order for a non-U.S. corporation to meet the Publicly Traded Test, its equity interests 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 provide, in pertinent part, that 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, with respect to the class or classes of equity relied upon to meet the regularly traded requirement described below, the number of shares of each such class that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in such class that are traded during that year on established securities markets in any other single country.

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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 if one or more classes of such equity interests that, in the aggregate, represent more than 50.0% of the combined vote and value of all outstanding equity interests in the non-U.S. corporation satisfy certain listing and trading volume requirements. These listing and trading volume requirements will be satisfied with respect to a class of equity interests if trades in such class are effected, other than in de minimis quantities, on an established securities market on at least 60 days during the taxable year and the aggregate number of shares in such class that are traded on an established securities market during the taxable year is at least 10.0% of the average number of shares outstanding in that class during the taxable year (with special rules for short taxable years). In addition, a class of equity interests will be considered to satisfy these listing and trading volume requirements if the equity interests in such class are traded during the taxable year on an established securities market in the United States and are regularly quoted by dealers making a market in such class (within the meaning of the Section 883 Regulations).

Even if a class of equity satisfies the foregoing requirements, and thus generally would be treated as regularly traded on an established securities market, an exception may apply to cause the class to fail the regularly traded test if, for more than half of the number of days during the taxable year, one or more 5.0% shareholders (i.e., shareholders 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 the class (which we refer to as the Closely Held Block Exception). For purposes of identifying its 5.0% shareholders, a corporation is entitled to rely on Schedule 13D and Schedule 13G filings made with the SEC. The Closely Held Block Exception does not apply, however, in the event the corporation can establish that a sufficient proportion of such 5.0% shareholders are Qualified Shareholders (as defined below) so as to preclude other persons who are 5.0% shareholders from owning 50.0% or more of the value of that class for more than half the days during the taxable year. Qualified Shareholders include:

individual residents of jurisdictions that grant an Equivalent Exemption;

non-U.S. corporations organized in jurisdictions that grant an Equivalent Exemption and that meet the Publicly Traded Test; and

certain other qualified persons described in the Section 883 Regulations.

We are organized under the laws of the Republic of the Marshall Islands, which is a jurisdiction that the U.S. Treasury Department has recognized as granting an Equivalent Exemption with respect to the type of U.S. Source International Transportation Income we earn. Provided we satisfy the Substantiation Requirement, which we believe we will be able to satisfy, our U.S. Source International Transportation Income (including for this purpose, any such income earned by our subsidiaries) will be exempt from U.S. federal income taxation provided we meet the Publicly Traded Test.

We did not satisfy the requirements for the Section 883 exemption for our 2013 taxable year because our common stock was not traded on an established securities market for most of the year and therefore we did not satisfy the regularly traded requirement of the Publicly Traded Test. However, for 2014 and 2015, we believe that we satisfied the requirements of Section 883 exemption and therefore we were not subject to U.S. federal income taxation on our U.S. Source International Transportation Income. For 2016 and future taxable years, we believe we will be able to satisfy the Publicly Traded Test, provided we satisfy the listing and trading volume requirements described previously and the Closely Held Block Exception does not apply for such year. Our common stock, which is our only class of

equity outstanding, represents more than 50.0% of the total combined voting power and value of all classes of our equity interests entitled to vote. In addition, because our common stock is traded only on the NYSE, which is considered to be an established securities market, our equity interests are primarily traded on an established securities market for purposes of the Publicly Traded Test. Further, we anticipate that our common stock will meet the regularly traded requirement of the Publicly Traded Test.

According to Schedule 13D and Schedule 13G filings with the SEC, 5.0% shareholders currently own, in the aggregate, less than 50.0% of the total vote and value of our common stock. Provided that in each of the

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current and future taxable years, 5.0% shareholders own, in the aggregate, less than 50.0% of the total vote and value of our common stock for more than half the days of such taxable year, and we continue to satisfy the listing and trading volume requirements described previously, we believe that we will satisfy the Publicly Traded Test for such year. However, additional persons that are not Qualified Shareholders may become 5.0% shareholders at any time. If more than 50.0% of our common stock were held by 5.0% shareholders (other than Qualified Shareholders) for more than half of the days of the current or any future year, we would likely not qualify for an exemption under Section 883 for such taxable year, due to the Closely Held Block Exception. Because qualification for the Section 883 Exemption depends upon factual matters that are subject to change and are outside of our control, there can be no assurance that we will be able to satisfy the Publicly Traded Test for the current or any future taxable year. Please see *The Net Basis Tax and Branch Profits Tax* and *The 4.0% Gross Basis Tax* 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.

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, or Effectively Connected Income, if (1) we have a fixed place of business in the United States involved in the earning of U.S. Source International Transportation Income and (2) substantially all of our U.S. Source International Transportation Income is attributable to regularly scheduled transportation or, in the case of vessel leasing income, is attributable to a fixed place of business in the United States. In addition, if we earn other types of income within the territorial seas of the United States, such income may be treated as Effectively Connected Income.

Based on our current and projected methods of operation, we do not believe that any of our U.S. Source International Transportation Income will be treated as Effectively Connected Income for any taxable year. However, there is no assurance that we will not earn substantial amounts of income from regularly scheduled transportation or bareboat charters attributable to a fixed place of business in the United States (or earn income from other activities within the territorial seas of the United States) in the future, which would result in such income being treated as Effectively Connected Income.

Any income we earn that is treated as Effectively Connected Income, net of applicable deductions, would be subject to U.S. federal corporate income tax (generally at a rate of 35.0%). In addition, a 30.0% branch profits tax could be imposed on any income we earn that is treated as Effectively Connected Income, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid by us in connection with the conduct of our U.S. trade or business.

On the sale of a vessel that has produced Effectively Connected Income, we could be subject to the net basis U.S. federal 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 sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, the sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside the United States. It is expected that any sale of a vessel by us will be considered to occur outside the United States.

The 4.0% Gross Basis Tax. If the Section 883 Exemption does not apply and the net basis tax does not apply, we will 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. Under the sourcing rules described above under *U.S. Taxation of Operating Income*, 50.0% of our U.S. Source International Transportation Income would be treated as being derived from U.S. sources.

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Republic of the Marshall Islands Taxation

We believe that because we 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 Republic of the Marshall Islands law. As a result, distributions by our controlled affiliates to us will not be subject to Republic of the Marshall Islands taxation.

U.K. Taxation

NGT Services (UK) Limited and Navigator Gas Invest Limited, as U.K. incorporated companies, are subject to U.K. corporation tax on all their profits wherever arising. If we and any of our controlled affiliates not incorporated in the United Kingdom ensure that our central management and control is exercised outside of the United Kingdom, and we do not otherwise create a U.K. permanent establishment by carrying on business in the United Kingdom, we should not become subject to U.K. corporation tax. Where a company's central management and control is exercised is a question of fact to be decided in accordance with the particular circumstances of each company. Any distributions paid to us by NGT Services (UK) Limited will not be subject to U.K. taxation.

Singapore Taxation

Falcon Funding PTE Ltd is a Singaporean service company and is subject to Singaporean tax on all its profits wherever arising.

Indonesia Taxation

PT Navigator Khatulistiwa PTNK is a joint venture of which 49% of the voting and dividend rights are owned by a subsidiary though ultimately controlled at the shareholder level by a subsidiary of Navigator Holdings, and 51% of such rights are owned by Indonesian limited liability companies. PTNK is subject to Indonesia tax on its profits wherever arising.

Poland Taxation

NGT Services (Poland) Sp. Z O.O. is a Polish service company and is subject to Polish tax on all its profits wherever arising.

C. Organizational Structure

Not applicable.

D. Property, Plant and Equipment

Other than our vessels mentioned above, we do not have any material property.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

You should read the following discussion of our financial condition and results of operations in conjunction with our audited and related notes included elsewhere in this annual report. Among other things, those financial statements include more detailed information regarding the basis of presentation for the following information. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, and are presented in U.S. Dollars unless otherwise indicated. Any amounts converted from another non-U.S. currency to U.S. Dollars in this annual report were converted at the rate applicable at the relevant date, or the average rate during the applicable period.

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In connection with the preparation of our consolidated financial statements for the year ended December 31, 2015, we identified an immaterial error in the treatment of interest costs in relation to vessel newbuildings. Certain amounts recorded as an interest expense should have been capitalized, rather than expensed. The error resulted in a prior overstatement of interest expense and an understatement of net income, book values of vessels under construction and vessels in operation, retained earnings and total stockholders' equity for the years ended December 31, 2012, 2013 and 2014, in the related financial statements. We have amended the financial statements to correct such items. The following discussion of our financial condition and results of operations includes revised financial data for the years ended December 31, 2013 and 2014.

