Teekay LNG Partners L.P.
Form 20-F/A
December 02, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F/A

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2007

OR

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

OR

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

Date of event requiring this shell company report __________
For the transition period from __________ to __________
Commission file number 1- 32479
TEEKAY LNG PARTNERS L.P.
(Exact name of Registrant as specified in its charter)
Republic of The Marshall Islands
(Jurisdiction of incorporation or organization)
4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda
(Address of principal executive offices)
Roy Spires
4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda
Telephone: (441) 298-2530
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(Contact information for company contact person)
Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Units	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.

22,540,547 Common Units
14,734,572 Subordinated Units

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

Yes o No þ

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 o No þ

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 þ No o

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 o	Accelerated Filer þ	Non-Accelerated Filer o

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

U.S. GAAP þ	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other o

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 o Item 18 o

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 o No þ

EXPLANATORY NOTE

Teekay LNG Partners L.P. (generally referred to herein as *the Partnership*, *Teekay LNG Partners Predecessor*, *the Predecessor*, *we*, *our* or *us*) is filing this Annual Report on Form 20-F/A for the year ended December 31, 2007 (this *Amendment* or this *2007 Form 20-F/A Report*) to amend our Annual Report on Form 20-F for the year ended December 31, 2007 (the *Original Filing*) that was filed with the Securities and Exchange Commission (or *SEC*) on April 11, 2008.

a. Derivative Instruments and Hedging Activities

In August 2008, we commenced a review of our application of Statement of Financial Accounting Standards (or *SFAS*) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. Although we believe that our derivative transactions were consistent with our risk management policies and that our overall risk management policies continue to be sound, based on our review we concluded that our derivative instruments did not qualify for hedge accounting treatment under SFAS No. 133 for the years ended December 31, 2007, 2006, 2005 and 2004.

Certain of our hedge documentation, in respect of our assessment of effectiveness and measurement of ineffectiveness of our derivative instruments for accounting purposes, was not in accordance with the technical requirements of SFAS No. 133. One of our derivative agreements is between Teekay Corporation and us, which relates to hire payments under the time charter contract for the Suezmax tanker the *Toledo Spirit*. Prior to April 2007, this agreement with Teekay Corporation was not accounted for as a derivative agreement subject to the provisions of SFAS No. 133, and after April 2007, the agreement did not qualify for hedge accounting treatment under SFAS No. 133.

Accordingly, although we believe each of these derivative instruments were and continue to be effective economic hedges, for accounting purposes we should have reflected changes in fair value of these derivative instruments as increases or decreases to our net income (loss) on our consolidated statements of income, instead of being reflected as increases or decreases to accumulated other comprehensive income, a component of partners equity/stockholder deficit on our consolidated balance sheets and statements of changes in partners equity/stockholder deficit.

The change in accounting for these transactions does not affect the economics of the derivative transactions or our cash flows, liquidity, or cash distributions to partners.

b. Vessels Acquired from Teekay Corporation

In connection with assessing the potential impact of SFAS No. 141(R), which replaces SFAS No. 141 *Business Combinations*, and is effective for fiscal years beginning after December 15, 2008, we re-assessed our accounting treatment for interests in vessels we have purchased from Teekay Corporation subsequent to our initial public offering in May 2005. We have historically treated the acquisition of the interests in these vessels as asset acquisitions, not business acquisitions. If the acquisitions were deemed to be business acquisitions, the acquisitions would have been accounted for in a manner similar to the pooling of interest method whereby our consolidated financial statements prior to the date the interests in these vessels were acquired by us would be retroactively adjusted to include the results of these acquired vessels (referred to herein as the *Dropdown Predecessor)* from the date that we and the acquired vessels were both under the common control of Teekay Corporation and had begun operations. Although substantially all of the value relating to these transactions is attributable to the vessels and associated contracts, we have now determined that the acquisitions should have been accounted for as business acquisitions under United States generally accepted accounting principles (or *GAAP*).

The impact of retroactive Dropdown Predecessor adjustments does not affect our limited partners interest in net income, earnings per unit, or cash distributions to partners.

c. Gross-up Presentation of RasGas Joint Ventures and Other

Subsequent to the release of our preliminary second quarter financial results, we reviewed and revised our financial statement presentation of debt and interest rate swap agreements related to our joint venture interests in the RasGas II and RasGas 3 LNG carriers. As a result, certain of our assets and liabilities have been grossed up for accounting presentation purposes. These adjustments, which do not affect our net income, cash flow, liquidity, cash distributions or partners equity in any period, are described below.