Overview

We are the owner and operator of the world's largest fleet of handysize liquefied gas carriers. We provide international and regional seaborne transportation services of liquefied petroleum gas, or LPG, petrochemical gases and ammonia for energy companies, industrial users and commodity traders. These gases are transported in liquefied form, by applying cooling and/or pressure, to reduce volume by up to 900 times depending on the cargo, making their transportation more efficient and economical.

We employ our vessels through a combination of time charters, voyage charters and COAs. Our fleet consists of 38 vessels, including eight newbuilding vessels scheduled for delivery by July 2017. Of the 38 vessels, 33 of these are semi- or fully-refrigerated liquefied handysize gas carriers. Four of the vessels are midsize 35,000 cbm ethylene capable semi-refrigerated liquefied gas carriers and one is a 38,000 cbm fully refrigerated liquefied gas carrier, which are due for delivery by July 2017. We define handysize as liquefied gas carriers between 15,000 and 24,999 cbm.

We currently own and operate a total of 30 vessels, of which 15 are employed under time charters, three under contracts of affreightment and 12 are employed in the spot market. As of December 31, 2015, we owned and operated 29 vessels with nine newbuildings on order for delivery by approximately July 2017. Of the 29 vessels we operated as of December 31, 2015, 19 were employed under time charters, nine were employed in the spot market and one was undergoing repairs. Our operated vessels earned an average time charter equivalent rate of approximately \$921,014 per vessel per calendar month (\$30,280 per day) during the year ended December 31, 2015, compared to approximately \$912,124 per vessel per calendar month (\$29,998 per day) for the year ended December 31, 2014.

Our largest customers by revenue for the year ended December 31, 2015, include five companies that currently time charter and voyage charter a total of 12 of our 29 operated vessels: Bayegan (BGN) International, an international commodities and trading company, Petróleos de Venezuela S.A.; the Venezuelan state-owned integrated oil and petrochemical company; PT Pertamina (Persero), the Indonesian state-owned producer of hydrocarbons; Sibur, the Russian gas processing and petrochemicals company; Trafigura, an international commodities trading and logistics company;. For the year ended December 31, 2015, these customers accounted for approximately 51.4% of our revenue in the aggregate. In the past, we have chartered vessels to a range of trading, shipping and other customers on both time charter and voyage charter bases, ENI S.p.A, or ENI a leading oil and gas company; Mitsubishi International Corporation, a leading trade, commodities, finance and investment company; Sunoco Inc., an American petroleum and petrochemical manufacturer; Total SA, a leading oil and gas company; and the Vitol Group, an independent energy trading company.

Vessel Contracts

We generate revenue by providing seaborne transportation services to customers pursuant to the following three types of contractual relationships:

Time Charters. A time charter is a contract under which a vessel is chartered for a defined period of time at a fixed daily or monthly rate. Under time charters, we are responsible for providing crewing and other vessel

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operating services, the cost of which is intended to be covered by the fixed rate, while the customer is responsible for substantially all of the voyage expenses, including any bunker fuel consumption, port expenses and canal tolls. LPG is typically transported under a time charter arrangement, generally with a term of 12 months. However, three of our current 15 time charters are for long terms charters exceeding 12 months. For the year ended December 31, 2015, approximately 61.5% of our revenue was generated pursuant to time charters, compared to the approximately 59.7% for the year ended December 31, 2014.

Voyage Charters. A voyage charter is a contract, typically for shorter intervals, for transportation of a specified cargo between two or more designated ports. This type of charter is priced on a current or spot market rate, typically on a price per ton of product carried rather than a daily or monthly rate. Under voyage charters, we are responsible for all of the voyage expenses in addition to providing the crewing and other vessel operating services. Petrochemical gases have typically been transported pursuant to voyage charters, as the seaborne transportation requirements of petrochemical product traders have historically resulted from a particular product arbitrage at a point in time. For the year ended December 31, 2015, approximately 31.4% of our revenue was generated pursuant to voyage charters, compared to approximately 32.1% for the year ended December 31, 2014.

Contracts of Affreightment. A COA is a contract to carry specified quantities of cargo, usually over prescribed shipping routes, at a fixed price per ton basis (often subject to fuel price or other adjustments) over a defined period of time. As such, a COA essentially consists of a number of voyage charters to carry a specified amount of cargo over a specified time period (i.e., the term of the COA), which can span for months to potentially years. Similar to a voyage charter, we are typically responsible for all voyage expenses in addition to providing all crewing and other vessel operating services when trading under a COA. Three of our vessels are currently operating under a contract of affreightment. For the year ended December 31, 2015, approximately 7.1% of our revenue was generated pursuant COAs, compared to approximately 8.2% for the year ended December 31, 2014.

Vessels operating on time charters and longer-term COAs provide more predictable cash flows, but can potentially yield lower profit margins than vessels operating in the spot charter market during periods of favorable market conditions. Accordingly, as a result of a portion of our fleet being committed on time charters and COAs, we will be unable to take full advantage of improving charter rates to the same extent as we would if our liquefied gas carriers were employed only on spot charters. Conversely, vessels operating in the spot charter market generate revenue that is less predictable, but they may enable us to capture increased profit margins during periods of improving charter rates. However, operating in the spot charter market exposes us to the risks of declining liquefied gas carrier charter rates and relatively lower utilization rates as compared to time charters and certain COAs, which may have a materially adverse impact on our financial performance. Notwithstanding these risks, we believe that providing liquefied gas transportation services in the spot charter market is important to us, as it provides us with greater insight into market trends and opportunities.

We believe that the size and versatility of our fleet, which enables us to carry the broadest set of liquefied gases subject to seaborne transportation across a diverse range of conditions and geographies, together with our track record of operational excellence, positions us as the partner of choice for many companies requiring handysize liquefied gas transportation and distribution solutions. In addition, we believe that the versatility of our fleet affords us with backhaul and triangulation opportunities not available to many of our competitors, thereby providing us with opportunities to increase utilization and profitability. We seek to enhance our returns through a flexible, customer-driven chartering strategy that combines a base of time charters and COAs with more opportunistic, higher-rate voyage charters.

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Important Financial and Operational Terms and Concepts

We use a variety of financial and operational terms and concepts in the evaluation of our business and operations. These include the following:

Operating Revenue. Our operating revenue includes revenue from time charters, voyage charters and COAs. Operating revenue is affected by charter rates and the number of days a vessel operates. Rates for voyage charters are more volatile as they are typically tied to prevailing market rates at the time of the voyage. Historically, voyage charters have usually represented a minority of our annual operating revenue, which is consistent with our vessel employment strategy for the near future.

Address and Brokerage Commissions. Address and brokerage commissions are costs remitted to either the shipping brokers or charterers for placing business with our vessels and are calculated as a percentage of chartering income.

Voyage Expenses. Voyage expenses are all expenses unique to a particular voyage, including any bunker fuel consumption, port expenses and canal tolls. Voyage expenses are typically paid by the shipowner under voyage charters and COAs and by the charterer under time charters. Accordingly, we generally only incur voyage expenses when performing voyage charters and COAs or during repositioning voyages between time charters for which no cargo is available. The gross revenue received by the shipowner under voyage charters and COAs are generally higher than those received under comparable time charters so as to compensate the shipowner for bearing all voyage expenses. As a result, our operating revenue and voyage expenses may vary significantly depending on our mix of time charters, voyage charters and COAs.

Charter-in Costs. Charter-in costs represent charter hire costs incurred by us for non-owned vessels that we charter into our fleet. While it is not a focus of our operational strategy, we may opportunistically charter-in vessels if we either have a need for a vessel to perform a specific undertaking or consider the charter rate requested by a vessel owner to be sufficiently attractive.

Vessel Operating Expenses. Vessel operating expenses are expenses that are not unique to a specific voyage. Vessel operating expenses are typically paid by the shipowner under each of our charter types. Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Our vessel operating expenses will increase with the expansion of our fleet. Other factors that are beyond our control may also cause these expenses to increase, including developments relating to market prices for insurance and crewing costs.

In connection with providing us with technical management for our fleet, NMM, BSSM and Thome currently receive crewing and technical management fees of approximately \$0.2 million per vessel per year in the aggregate, which fees are considered to be vessel operating expenses. Our technical and crew management agreements have terms through December 2016, and thereafter continue until terminated on at least three months' notice by either party, subject to certain exceptions. In 2016, we expect to begin providing in-house technical management, for the first time, for at least one of the vessels in our fleet. See Item 4 Information on the Company Business Overview Technical Management of the Fleet.

Depreciation and Amortization. Depreciation and amortization expense consists of:

charges related to the depreciation of the historical cost of our fleet (or the revalued amount), less the estimated residual value of our vessels, calculated on a straight-line basis over their useful life, which is estimated to be 30 years; and

charges related to the amortization of capitalized drydocking expenditures relating to our fleet over the period between drydockings.

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General Administration Costs. General administration costs principally consist of the costs incurred in operating our London representative office, which manages our chartering, operations, accounting and administrative functions and oversees the technical management of our vessels; our New York representative office; and certain costs and expenses attributable to our board of directors. Please read Item 4 Information on the Company Business Overview Commercial Management of the Fleet. We incur additional expenses as a result of being a publicly-traded corporation, including costs associated with annual reports to shareholders and SEC filings, investor relations and NYSE annual listing fees. We may also grant equity compensation that would result in an expense to us, which may result in an increase in expenses. Please read Item 6 Directors, Senior Management and Employees Compensation Equity Compensation Plans 2013 Long-Term Incentive Plan.

Other Corporation Expenses. Other corporation expenses consist of our advisors' services, including ongoing audit, taxation, legal and corporate services.

Drydocking. We must periodically drydock each of our vessels for any major repairs and maintenance, for inspection of the underwater parts of the vessel, that cannot be performed while the vessels are operating and for any modifications to comply with industry certification or governmental requirements. We are required to drydock a vessel once every five years until it reaches 15 years of age, after which we are required to drydock the applicable vessel every two and one-half to three years.

We capitalize costs associated with the drydockings as built in overhauls in accordance with U.S. GAAP and amortize these costs on a straight-line basis over the period between drydockings. Costs incurred during the drydocking period which relate to routine repairs and maintenance are expensed as incurred. The number of drydockings undertaken in a given period and the nature of the work performed determine the level of drydocking expenditures.

Ownership Days. We define ownership days as the aggregate number of days in a period that each vessel in our fleet has been owned by us. Ownership days include the number of days in a period in which we have possession of a chartered-in vessel. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenue and the amount of expenses that we record during a period.

Available Days. We define available days as ownership days less aggregate off-hire days associated with major scheduled maintenance, which principally include drydockings, special or intermediate surveys, vessel upgrades or major repairs. We use available days to measure the number of days in a period that our operated vessels should be capable of generating revenues.

Operating Days. We define operating days as available days less the aggregate number of days that our operated vessels are not generating revenue, which includes idle days and off-hire days for any reason other than major scheduled maintenance. We use operating days to measure the aggregate number of days in a period that our operated vessels actually generate revenues.

Fleet Utilization. We define fleet utilization as the total number of operating days in a period divided by the total number of available days during that period.

Time Charter Equivalent Rate. Time charter equivalent rate, or TCE rate, is a measure which converts voyage charter and COA revenues to a time charter comparable, by deducting voyage expenses (which are incurred by the charterer in the case of time charters) from voyage revenue. TCE rate is a standard shipping industry performance measure used primarily to compare the performance of different charter types (i.e., time charters, voyage charters and COAs) and to enable a period-to-period comparison in performance despite changes in the mix of charter types under which the vessels may be employed between the periods. Our method of calculating TCE rate is to divide operating revenue for

a voyage charter or COA (net of voyage expenses) by the relevant time period of that charter.

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Daily Vessel Operating Expenses. Daily vessel operating expenses are calculated by dividing vessel operating expenses by ownership days (excluding ownership days attributable to chartered-in vessels) for the relevant time period.

Results of Operations

Factors Affecting Comparability

You should consider the following factors when evaluating our historical financial performance and assessing our future prospects:

We have been and are significantly increasing our fleet size. Our historical financial performance and future prospects have been and will be significantly impacted by the increasing size of our fleet.

Historical Fleet Size. Our historical financial statements for the year ended December 31, 2014 reflect the results of operations of a weighted average fleet size of 24.8 vessels, with 26 vessels owned at the year end. During 2015 we took delivery of *Navigator Triton* in January 2015, *Navigator Umbrio* in April 2015, *Navigator Centauri* in August 2015 and *Navigator Ceres* in October 2015, and we sold *Navigator Mariner* in August 2015, bringing our total fleet size to 29 vessels as of December 31, 2015, with a weighted average of 27.8 vessels during the 2015 year.

Future Fleet Size. On January 15, 2016, we took delivery of the newbuilding *Navigator Ceto*. In addition, we expect to take delivery of eight newbuilding liquefied gas carriers, one handysize and three midsize vessels in 2016, and two midsize and two handysize vessels in 2017.

Given the variability in operating vessels in our fleet, our historical financial statements reflect, and in the future will reflect, significantly different levels of ownership and operating days as well as different levels of voyage expenses, vessel operating expenses, interest expense and other related costs.

We incur additional general administration costs and other corporation expenses. We will continue to incur additional costs as a result of being a publicly-traded corporation, including costs associated with annual reports to shareholders establishment and maintenance of effective internal controls under the Sarbanes-Oxley Act and SEC filings, investor relations and NYSE annual listing fees. We may also grant equity compensation that would result in an expense to us, which may result in an increase in expenses. Please read Item 6 Directors, Senior Management and Employees Compensation Equity Compensation Plans 2013 Long-Term Incentive Plan.

We will have different financing arrangements. We have entered into secured term loan facilities and a revolving credit facility and issued senior unsecured notes to finance the acquisitions of vessels and the construction of newbuildings. Please read Secured Term Loan Facilities and Revolving Credit Facility and Senior Unsecured Bonds.

Table of Contents**Year Ended December 31, 2015 Compared to Year Ended December 31, 2014**

The following table compares our operating results for the years ended December 31, 2014 and 2015:

	Year Ended December 31, 2014	Year Ended December 31, 2015	Percentage Change
	(in thousands, except percentages)		
Operating revenue	\$ 304,875	\$ 315,223	3.4%
Operating expenses:			
Address and brokerage commissions	6,697	6,995	4.4%
Voyage expenses	45,003	33,687	(25.1)%
Cost of cargo sold			%
Charter-in costs	9,111		%
Vessel operating expenses	70,198	78,842	12.3%
Depreciation and amortization	45,809	53,453	16.7%
General administration costs	10,335	11,011	6.5%
Other corporate expenses	2,260	2,553	13.0%
Profit on sale of vessel		(550)	%
Vessel write down following collision		10,500	%
Insurance recoverable from vessel repairs		(9,892)	%
Total operating expenses	\$ 189,413	\$ 186,599	(1.5)%
Operating income	\$ 115,462	\$ 128,624	11.4%
Interest expense	(27,051)	(28,085)	3.8%
Write off deferred finance costs		(1,797)	%
Interest income	230	152	(33.9)%
Income before income taxes	\$ 88,641	\$ 98,894	11.6%
Income taxes	904	800	(11.5)%
Net income	\$ 87,737	\$ 98,094	11.8%

Operating Revenue. Operating revenue increased by 3.4% to \$315.2 million for the year ended December 31, 2015, from \$304.9 million for the year ended December 31, 2014. This increase was primarily due to:

an increase in operating revenue of approximately \$28.0 million attributable to an increase in the weighted average number of vessels from 24.8 to 27.8 or 12.1%, for the year ended December 2015, and a corresponding increase in vessel ownership days from 9,051 to 10,135, or 12.0%, for the year ended December 31, 2015, as compared to the year ended December 31, 2014;

an increase in operating revenue of approximately \$2.8 million attributable to an improved monthly charter rate, which rose to an average of approximately \$921,014 per vessel per calendar month (\$30,280 per day) for the year ended December 31, 2015, as compared to an average of approximately \$912,124 per vessel per calendar month (\$29,988 per day) for the year ended December 31, 2014;

a decrease in operating revenue of approximately \$9.1 million attributable to a decrease in fleet utilization from 97.3% during the year ended December 31, 2014 to 94.3% during the year ended December 31, 2015 primarily as a result of *Navigator Aries* being off hire for the repair of damage sustained as a result of the collision in June 2015, a number of vessels ballasting to various destinations either to take up time charters or following delivery of newbuilding vessels; and

a decrease in operating revenue of approximately \$11.4 million relating to a relative decrease in the proportion of voyage charters to time charters, for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

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The following table presents selected operating data for the years ended December 31, 2014 and 2015, which we believe are useful in understanding our operating revenue:

Fleet Data:	Year Ended December 31, 2014	Year Ended December 31, 2015
Weighted average number of vessels	24.8	27.8
Ownership days	9,051	10,135
Available days	8,906	9,865
Operating days	8,666	9,298
Fleet utilization	97.3%	94.3%
Average daily time charter equivalent rate	\$ 29,988	\$ 30,280

Address and Brokerage Commissions. Address and brokerage commissions increased by 4.4% to \$7.0 million for the year ended December 31, 2015, from \$6.7 million for the year ended December 31, 2014 as the number of vessels, and consequently operating revenue on which it is based, increased.