In January 2006, we entered into a sale and 30-year leaseback arrangement pertaining to shipbuilding contracts for our 70 percent interest in the three RasGas II LNG carriers. We have since determined that we should have recorded the accumulated construction cost of these vessels for accounting purposes in accordance with Emerging Issues Task

Force Issue 97-10, as we retained certain construction period risks subsequent to the RasGas II sale-leaseback transaction. This adjustment does not impact the accounting treatment for these vessels in any period subsequent to their delivery in the first quarter of 2007. We have now restated our consolidated balance sheet as at December 31, 2006 to record the accumulated cost of approximately $295 million for these vessels under construction, and related capital lease obligations.

Through a wholly-owned subsidiary, which is a variable interest entity (or *VIE*) for us, Teekay Corporation owns a 40 percent interest in the four RasGas 3 LNG carriers. The joint venture partner, a wholly-owned subsidiary of Qatar Gas Transport Company, owns the remaining 60 percent interest. Both wholly-owned subsidiaries are joint and several co-borrowers with respect to the RasGas 3 term loan and related interest rate swap agreements. Previously, we recorded 40 percent of the RasGas 3 term loan and interest rate swap obligations in our financial statements. We have made adjustments to our balance sheet to reflect 100 percent of the RasGas 3 term loan (2007 $360.6 million; 2006 $90.7 million) and interest rate swap obligations (2007 $9.6 million; 2006 $(0.4) million), as well as offsetting increases in assets, for the fourth quarter of 2006 through the fourth quarter of 2007. We have also made adjustments to our statements of income to reflect 100 percent of the interest expense (2007 $17.1 million; 2006 $1.3 million) on the RasGas 3 term loan with an offsetting amount to interest income from our advances to the joint venture. These RasGas 3 adjustments do not result in any increase to our net exposure in this joint venture. We have also restated certain other items primarily related to accounting for the non-controlling interest in our joint venture and VIEs.

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As a result of the conclusions described above, we are restating in this 2007 Form 20-F/A Report our historical balance sheets as of December 31, 2007 and 2006, our statements of income, cash flows and changes in partners equity/stockholder deficit for the years ended 2007, 2006 and 2005 and selected financial data as of and for the years ended December 31, 2007, 2006, 2005, 2004 and 2003.

The following table sets forth a reconciliation of previously reported and restated net income (loss) and partners equity/stockholder deficit as of the date and for the periods shown (in thousands of US dollars):

	Net Income (Loss)							
	Year Ended December 31, 2007	Year Ended December 31, 2006	January 1 to May 9, 2005	May 10 to December 31, 2005	January 1 to April 30, 2004	May 1 to December 31, 2004	Year Ended December 31, 2003	Stockholder Deficit At December 31, 2002
As Previously Reported	(9,438)	(9,591)	29,215	50,332	16,164	(84,395)	(59,432)	(106,105)
Adjustments:								
Derivative Instruments, net of non-controlling interest	35,210	22,654	(8,515)	(14,161)		(43,678)		
Dropdown Predecessor [(1)]		(123)	3,383	1,588	3,554	6,270	3,096	
Other	(630)	(1,811)						
As Restated	25,142	11,129	24,083	37,759	19,718	(121,803)	(56,336)	(106,105)

(1) Relates to the results for the pre-acquisition periods in which we and the acquired interests in vessels, as listed below, were both in operation and under the common control of Teekay Corporation, as follows:

Dania Spirit for April 1, 2003 to December 31, 2006;

European Spirit for September 26, 2003 to November 22, 2005;

African Spirit for November 10, 2003 to November 22, 2005;

Asian Spirit for January 5, 2004 to November 22, 2005; and

Granada Spirit for December 6, 2004 to May 9, 2005.

Note 17 of the notes to the consolidated financial statements included in this 2007 Form 20-F/A Report reflects the changes to our consolidated financial statements as a result of our restatement and provides additional information about the restatement.

We have also restated in this 2007 Form 20-F/A our General Partner s historical balance sheet as at December 31, 2007. Note 14 of the notes to the General Partner s consolidated financial statements included in this 2007 Form 20-F/A Report reflects the changes to its consolidated balance sheet as a result of our restatement and provides additional information about the restatement.

Management also has determined that control deficiencies relating to the preparation of hedge documentation and to the accounting for non-routine, complex financial structures and arrangements, which gave rise in part to this restatement, constituted material weaknesses in our internal control over financial reporting. We believe, as of the date of this filing, that we have fully remediated these material weaknesses in our internal control over financial reporting. Please read Item 15. Controls and Procedures for additional discussion.

For the convenience of the reader, this 2007 Form 20-F/A Report sets forth the Original Filing in its entirety, although we are only restating portions of Items 3, 4, 5, 7, 11, 15, 18 and 19 affected by the corrected financial information.

This 2007 Form 20-F/A Report includes currently-dated certifications from the Chief Executive Officer and Chief Financial Officer of our General Partner, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as well as the currently dated consent of our independent registered public accounting firm. The changes we have made are a result of and reflect the restatement described herein; no other information in the Original Filing has been updated.

Except for the amended or restated information described above, this 2007 Form 20-F/A Report continues to speak as of the date of the Original Filing. Other events occurring after the filing of the Original Filing or other disclosures necessary to reflect subsequent events have been or will be addressed in other reports filed with or furnished to the SEC subsequent to the date of the Original Filing.

Because this 2007 Form 20-F/A Report restates all of the pertinent financial data for the affected periods, we do not intend to amend our previously-filed Annual Reports on Form 20-F or previously furnished Reports on Form 6-K for periods ending prior to December 31, 2007. As a result, the reader should rely not on the prior filings, but should rely upon the restated financial statements, reports of our independent registered public accounting firm and related financial information for affected periods contained in this 2007 Form 20-F/A Report.

TEEKAY LNG PARTNERS L.P.
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PART I

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

In addition to historical information, this Annual Report contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements relate to future events and our operations, objectives, expectations, performance, financial condition and intentions. When used in this Annual Report, the words expect, intend, plan, believe, anticipate, estimate and variations of such words and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this Annual Report include, in particular, statements regarding:

- our ability to make cash distributions on our units or any increases in quarterly distributions;
- our future financial condition and results of operations and our future revenues and expenses;
- growth prospects of the liquefied natural gas (LNG) and liquefied petroleum gas (LPG) shipping and oil tanker markets;
- LNG, LPG and tanker market fundamentals, including the balance of supply and demand in the LNG, LPG and tanker markets;
- the expected lifespan of a new LNG carrier, LPG carrier and Suezmax tanker;
- estimated capital expenditures and the availability of capital resources to fund capital expenditures;
- our ability to maintain long-term relationships with major LNG and LPG importers and exporters and major crude oil companies;
- our ability to leverage to our advantage Teekay Corporation s relationships and reputation in the shipping industry;
- our continued ability to enter into long-term, fixed-rate time charters with our LNG and LPG customers;
- obtaining LNG and LPG projects that we or Teekay Corporation bid on or that Teekay Corporation has been awarded, including Teekay Corporation s offer of the Kenai LNG vessels to the Partnership;
- the expected timing of Teekay Corporation s offer of the Angola LNG project vessels to the Partnership;
- our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term charter;
- expected purchases and deliveries of newbuilding vessels and commencement of service of newbuildings under long-term contracts;
- the expected timing, amount and method of financing for the purchase of five of our existing Suezmax tankers;
- our expected financial flexibility to pursue acquisitions and other expansion opportunities;
- the expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards applicable to our business;

- the expected impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;
- anticipated taxation of our partnership and its subsidiaries; and
- our business strategy and other plans and objectives for future operations.

Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words believe, anticipate, expect, estimate, project, will be, will continue, will likely result, or words or phrases of similar meanings. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially include, but are not limited to those factors discussed in Item 3: Key Information Risk Factors, and other factors detailed from time to time in other reports we file with the SEC.

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Forward-looking statements in this Annual Report are necessarily estimates reflecting the judgment of senior management and involve known and unknown risks and uncertainties. These forward-looking statements are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, these forward-looking statements should be considered in light of various important factors, including those set forth in this Annual Report under the heading Risk Factors .