Voyage Expenses. Voyage expenses decreased by 25.1% to \$33.7 million for the year ended December 31, 2015, from \$45.0 million for the year ended December 31, 2014. This decrease was primarily due to the decrease in the proportion of voyage charters to time charters and the reduction in bunker prices during the year, despite the increase in our fleet size.

Charter-in Costs. Charter-in costs reduced to nil for the year ended December 31, 2015 compared to \$9.1 million for the year ended December 31, 2014. This decrease was due to no vessels being chartered-in during 2015.

Vessel Operating Expenses. Vessel operating expenses as a whole increased by 12.3% to \$78.8 million for the year ended December 31, 2015, from \$70.2 million for the year ended December 31, 2014. Individual vessel operating expenses decreased by \$289 per day, or 3.6%, to \$7,779 per vessel per day for the year ended December 31, 2015, compared to \$8,068 per vessel per day for the year ended December 31, 2014. The overall increase was due to an increase in fleet size whereas the individual vessel operating costs decrease was primarily due to our additional newly acquired vessels being younger, and therefore less expensive to maintain, than our vessels owned in 2014.

Depreciation and Amortization. Depreciation and amortization expense increased by 16.7% to \$53.5 million for the year ended December 31, 2015, from \$45.8 million for the year ended December 31, 2014. This increase was primarily due to an increase in our fleet size. Depreciation and amortization expense included amortization of capitalized drydocking costs of \$5.6 million for the year ended December 31, 2015, and \$3.9 million for the year ended December 31, 2014.

Other Operating Results

General and Administration Costs. General and administration costs increased by 6.5% to \$11.0 million for the year ended December 31, 2015, from \$10.3 million for the year ended December 31, 2014, primarily due to additional costs attributable to an increased number of staff associated with the fleet expansion.

Other Corporate Expenses. Other corporate expenses increased by 13.0% to \$2.6 million for the year ended December 31, 2015, from \$2.3 million for the year ended December 31, 2014. The increase was due to a foreign

exchange loss on Indonesia Rupiah to US Dollar.

Profit on Sale of Vessel. We aim to maintain a young fleet and take the opportunity where it arises to sell older vessels. In August 2015, we sold the *Navigator Mariner* to PT Kermas Sejahtera Lestari for a profit of

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\$0.6 million after all sale costs. The vessel was held at a carrying amount of \$31.4 million and had a total of \$8.8 million in debt in relation to the secured debt facility that was used to fund the purchase of the vessel that was repaid prior to the sale. No vessels were sold in 2014.

Vessel write down following collision. The *Navigator Aries* was involved in a collision with a container vessel near Surabaya, Indonesia causing significant damage to *Navigator Aries* and to one of its cargo tanks, on June 28, 2015. The collision caused a fire on the main deck area of *Navigator Aries* that was quickly extinguished by the crew and three firefighting tugs. None of our crew members were injured and no pollution was reported. The vessel was released from Keppel Shipyard on January 27, 2016 after having undergone extensive repairs. We recognised a write down of \$10.5 million relating to the extent of the damage and using the relative replacement cost for a similar vessel.

Insurance recoverable from vessel repairs. A total of \$9.9 million has been recognised as an insurance recoverable relating to the repair costs for *Navigator Aries* following the June 2015 collision. All repair costs are expected to be recovered by our Hull & Machinery insurance, subject to a \$0.1 million deductible. However, we do not have loss of hire insurance and, therefore, the income lost from the *Navigator Aries* charter with Pertamina may not be recoverable for the duration of the repairs.

Interest Expense. Interest expense increased by 3.8% to \$28.1 million for the year ended December 31, 2015, from \$27.1 million for the year ended December 31, 2014. This increase was primarily due to the increase in total borrowings following the drawdowns from the secured term loan facilities for the vessel newbuilding deliveries.

Write off Deferred Finance Costs. The write off of deferred financing costs of \$1.8 million for the year ended December 31, 2015 related to costs associated with one of our previous secured term loan facilities that was refinanced in January 2015. No loan refinancing occurred in the year ended December 31, 2014.

Interest Income. Interest income decreased by 33.9% to \$151,876 for the year ended December 31, 2015, from \$230,223 for the year ended December 31, 2014. The decrease in interest income for the year ended December 31, 2015, was primarily due to lower levels of working capital available as cash was used to fund newbuilding requirements.

Income Taxes. Income tax relates to taxes on our subsidiaries incorporated in the United Kingdom, Poland and Singapore. Our United Kingdom subsidiary earns management and other fees from fellow subsidiary companies, our Polish subsidiary earns management and other fees from fellow subsidiary companies and our Singaporean subsidiary earned interest payments from our Indonesian joint venture, where the main corporate tax rates are 21%, 19% and 17%, respectively. For the year ended December 31, 2015, we incurred taxes of \$799,977 as compared to taxes for the year ended December 31, 2014 of \$903,526.

Table of Contents**Year Ended December 31, 2014 Compared to Year Ended December 31, 2013**

The following table compares our operating results for the years ended December 31, 2013 and 2014:

	Year Ended December 31, 2013	Year Ended December 31, 2014	Percentage Change
	(in thousands, except percentages)		
Operating revenue	\$ 234,287	\$ 304,875	30.1%
Other cargo revenue	4,051		(100.0)%
	\$ 238,338	\$ 304,875	27.9%
Operating expenses:			
Address and brokerage commissions	5,473	6,697	22.4%
Voyage expenses	49,336	45,003	(8.8)%
Cost of cargo sold	4,255		(100.0)%
Charter-in costs	6,834	9,111	33.3%
Vessel operating expenses	56,030	70,198	25.3%
Depreciation and amortization	36,608	45,809	25.1%
General administration costs	6,147	10,335	68.1%
Other corporate expenses	3,496	2,260	(35.4)%
Total operating expenses	\$ 168,179	\$ 189,413	12.6%
Operating income	\$ 70,159	\$ 115,462	64.6%
Interest expense	(27,563)	(27,051)	1.9%
Interest income	99	230	132.3%
Income before income taxes	\$ 42,695	\$ 88,641	107.6%
Income taxes	506	904	78.7%
Net income	\$ 42,189	\$ 87,737	108.0%

Operating Revenue. Operating revenue increased by 30.1% to \$304.9 million for the year ended December 31, 2014, from \$234.3 million for the year ended December 31, 2013. This increase was primarily due to:

an increase in operating revenue of approximately \$48.9 million attributable to an increase in the weighted average number of vessels from 19.6 to 24.8 or 26.5%, for the year ended December 2014, and a corresponding increase in vessel ownership days from 7,168 to 9,051, or 26.3%, for the year ended December 31, 2014, as compared to the year ended December 31, 2013;

an increase in operating revenue of approximately \$14.3 million attributable to an improved monthly charter rate, which rose to an average of approximately \$912,124 per vessel per calendar month (\$29,988 per day)

for the year ended December 31, 2014, as compared to an average of approximately \$859,600 per vessel per calendar month (\$28,262 per day) for the year ended December 31, 2013;

an increase in operating revenue of approximately \$11.7 million attributable to an increase in fleet utilization from 92.9% during the year ended December 31, 2013 to 97.3% during the year ended December 31, 2014 primarily as a result of decreased idle time and less ballasting to take up charters. In 2013, we had to reposition the 11 vessels entering our fleet from AP Møller and suffered an engine room fire on Navigator Capricorn (resulting in 45 days off-hire); and

a decrease in operating revenue of approximately \$4.3 million relating to a relative decrease in the proportion of voyage charters to time charters, for the year ended December 31, 2014, as compared to the year ended December 31, 2013.