Item 1. Identity of Directors, Senior Management and Advisors

The information included in Item 1 in the Original Filing has not been updated for information or events occurring after the date of the Original Filing and has not been updated to reflect the passage of time since the date of the Original Filing.

Not applicable.

Item 2. Offer Statistics and Expected Timetable

The information included in Item 2 in the Original Filing has not been updated for information or events occurring after the date of the Original Filing and has not been updated to reflect the passage of time since the date of the Original Filing.

Not applicable.

Item 3. Key Information

Selected Financial Data (Restated)

The following tables present, in each case for the periods and as of the dates indicated, summary:

- historical financial and operating data of Teekay Shipping Spain S.L. and its subsidiaries (or *Teekay Spain*), which was named Naviera F. Tapias S.A. prior to its acquisition by Teekay Corporation through its subsidiary Teekay Luxembourg S.a.r.l. (or Luxco), on April 30, 2004; and
- historical financial and operating data of Teekay LNG Partners L.P. and its subsidiaries since its initial public offering on May 10, 2005, in connection with which it acquired Luxco from Teekay Corporation.

The summary historical financial and operating data has been prepared on the following basis:

- the historical financial and operating data of Teekay Spain excludes financial information related to three businesses previously held in separate subsidiaries and unrelated to the marine transportation of LNG and crude oil, which were disposed of prior to Teekay Corporation s acquisition of Teekay Spain;
- the historical financial and operating data of Teekay Spain as at and for the years ended December 31, 2002 and 2003 and the four months ended April 30, 2004 are derived from the consolidated financial statements of Teekay Spain;
- the historical financial and operating data of Luxco as at December 31, 2004 and for the eight months ended December 31, 2004 and the period from January 1, 2005 to May 9, 2005 (or the *2005 Pre-IPO Period*) reflect the acquisition of Teekay Spain by Teekay Corporation through Luxco and are derived from the consolidated financial statements of Luxco; and
- the historical financial and operating data of Teekay LNG Partners L.P. as at December 31, 2005, 2006 and 2007, and for the periods from May 10, 2005 to December 31, 2005, and for the years ended December 31, 2006 and 2007 reflect its initial public offering and related acquisition of Luxco and are derived from the audited consolidated financial statements of the Partnership.

Our historical operating results include the historical results of Luxco for the nine months ended December 31, 2004 and the 2005 Pre-IPO Period. During these periods, Luxco had no revenues, expenses or income, or assets or liabilities, other than:

- advances (including accrued interest) of $465.7 million as of December 31, 2004, from Teekay Corporation that Luxco used to purchase Teekay Spain and to prepay certain debt of Teekay Spain;
- net interest expense related to the advances of $9.8 million and $7.3 million for the nine months ended December 31, 2004 and for the 2005 Pre-IPO Period, respectively;
- an unrealized foreign exchange loss of $44.7 million for the nine months ended December 31, 2004 related to the advances, which are Euro-denominated, and a $23.8 million unrealized foreign exchange gain related to the advances for the 2005 Pre-IPO Period;

other expenses of $1.1 million and $0.1 million for those respective periods;
cash and cash equivalents of $2.2 million as of December 31, 2004; and
its ownership interest in Teekay Spain and certain purchase rights and obligations for Suezmax tankers operated by Teekay Spain under capital lease arrangements, which it acquired from Teekay Spain on December 30, 2004.

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Luxco s results relate solely to the financing of the acquisition of Teekay Spain and repayment of Teekay Spain debt by Teekay Corporation and do not relate to the historical results of Teekay Spain. In addition, because the capital stock of Luxco and the advances from Teekay Corporation were contributed to us in connection with our initial public offering, these advances and their related effects were eliminated on consolidation in the periods subsequent to May 9, 2005. Consequently, certain of our historical financial and operating data for the 2005 Pre-IPO Period may not be comparable to subsequent periods.

The following tables should be read together with, and are qualified in their entirety by reference to, (a) Item 5. Operating and Financial Review and Prospects, included herein, and (b) the historical consolidated financial statements and the accompanying notes and the Report of Independent Registered Public Accounting Firm therein (which are included herein), with respect to the consolidated financial statements for the years ended December 31, 2007, 2006 and 2005, aggregated as follows:

Year ended December 31, 2007

January 1 to December 31, 2007

Year ended December 31, 2006

January 1 to December 31, 2006

Year ended December 31, 2005

January 1 to May 9, 2005

May 10 to December 31, 2005

The information presented in the following tables and related footnotes have been adjusted to reflect the restatement of our financial results which is described in the Explanatory Note above. A reconciliation of our previously reported consolidated financial statements to our restated consolidated financial statements as at December 31, 2007 and 2006 and for the years ended December 31, 2007, 2006, and 2005 is included in Note 17 of the notes to our consolidated financial statements. A reconciliation of our previously reported consolidated financial statements to our restated consolidated financial information as at December 31, 2005, 2004 and 2003 and for the years ended December 31, 2004 and 2003 follows the table.

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Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (or *GAAP*).

	Year Ended December 31, 2003 (restated)	January 1 to April 30, 2004 (restated)	May 1 to December 31, 2004 (restated)	January 1 to May 9, 2005 (restated)	May 10 to December 31, 2005 (restated)	Year Ended December 31, 2006 (restated)	Year Ended December 31, 2007 (restated)
			(in thousands, except per unit and fleet data)				
ncome Statement Data:							
oyage revenues	$ 94,373	$ 51,849	$ 105,762	$ 67,575	$ 107,343	$ 186,880	$ 267,939
perating expenses:							
oyage expenses (1)	4,960	1,994	3,888	1,934	639	2,036	1,197
essel operating expenses (2)	28,192	12,783	25,703	14,609	22,646	40,977	56,460
epreciation and amortization	25,062	11,008	31,223	18,134	32,570	53,076	65,501
eneral and administrative	9,563	3,112	6,494	4,481	8,732	14,152	15,090
otal operating expenses	67,777	28,897	67,308	39,158	64,587	110,241	138,248
ncome from vessel operations	26,596	22,952	38,454	28,417	42,756	76,639	129,691
nterest expense (4)	(20,478)	(19,002)	(98,871)	(48,568)	(51,663)	(35,298)	(167,370
nterest income (4)	8,431	8,692	13,519	9,098	14,098	13,041	88,737
oreign currency exchange gain loss) (3)	(71,502)	18,010	(78,831)	52,295	29,523	(39,590)	(41,241
ther income (loss) (5)	617	(10,934)	3,926	(17,159)	3,045	(429)	(1,414
Loss) income before on-controlling interest	(56,336)	19,718	(121,803)	24,083	37,759	14,363	8,403
Non-controlling interest						(3,234)	16,739
et (loss) income	(56,336)	19,718	(121,803)	24,083	37,759	11,129	25,142
ropdown Predecessor s interest n net income (loss)	$ 3,096	$ 3,554	$ 6,270	$ 3,383	$ 1,588	$ (123)	$
eneral Partner s interest in net ncome					6,229	1,542	9,752
imited partners interest:							
et (loss) income	(59,432)	16,164	(128,073)	20,700	29,942	9,710	15,390
et (loss) income per:							
ommon unit (basic and diluted) 6)	(2.53)	0.69	(5.46)	0.88	1.19	0.42	0.58
ubordinated unit (basic and iluted) (6)	(2.53)	0.69	(5.46)	0.88	0.71	0.07	0.27
otal unit (basic and diluted) (6)	(2.53)	0.69	(5.46)	0.88	0.97	0.27	0.45
ash distributions declared per nit					0.65	1.80	2.05