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Other Cargo Revenue. During 2013, other cargo revenue related to the sale of a cargo of butane gas on-board *Navigator Capricorn* at the time of a fire in the engine room. This cargo was bought by us and later sold following the completion of repairs to the vessel. No such incident or activity occurred in the year ended December 31, 2014.

The following table presents selected operating data for the years ended December 31, 2013 and 2014, which we believe are useful in understanding our operating revenue:

Fleet Data:	Year Ended December 31, 2013	Year Ended December 31, 2014
Weighted average number of vessels	19.6	24.8
Ownership days	7,168	9,051
Available days	7,044	8,906
Operating days	6,544	8,666
Fleet utilization	92.9%	97.3%
Average daily time charter equivalent rate	\$ 28,262	\$ 29,988

Address and Brokerage Commissions. Address and brokerage commissions increased by 22.4% to \$6.7 million for the year ended December 31, 2014, from \$5.5 million for the year ended December 31, 2013 as the number of vessels, and consequently operating revenue on which it is based, increased.

Voyage Expenses. Voyage expenses decreased by 8.8% to \$45.0 million for the year ended December 31, 2014, from \$49.3 million for the year ended December 31, 2013. This decrease was primarily due to the decrease in the proportion of voyage charters to time charters and the reduction in bunker prices during last two quarters of the year, despite the increase in our fleet size.

Cost of Cargo sold. Cost of cargo sold in 2013 related to the purchase of a partial cargo of butane gas loaded on *Navigator Capricorn* at the time of a breakout of a fire in the engine room of that vessel. This cargo was bought by us from the charterer and later sold following the completion of repairs to the vessel. No such incident or cargo purchases were made in the year ended December 31, 2014.

Charter-in Costs. Charter-in costs increased by 33.3% to \$9.1 million for the year ended December 31, 2014, from \$6.8 million for the year ended December 31, 2013. This increase was primarily related to an increase in the chartered-in rate and chartering-in an additional vessel during December 2014, compared to only one vessel for the year ended December 31, 2013.

Vessel Operating Expenses. Vessel operating expenses as a whole increased by 25.3% to \$70.2 million for the year ended December 31, 2014, from \$56.0 million for the year ended December 31, 2013. Individual vessel operating expenses decreased by \$47 per day, or 0.6%, to \$8,068 per vessel per day for the year ended December 31, 2014, compared to \$8,115 per vessel per day for the year ended December 31, 2013. The overall increase was due to an increase in fleet size whereas the individual vessel operating costs decrease was primarily due to our additional newly acquired vessels being younger, and therefore less expensive to maintain, than our vessels owned in 2013.

Depreciation and Amortization. Depreciation and amortization expense increased by 25.1% to \$45.8 million for the year ended December 31, 2014, from \$36.6 million for the year ended December 31, 2013. This increase was primarily due to an increase in our fleet size. Depreciation and amortization expense included amortization of

capitalized drydocking costs of \$3.9 million for the year ended December 31, 2014, and \$3.1 million for the year ended December 31, 2013.

Other Operating Results

General and Administration Costs. General and administration costs increased by 68.1% to \$10.3 million for the year ended December 31, 2014, from \$6.1 million for the year ended December 31, 2013, primarily due to additional costs attributable to an increased number of staff associated with the fleet expansion.

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Other Corporate Expenses. Other corporate expenses decreased by 35.4% to \$2.3 million for the year ended December 31, 2014, from \$3.5 million for the year ended December 31, 2013. This decrease was primarily due to project feasibility costs incurred in 2013 associated with the evaluation of a terminal development opportunity, complementary to our core activities, whereas no such cost were incurred in 2014, and was partially offset by an increase in costs associated with the establishment and maintenance of effective internal controls under the Sarbanes-Oxley Act.

Interest Expense. Interest expense decreased by 1.9% to \$27.1 million for the year ended December 31, 2014, from \$27.6 million for the year ended December 31, 2013. This decrease was primarily due to capitalized interest costs.

Interest Income. Interest income increased by 132.3% to \$230,233 for the year ended December 31, 2014, from \$98,775 for the year ended December 31, 2013. The increase in interest income for the year ended December 31, 2013, was primarily due to maintaining an increased working capital cash balance associated with a larger fleet size and as required to comply with minimum liquidity covenants under our debt instruments.

Income Taxes. Income tax relates to taxes on our subsidiaries incorporated in the United Kingdom and Singapore. Our United Kingdom subsidiary earns management and other fees from fellow subsidiary companies, and our Singaporean subsidiary earned interest payments from our Indonesian joint venture, where the main corporate tax rates are 21% and 17%, respectively. For the year ended December 31, 2014, we incurred taxes of \$903,526 as compared to taxes for the year ended December 31, 2013 of \$506,253.

B. Liquidity and Capital Resources

Liquidity and Cash Needs

Our primary uses of funds have been capital expenditures for the acquisition and construction of vessels, voyage expenses, vessel operating expenses, general and administrative costs, expenditures incurred in connection with ensuring that our vessels comply with international and regulatory standards, financing expenses and repayments of bank loans. Our primary sources of funds have been cash from operations, proceeds from our initial public offering, equity investments from existing shareholders, bank borrowings and a bond placement. We are required to maintain certain minimum liquidity amounts in order to comply with our various debt instruments. Please see Secured Term Loan Facilities.

In addition to operating expenses, our medium-term and long-term liquidity needs primarily relate to potential future acquisitions.

We expect to take delivery by July 2017 of eight newbuildings for an aggregate price of \$509.2 million, comprised of one 22,000 cbm 2016 newbuilding from Jiangnan Shipyard, China for \$43.9 million, three 2016 and one 2017 35,000 cbm newbuildings from Jiangnan for an average of \$78.2 million per vessel, two 22,000 cbm 2017 newbuildings from HMD for \$51.0 million per vessel and one 38,000 cbm 2017 newbuilding from HMD for \$50.5 million.

We have financed the remaining purchase prices of the 22,000 cbm and 35,000 cbm 2016 and 2017 newbuildings through our current senior term loan facilities and revolving credit facility. We expect to finance the purchase price of the 2017 fully refrigerated midsize newbuilding, and any additional future acquisitions either through internally generated funds, debt financings, the issuance of additional equity securities or a combination of these forms of financing. We anticipate that our primary sources of funds for our long-term liquidity needs will be from cash from operations and/or debt or equity financings. We believe that these sources of funds will be sufficient to meet our

liquidity needs for the foreseeable future.

Table of Contents***Ongoing Capital Expenditures***

Liquefied gas transportation is a capital-intensive business, requiring significant investment to maintain an efficient fleet and to stay in regulatory compliance.

We are required to drydock a vessel once every five years until it reaches 15 years of age, after which we are required to drydock the applicable vessel every two and one-half to three years. Drydocking each vessel takes approximately 20-30 days. Drydocking days generally include approximately 5-10 days of travel time to and from the drydocking shipyard and approximately 15-20 days of actual drydocking time.

We spend significant amounts for scheduled drydocking (including the cost of classification society surveys) of each of our vessels. As our vessels age and our fleet expands, our drydocking expenses will increase. We estimate the current cost of the five-year drydocking of one of our vessels is approximately \$0.8 million, the ten-year drydocking cost is approximately \$1.2 million, the 15 and 17 year drydocking costs are approximately \$1.5 million. Ongoing costs for compliance with environmental regulations are primarily included as part of our drydocking and classification society survey costs, with a balance included as a component of our operating expenses. We are not aware of any regulatory changes or environmental liabilities that we expect to have a material impact on our current or future results of operations. Please see [Item 3 Key Information Risk Factors Risks Related to Our Business](#) Over the long term, we will be required to make substantial capital expenditures to preserve the operating capacity of, and to grow, our fleet.

Cash Flows

The following table summarizes our cash and cash equivalents provided by (used in) operating, financing and investing activities for the periods presented:

	Year Ended December 31,		
	2013	2014	2015
	(in thousands)		
Net cash provided by (used in) operating activities	\$ 80,015	\$ 133,114	\$ 149,554
Net cash used in investing activities	(457,503)	(231,874)	(205,856)
Net cash provided (used in) by financing activities	431,358	(33,454)	81,555
Net increase / (decrease) in cash and cash equivalents	53,870	(132,214)	25,253

Operating Cash Flows. Net cash provided by operating activities for the year ended December 31, 2015, increased to \$149.6 million, from \$133.1 million for the year ended December 31, 2014, an increase of 12.4%. This \$16.5 million increase in net cash provided by operating activities for the year ended December 31, 2015, was primarily due to increases in net revenue referred to above and by movements in working capital.

Net cash provided by operating activities for the year ended December 31, 2014, increased to \$133.1 million, from \$80.0 million for the year ended December 31, 2013, an increase of 66.4%. This \$53.1 million increase in net cash provided by operating activities for the year ended December 31, 2014, was primarily due to increases in net revenue referred to above and by movements in working capital.

Net cash flow from operating activities depends upon repairs and maintenance activity, acquisitions and dispositions, foreign currency rates, changes in interest rates, fluctuations in working capital balances and spot market charter rates.

Investing Cash Flows. Net cash used in investing activities of \$(205.9) million for the year ended December 31, 2015, primarily represents \$205.1 million for payment to Jiangnan shipyard representing the final installment for the 2015 newbuildings, an additional payment on the five 2016 and one 2017 newbuildings. A total of \$30.4 million for payment to HMD was made representing the second installment for the 2017 handysize

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newbuildings and initial payment for the 38,000 cbm 2017 newbuilding, as well as \$4.5 million being recognised in relation to capitalised interest costs for the newbuildings. This was offset by \$34.1 million of proceeds from the sale of *Navigator Mariner*, insurance claim for the fire on Navigator Capricorn and receipt of penalties for the delay in shipyard deliveries.

Net cash used in investing activities of \$(231.9) million for the year ended December 31, 2014, primarily represents \$206.4 million for payment to Jiangnan shipyard representing the final installment for the 2014 newbuildings and an additional payment on the four 2015 newbuildings, and an initial first installment on the six 2016 newbuildings. An initial \$20.4 million for payment to HMD was made representing the first installment for the 2017 newbuildings, \$3.6 million was paid for acquisition costs relating to the A.P. Møller vessels acquired in 2013, and \$3.3 million in relation to capitalised interest costs. This was offset by \$1.8 million of proceeds from the settling of the insurance claim for the fire on Navigator Capricorn.

Net cash used in investing activities of \$(457.5) million for the year ended December 31, 2013, primarily represents \$426.1 million for the acquisition of the 11 A.P. Møller vessels and an additional payment to Jiangnan shipyard of \$40.2 million, representing the second installment on the four 2014 newbuildings, \$1.2 million in relation to capitalised interest costs, and an initial installment payment on each of the four 2015 newbuildings, offset by a net \$10.0 million release of short-term investments.

Financing Cash Flows. Net cash provided by financing activities was \$81.6 million for the year ended December 31, 2015, consisting of \$157.7 million from the secured term loan facilities, offset by \$70.3 million in loan repayments, \$5.8 million in costs associated with financing the cost of debt.

Net cash used by financing activities was \$(33.5) million for the year ended December 31, 2014, consisting of \$150.0 million from the secured term loan facilities, offset by \$182.6 million in loan repayments, \$0.5 million in costs associated with financing the cost of debt and \$0.4 million in costs associated with common stock issued to the WLR Group and others.

Net cash provided by financing activities was \$431.4 million for the year ended December 31, 2013, consisting of \$243.0 million from the acquisition secured loan facility, \$171.6 million from our initial public offering, \$75.0 million from the issuance of common stock to the WLR Group and unrelated shareholders, partially offset by \$35.7 million in loan repayments, \$7.0 million in costs associated with the acquisition and newbuilding secured loan facilities, \$0.3 million in costs associated with common stock issued to the WLR Group and others, and \$15.2 million in costs associated with our initial public offering.

Secured Term Loan Facilities and Revolving Credit Facility

General. Navigator Gas L.L.C., our wholly-owned subsidiary, and certain of our vessel-owning subsidiaries have entered into a series of secured term loan facilities beginning in April 2011, or the April 2011 secured term loan facility, in April 2012, or the April 2012 secured term loan facility, in February 2013, or the February 2013 secured term loan facility, and in January 2015, or the January 2015 secured term loan facility. In December 2015, we entered into a secured revolving credit facility, or the December 2015 revolving credit facility. Collectively, we refer to the debt thereunder as our secured facilities. Proceeds of the loans under our secured facilities may be used to finance newbuildings, acquisitions and for general corporate purposes. The full commitment amounts have been drawn under the April 2011 secured term loan facility, the April 2012 secured term loan facility and the February 2013 secured term loan facility. Following the drawdown of \$90.0 million to partially finance the delivery of the newbuildings *Navigator Atlas*, *Navigator Europa* and *Navigator Oberon* in 2014, there was \$30.0 million under the April 2013 secured term loan facility available to be drawn to fund the delivery of newbuildings. In January 2015, the April 2013

secured term loan facility was refinanced with a new secured term loan facility, or the January 2015 secured term loan facility, under which we borrowed \$278.1 million to finance or re-finance the purchase of the three vessels constructed in 2014, the four vessels constructed in 2015, and the two 2016 newbuildings. In December 2015, we entered into the December 2015 secured revolving credit facility, under which we borrowed \$290.0 million on a revolver basis to finance three 35,000

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cbm 2016 newbuildings, one 35,000 cbm 2017 newbuilding and two 22,000 cbm 2017 newbuildings. We are the guarantor under each of the secured term loan facilities and the revolving credit facility.

Fees and Interest. We paid arrangement and agency fees at the time of the closing of our secured term loan facilities. Agency fees are due annually. Interest on amounts drawn is payable at a rate of U.S. LIBOR plus a bank margin, for interest periods of one, three or six months or longer if agreed by all lenders.

Term and Facility Limits

April 2011. Secured Term Loan Facility. The April 2011 secured term loan facility has a term of six years with a maximum principal amount of \$80.0 million. The April 2011 secured term loan facility is a delayed draw facility with an availability period that ended December 27, 2012. The aggregate fair market value of the collateral vessels must be no less than 130% of the aggregate outstanding borrowings under the facility. Interest on amounts drawn is payable at a rate of U.S. LIBOR plus 300 basis points per annum.

April 2012 Secured Term Loan Facility. The April 2012 secured term loan facility has a term of five years with a maximum principal amount of up to \$180.0 million. The April 2012 secured term loan facility is a delayed draw facility with an availability period that ended December 31, 2012. The aggregate fair market value of the collateral vessels must be no less than 135% of the aggregate outstanding borrowings under the facility. Interest on amounts drawn is payable at a rate of U.S. LIBOR plus 337.5 basis points per annum.

February 2013 Secured Term Loan Facility. The February 2013 secured term loan facility has a term of five years with a maximum principal amount of up to the lesser of (i) \$270.0 million and (ii) 60% of the fair market value of the collateral vessels. The February 2013 secured term loan facility is a delayed draw facility with an availability period that ended December 31, 2013. Advances under the facility were upon the delivery of the A.P. Møller vessels. The aggregate fair market value of the collateral vessels must be no less than 135% of the aggregate outstanding borrowings under the facility. Interest on amounts drawn is payable at a rate of U.S. LIBOR plus 350 basis points per annum.

On June 30, 2014, we entered into a Supplemental Agreement to our February 2013 \$270.0 million secured term loan facility, which, among other things, (i) allows us to prepay \$120.0 million outstanding under such term loan facility, (ii) revises the terms of the loan facility to include a quasi-revolving facility where funds can be drawn over the course of the facility period in four tranches of \$30.0 million each and (iii) provides that such term loan facility be amended and restated to reflect the foregoing. On July 7, 2014, we prepaid \$120.0 million outstanding under such term loan facility from excess cash following the IPO in November 2013. We made an aggregate of \$90.0 million of drawdowns (\$30.0 million on each of November 6, 2014, December 30, 2014 and April 30, 2015), to fund instalments for the vessel newbuildings. The availability under this facility as of December 31, 2015 was \$30.0 million.

January 2015 Secured Term Loan Facility. The January 2015 secured term loan facility was entered into to refinance the April 2013 secured term loan facility, as well as to provide financing for an additional five existing newbuildings. The January 2015 secured term loan facility has a term of up to seven years from the loan drawdown date with a maximum principal amount of up to \$278.1 million. Following the combined drawdowns of \$215.8 million to partially finance the delivery of the newbuildings *Navigator Atlas*, *Navigator Europa*, *Navigator Oberon*, *Navigator Triton*, *Navigator Umbrio*, *Navigator Centauri*, and *Navigator Ceres*, there was \$62.3 million as at December 31, 2015 under the January 2015 secured term loan facility available to be drawn to fund the future deliveries of *Navigator Ceto* which was delivered in January 2016 and *Navigator Copernico* which is expected to be delivered in April 2016. The aggregate fair market value of the collateral vessels must be no less than 135% of the aggregate outstanding borrowings under the facility. Interest on amounts drawn is payable at a rate of U.S. LIBOR plus 270

basis points per annum.