Balance Sheet Data (at end of period):							
Cash and marketable securities	$ 22,533	$ 11,289	$ 156,410		$ 35,955	$ 29,288	$ 91,891
Restricted cash (7)	398,038	385,564	435,112		298,323	670,758	679,229
Vessels and equipment (8)	733,306	785,498	1,247,766		1,522,887	1,715,662	1,836,504
Total assets (7)(9)	1,200,512	1,206,217	2,089,636		2,085,634	2,928,422	3,589,148
Total debt and capital lease obligations (7)	1,238,905	1,213,587	2,034,353		1,266,281	1,961,021	2,623,941
Total stockholder s/partners equity (deficit)	(143,864)	(100,872)	(103,262)		736,599	703,190	708,174
Common units outstanding (6)	8,734,572	8,734,572	8,734,572	8,734,572	20,238,072	20,240,547	22,540,547
Subordinated units outstanding (6)	14,734,572	14,734,572	14,734,572	14,734,572	14,734,572	14,734,572	14,734,572
Cash Flow Data:							
Net cash provided by (used in):							
Operating activities	$ 23,418	$ 20,785	$ 23,628	$ 15,980	$ 59,726	$ 84,009	$ 114,461
Financing activities	(282,716)	(31,823)	406,289	(163,646)	36,530	(260,674)	631,384
Investing activities	262,766	901	(284,698)	18,758	(87,803)	169,998	(683,242
Other Financial Data:							
Net voyage revenues (9)	$ 89,413	$ 49,855	$ 101,874	$ 65,641	$ 106,704	$ 184,844	$ 266,742
EBITDA (10)	(16,194)	40,391	(5,845)	84,026	104,846	86,837	170,431
Capital expenditures:							
Expenditures for vessels and equipment (12)	133,628	5,522	83,703	44,270	158,045	1,037	160,757
Expenditures for drydocking	4,711		4,085	371	3,494	3,693	3,724
Liquefied Gas Fleet Data:							
Calendar-ship-days (11)	793	363	905	645	1,180	1,887	2,862
Average age of our fleet (in years at end of period)	1.8	2.1	1.8	1.9	2.8	3.0	3.2
Vessels at end of period	3.0	3.0	5.0	5.0	5.0	6.0	8.0
Suezmax Fleet Data:							
Calendar-ship-days (11)	2,337	1,054	1,924	1,032	1,833	2,920	2,920
Average age of our fleet (in years at end of period)	6.4	6.0	3.9	4.3	3.0	4.0	5.0
Vessels at end of period	8.0	9.0	8.0	8.0	8.0	8.0	8.0

(1) Voyage expenses are all expenses unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions.

(2) Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lube

oils and communication expenses.

(3) Substantially all of these foreign currency exchange gains and losses were unrealized and not settled in cash. Under U.S. accounting guidelines, all foreign currency-denominated monetary assets and liabilities, such as cash and cash equivalents, accounts receivable, restricted cash, accounts payable, long-term debt and capital lease obligations, are revalued and reported based on the prevailing exchange rate at the end of the period. Our primary source for the foreign currency gains and losses is our Euro-denominated term loans, which totaled 318.5 million Euros ($377.4 million) at December 31, 2005, 311.6 million Euros ($411.3 million) at December 31, 2006, 304.3 million Euros ($444.0 million) at December 31, 2007.

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(4) We entered into interest rate swaps to mitigate our interest rate risk from our floating-rate debt used to purchase our LNG carriers. Changes in the fair value of our derivatives are recognized immediately into income and are presented as interest expense and/or interest income.

(5) The $17.1 million other loss in the period from January 1, 2005 to May 9, 2005 primarily resulted from a write-off of capitalized loan costs and a loss on cancellation of interest rate swaps.

(6) Net income (loss) per unit is determined by dividing net income (loss), after deducting the amount of net income (loss) attributable to the Dropdown Predecessor Impact and the amount of net income (loss) allocated to our General

Partner s interest for periods subsequent to our initial public issuance date of common units on May 10, 2005, by the weighted-average number of units outstanding during the period. For periods prior to May 10, 2005, such units are deemed equal to the common and subordinated units received by Teekay Corporation in exchange for net assets it contributed to us in connection with the initial public offering.

(7) We operate certain of our LNG carriers under tax lease arrangements. Under these arrangements, we borrow under term loans and deposit the proceeds into restricted cash accounts. Concurrently, we enter into capital leases for the vessels, and the vessels are recorded as assets on our balance sheet. The restricted cash deposits, plus the

interest earned on the deposits, will equal the remaining amounts we owe under the capital lease arrangements, including our obligations to purchase the vessels at the end of the lease term where applicable. Therefore, the payments under our capital leases are fully funded through our restricted cash deposits, and our continuing obligation is the repayment of the term loans. However, under GAAP we record both the obligations under the capital leases and the term loans as liabilities, and both the restricted cash deposits and our vessels under capital leases as assets. This accounting treatment has the effect of increasing our assets and liabilities by the amount of restricted cash deposits relating to the corresponding capital lease obligations.

(8) Vessels and equipment consist of (a) our vessels, at cost less accumulated depreciation, (b) vessels under capital leases, at cost less accumulated depreciation, and (c) advances on our newbuildings.