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December 2015 Secured Revolving Credit Facility. The December 2015 secured revolving credit facility has a term of seven years from the loan arrangement date (and will expire in December 2022) with a maximum principal amount of up to \$290.0 million available on a revolving basis. No drawdowns were made before December 31, 2015. The aggregate fair market value of the collateral vessels must be no less than 125% of the aggregate outstanding borrowings under the facility. Interest on amounts drawn is payable at a rate of U.S. LIBOR plus 210 basis points per annum.

Prepayments/Repayments. The borrowers may voluntarily prepay indebtedness under our secured term loan facilities at any time, without premium or penalty, in whole or in part upon prior written notice to the facility agent, subject to customary compensation for LIBOR breakage costs. For the February 2013 secured term loan facility referred to above, the borrowers may not re-borrow any amount that has been so prepaid. For the December 2015 secured revolving credit facility, the borrowers may re-borrow and prepay amounts.

The loans will be subject to quarterly amortization repayments beginning three months after the initial borrowing date or delivery dates of the newbuildings or delivered ships, as applicable. Any remaining outstanding principal amount must be repaid on the expiration date of the facilities.

The borrowers are also required to deliver semi-annual compliance certificates, which include valuations of the vessels securing the applicable facility from an independent ship broker. Upon delivery of the valuation, if the market value of the collateral vessels is less than 130% of the outstanding indebtedness under the April 2011 facility or 135% of the outstanding indebtedness under the other facilities, the borrowers must either provide additional collateral or repay any amount in excess of 130% or 135% of the market value of the collateral vessels, as applicable.

Financial Covenants. The secured term loan facilities and revolving credit facility contain financial covenants requiring the borrowers, among other things, to ensure that:

the ratio of Net Debt to Total Capitalization (each as defined in the applicable secured term loan facility) is no greater than 0.6 to 1;

the borrowers have liquidity (including undrawn available lines of credit with a maturity exceeding 12 months) of no less than (i) between \$10.0 million and \$25.0 million, as applicable, or (ii) not less than \$25.0 million, or (ii) 5% of Net Debt or total debt, as applicable, whichever is greater;

the ratio of EBITDA to Interest Expense (each as defined in the applicable secured term loan facility), on a trailing four quarter basis, is no less than 3 to 1;

the borrower must maintain a minimum ratio of shareholder equity to total assets of 30%; and

the current assets of the borrower must exceed the current liabilities (excluding current liabilities attributable to the senior unsecured bonds or the senior term loans) at all times.

Restrictive Covenants. The secured term loan facilities provide that the borrowers may not pay dividends to us out of operating revenues generated by the vessels securing the indebtedness if an event of default has occurred or is

continuing. The secured term loan facilities and revolving credit facility also limit the borrowers from, among other things, incurring indebtedness or entering into mergers and divestitures. The secured term loan facilities also contain general covenants that will require the borrowers to maintain adequate insurance coverage and to maintain their vessels. In addition, the secured term loan facilities and revolving credit facility include customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, representation and warranty, a cross-default to other indebtedness and non-compliance with security documents.

As of December 31, 2014 and 2015, we were in compliance with all covenants under the secured term loan facilities and revolving credit facility, including with respect to the aggregate fair market value of our collateral vessels.

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Senior Unsecured Bonds

General. On December 18, 2012, we issued senior unsecured bonds in an aggregate principal amount of \$125.0 million with Norsk Tillitsmann ASA as the bond trustee. The proceeds of the senior unsecured bonds were used (i) in part to finance the acquisition of the A.P. Møller vessels and (ii) for general corporate purposes. The senior unsecured bonds are governed by Norwegian law and listed on the Nordic ABM which is operated and organized by Oslo Børs ASA.

Interest. Interest on the senior unsecured bonds is payable at a fixed rate of 9.0% per annum, calculated on a 360-day year basis. Interest is payable semi-annually on June 18 and December 18 of each year.

Maturity. The senior unsecured bonds mature in full on December 18, 2017.

Optional Redemption. We may redeem the senior unsecured bonds, in whole or in part. Senior unsecured bonds redeemed up until December 17, 2016, shall be redeemed at 104% of par, senior unsecured bonds redeemed from December 18, 2016 to June 17, 2017, shall be redeemed at 102% of par and senior unsecured bonds redeemed from June 18, 2017, to the day prior to the maturity date, shall be redeemed at 101% of par.

Additionally, upon the occurrence of a **Change of Control Event** (as defined in the senior unsecured bond agreement), the holders of senior unsecured bonds have an option to force the issuer to repay such holder's outstanding bonds at 101% of par.

Financial Covenants. The senior unsecured bond agreement contains financial covenants requiring us, among other things, to ensure that:

we and our subsidiaries maintain a minimum liquidity of no less than the greater of (i) \$12.5 million and (ii) 5% of Total Interest-Bearing Debt (as defined in the senior unsecured bond agreement);

we and our subsidiaries maintain a positive working capital amount;

we and our subsidiaries maintain an Interest Coverage Ratio (as defined in the senior unsecured bond agreement) of not less than 3.0;

we and our subsidiaries maintain an Equity Ratio (as defined in the senior unsecured bond agreement) of at least 30%; and

we and our subsidiaries ensure that the sum of the market value of (i) our vessels plus (ii) any amounts in any escrow account in favor of the bond trustee are at least 120% of the Total Interest-Bearing Debt.

Our compliance with the covenants listed above is measured as of the end of each fiscal quarter, except for the final ratio, which is measured semi-annually on June 30 of each year.

Restrictive Covenants. The senior unsecured bond agreement provides that we may not declare any dividends or other distributions to our equity holders until after December 31, 2013, except for payments in respect of services rendered or transactions in the ordinary course in an amount not to exceed \$2.0 million. Following December 31, 2013, we may declare dividends so long as such dividends do not exceed 50% of our consolidated net profits after taxes and we have an Equity Ratio of 35% after giving pro forma effect to such distribution. The senior unsecured bond agreement also limits us and our subsidiaries from, among other things, incurring additional indebtedness, entering into mergers and divestitures, engaging in transactions with affiliates or incurring any additional liens. In addition, the senior unsecured bond agreement includes customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, false representation and warranty, a cross-default to other indebtedness, the occurrence of a material adverse effect, or our insolvency or dissolution.

As of December 31, 2015, we were in compliance with all covenants under our senior unsecured bond agreement.

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C. Research and Development Patents and Licenses etc.

We do not undertake any significant expenditure on research and development, and have no significant interests in patents or licenses.

D. Trend Information

The demand for seaborne transportation of LPG, petrochemical gases and ammonia is expected to continue to grow due to evolving energy and petrochemical market dynamics, as seaborne transportation is often the only, or the most cost effective, way to transport liquefied gases between major exporting and importing markets. The arbitrage between oil-based products and LPG has narrowed due to the current decline in the price of oil. As OPEC continues to pump oil at record levels it is anticipated that the price of oil will not rise over the next few months. This is forcing oil and gas exploration companies to reduce investments in new projects and consider the closure of drilling projects with high costs of extraction. However, as LPG is a supply driven product, and due to limited storage facilities, companies extracting oil and gas are still expected to produce it as a byproduct and price it accordingly to clear the market.

The expansion of existing LNG facilities and the construction of new LNG production facilities around the world have added to LPG production and trade volumes, following a period of project delays and stalled start-ups due to the global economic downturn. U.S. based shale plays have been developing rapidly over the last few years, increasing LNG production, which consists of among others, propane, butane and ethane molecules. Terminal operators have responded to the surge in LNG supply and have de-bottlenecked existing facilities and constructed new export terminals to facilitate international trade. Several new export locations have therefore been commissioned both on the U.S. East coast and U.S. Gulf coast.

Charter rates and vessel values are influenced by the supply and demand for seaborne gas cargo carrying capacity and are consequently volatile. The supply of gas carrier capacity is primarily a function of the size of the existing world fleet, the number of newbuildings being delivered and the scrapping of older vessels. The world fleet of liquefied gas carriers has increased steadily over the past ten years and the size of the order book reached an initial peak in 2007 and 2008 but declined in the second half of 2008 and 2009 as a result of the slowdown in the world economy. The order book for handysize liquefied gas carriers has increased significantly since late 2010 and now has the largest number of newbuildings, all of which are due to be delivered over the next two years. However these are split between a number of new entrants, with none of these set to obtain a dominant share of the market from their newbuilding programs. Demolition or scrapping is largely a function of vessel age and the state of the freight market, as all ships have finite lives. There was a marked increase in scrapping activity from 2007 through 2011, which largely coincided with the downturn in the freight market. However, demolition levels declined significantly since 2012.

E. Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The contractual obligations schedule set forth below summarizes our contractual obligations as of December 31, 2015.

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	2016	2017	2018	2019	2020	Thereafter	Total
	(in thousands)						
Vessels under construction	230,248	160,620					390,868
Secured term loan facilities and revolving credit facility and 9% senior unsecured bond issue	61,979	296,002	120,989	16,978	75,104	59,242	630,294
Office operating leases	709	593	477	477	477	597	3,330
Total contractual obligations	\$ 292,936	\$ 457,215	\$ 121,466	\$ 17,455	\$ 75,581	\$ 59,839	\$ 1,024,492

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As part of our growth strategy, we will continue to consider strategic opportunities, including the acquisition of additional vessels. We may choose to pursue such opportunities through internal growth or joint ventures or business acquisitions. We intend to finance any future acquisitions through various sources of capital, including credit facilities, debt borrowings and the issuance of additional shares of common stock.

G. Safe Harbor

See Cautionary Statement Regarding Forward Looking Statements at the beginning of this annual report.

H. Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. For a description of our material accounting policies, please read Note 2 (Summary of Significant Accounting Policies) to the audited historical consolidated financial statements.

Revenue Recognition. We employ our vessels under time charters, voyage charters or COAs. With time charters, we receive a fixed charter rate per on-hire day and revenue is recognized on an accrual basis and is recorded over the term of the charter as service is provided. In the case of voyage charters, the vessel is contracted for a voyage between two or several ports, and we are paid for the cargo transported. Revenue from COAs is recognized on the same basis as revenue from voyage charters, as they are essentially a series of consecutive voyage charters.

We recognize revenue on a discharge-to-discharge basis in determining percentage of completion for all voyage charters, but do not begin recognizing revenue until a charter has been agreed to by the customer and us, even if the vessel has discharged its cargo and is sailing to the anticipated load port for its next voyage.

Vessels in Operation. The cost of our vessels (excluding the estimated initial built-in overhaul cost) less their estimated residual value is depreciated on a straight-line basis over the vessels' estimated useful lives. We estimate the useful life of each of our vessels to be 30 years from the date the vessel was originally delivered from the shipyard. The actual life of a vessel, however, may be different, with a life less than 30 years resulting in an increase in the quarterly depreciation and potentially resulting in an impairment loss. The estimated residual value is based on the steel value of the tonnage for each vessel.

Impairment of Vessels. We review our vessels for impairment when events or circumstances indicate the carrying amount of the vessel may not be recoverable. We may recognize an impairment loss when the sum of the expected future cash flows (undiscounted and without interest) of a vessel over its estimated remaining useful life is less than its carrying amount. If we determine that a vessel's undiscounted cash flows are less than its carrying value, we record an impairment loss equal to the amount by which its carrying amount exceeds its fair value. The new lower cost basis would result in a lower annual depreciation than before the impairment. Considerations in making such an impairment evaluation include comparison of current carrying value to anticipated future operating cash flows, expectations with respect to future operations and other relevant factors. The estimates and assumptions regarding expected cash flows require considerable judgment and are based upon historical experience, financial forecasts and industry trends and conditions. We are not aware of any indicators of impairment nor any regulatory changes or environmental liabilities

that we anticipate will have a material impact on our current or future operations.

Vessel Market Values. In **Impairment of Vessels**, we discuss our policy for assessing impairment of the carrying values of our vessels. The charter-free market value (i.e., disregarding the charter contracts attached to each of the vessels) of certain vessels in many segments of the worldwide oceangoing vessel fleet have

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experienced volatility over the past several years. Therefore, there is a risk that the sale value of certain of our vessels could decline below those vessels' carrying value, even though we would not impair those vessels' carrying value under our accounting impairment policy, due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

However, with respect to the class of vessels we own, we believe that relative to the worldwide oceangoing vessel fleet, the market for the sale of our vessels is particularly illiquid, difficult to observe and, therefore, speculative, given the extremely limited secondary sales data. We obtain shipbroker appraisals of our vessels principally for the purposes of covenant compliance (e.g., loan to value ratio). These appraisals are generally performed without examination of the vessel and without an attempt to market a vessel, and no consideration is given to whether a group of vessels could be sold for higher valuation than on an individual basis. Given the lack of secondary sales data available for our vessels, these appraisals have been used by us as an approximation of our vessels' market values. However, because these appraisals are primarily prepared for the purposes of valuing collateral and the lack of comparable market transactions, they are prepared on a charter-free basis predominantly based on depreciated replacement cost, which, we believe significantly discounts the value of our vessels. As a result, we believe that the ultimate value that could be obtained from the sale of any one of our vessels to a willing third party would likely, and in many cases meaningfully, exceed the vessel's appraised value, especially if we were given adequate time to market the vessel.

Drydocking Costs and Vessel Damage. Each of our vessels is required to be drydocked every five years until it reaches 15 years of age, after which each vessel is required to be drydocked every two and one-half to three years for any major repairs and maintenance and for inspection of the underwater parts of the vessel, which cannot be performed while the vessel is operating. We capitalize costs associated with the drydockings as built-in overhauls in accordance with U.S. GAAP and amortize these costs on a straight-line basis over the period between drydockings.

We expense estimated costs to repair minor vessel damage that exists at the balance sheet date.

Amortization of capitalized drydocking expenditures requires us to estimate the period until the next drydocking. While we typically drydock each vessel every two and one-half to five years, we may drydock the vessels on a more frequent basis. If we change our estimate of the next drydock date, we will adjust our annual amortization of drydocking expenditures. Amortization of drydockings is included in our depreciation and amortization expense.

Foreign Currency Transactions. Substantially all of our cash receipts are in U.S. Dollars. Our disbursements, however, are in the currency invoiced by the supplier. We remit funds in the various currencies invoiced. We convert the non-U.S. Dollar invoices received and their subsequent payments into U.S. Dollars when the transactions occur. The movement in exchange rates between these two dates is transferred to an exchange difference account and is expensed each month.

Our payments due to our technical managers pursuant to our crewing management agreements are denominated in U.S. Dollars, subject to adjustment based on the U.S. Dollar/Euro exchange rate. A significant portion of the payments we make to our technical managers are used by them to pay the officers on-board our vessels.

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Directors**

Set forth below are the names, ages and positions of our directors.

Name	Age	Position
David J. Butters	75	Chairman of the Board of Directors
Dr. Heiko Fischer	48	Director
David Kenwright	68	Director
Spiros Milonas	87	Director
Alexander Oetker	41	Director
Wendy Teramoto	41	Director
Florian Weidinger	34	Director

Our board of directors are elected annually. Each director holds office until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office. Officers are elected from time to time by vote of our board of directors and hold office until a successor is elected.

Biographical information with respect to each of our directors and our executive officers is set forth below. The business address for our directors and executive officers is 399 Park Avenue, 38th Floor, New York, New York 10022.

David J. Butters. David J. Butters has served as president, chief executive officer and chairman of the Board since September 2008. Prior to September 2008, Mr. Butters served as a managing director of Lehman Brothers Inc., a subsidiary of Lehman Brothers Holdings Inc., where he had been employed for more than 37 years. Mr. Butters is currently chairman of the board of directors and chairman of the compensation committee of GulfMark Offshore, Inc., a provider of marine support and transportation services to the oil and gas industry and a director of Weatherford International Ltd., an oilfield services company.

Dr. Heiko Fischer. Dr. Heiko Fischer has been a member of the Board since December 2011. Dr. Fischer has been Chief Executive Officer and Chairman of the Management Board of VTG Aktiengesellschaft, a German railroad logistics company traded on the Frankfurt Stock Exchange, since May 1, 2004. He was a member of the Supervisory Board of Hapag-Lloyd AG, a German container shipping company. He is the Chairman of the Supervising Board of TRANSWAGGON-Gruppe and a member of the Supervising Board of Brueckenhaus Grundstueckgesellschaft m.b.h., Kommanditgesellschaft Brueckenhaus Grundstueckgesellschaft m.b.h. & Co., TRANSWAGGON AG and Waggon Holding AG. Dr. Fischer graduated