(9) Consistent with general practice in the shipping industry, we use net voyage revenues (defined as voyage revenues less voyage expenses) as a measure of equating revenues generated from voyage charters to revenues generated from time charters, which assists us in making operating decisions about the deployment of our vessels and their performance. Under time charters the charterer pays the voyage expenses, whereas under voyage charter contracts the ship owner pays these expenses. Some voyage expenses are fixed, and the remainder can be estimated. If we, as the ship owner, pay the voyage

expenses, we typically pass the approximate amount of these expenses on to our customers by charging higher rates under the contract or billing the expenses to them. As a result, although voyage revenues from different types of contracts may vary, the net revenues after subtracting voyage expenses, which we call net voyage revenues, are comparable across the different types of contracts. We principally use net voyage revenues, a non-GAAP financial measure, because it provides more meaningful information to us than voyage revenues, the most directly comparable GAAP financial measure. Net voyage revenues are also widely used by investors and analysts in the shipping industry for comparing financial performance between companies and to industry averages. The following table reconciles net voyage revenues with voyage revenues.

	Year Ended December 31, 2003 (restated)	January 1 to April 30, 2004 (restated)	May 1 to December 31, 2004 (restated)	January 1 to May 9, 2005 (restated)	May 10 to December 31, 2005 (restated)	Year Ended December 31, 2006 (restated)	Year Ended December 31, 2007 (restated)
Voyage revenues	$ 94,373	$ 51,849	$ 105,762	$ 67,575	$ 107,343	$ 186,880	$ 267,939
Voyage expenses	(4,960)	(1,994)	(3,888)	(1,934)	(639)	(2,036)	(1,197)
Net voyage revenues	$ 89,413	$ 49,855	$ 101,874	$ 65,641	$ 106,704	$ 184,844	$ 266,742

(10) EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors, as discussed below:

Financial and operating performance. EBITDA assists our management and investors by increasing the comparability of our fundamental performance from period to period and against the fundamental performance of other companies in our industry that provide EBITDA information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest expense, taxes, depreciation or amortization, which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including EBITDA as a financial and operating measure benefits investors in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength and health in assessing whether to continue to hold our common units.

Liquidity. EBITDA allows us to assess the ability of assets to generate cash sufficient to service debt, pay distributions and undertake capital expenditures. By eliminating the cash flow effect resulting from our existing capitalization and other items such as drydocking expenditures, working capital changes and foreign currency exchange gains and losses, EBITDA provides a consistent measure of our ability to generate cash over the long term. Management uses this information as a significant factor in determining (a) our proper capitalization (including assessing how much debt to incur and whether changes to the capitalization should be made) and (b) whether to undertake material capital expenditures and how to finance them, all in light of our cash distribution policy. Use of EBITDA as a liquidity measure also permits investors to assess the fundamental ability of our business to generate cash sufficient to meet cash needs, including distributions on our common units.

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EBITDA should not be considered an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA excludes some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA as presented below may not be comparable to similarly titled measures of other companies.

	Year Ended December 31, 2003 (restated)	January 1 to April 30, 2004 (restated)	May 1 to December 31, 2004 (restated)	January 1 to May 9, 2005 (restated)	May 10 to December 31, 2005 (restated)	Year Ended December 31, 2006 (restated)	Year Ended December 31, 2007 (restated)
Reconciliation of EBITDA to Net income (loss) :							
Net income (loss)	$ (56,336)	$ 19,718	$ (121,803)	$ 24,083	$ 37,759	$ 11,129	$ 25,142
Depreciation and amortization	25,062	11,008	31,223	18,134	32,570	53,076	65,501
Interest expense, net	12,047	10,310	85,352	39,470	37,565	22,257	78,633
Provision (benefit) for income taxes	3,033	(645)	(617)	2,339	(3,048)	375	1,155
EBITDA [1]	$ (16,194)	$ 40,391	$ (5,845)	$ 84,026	$ 104,846	$ 86,837	$ 170,431
Reconciliation of EBITDA to Net operating cash flow :							
Net operating cash flow	$ 23,418	$ 20,785	$ 23,628	$ 15,980	$ 59,726	$ 84,009	$ 114,461
Non-controlling interest						(3,234)	16,739
Expenditures for drydocking	4,711		4,085	371	3,494	3,693	3,724
Interest expense, net	12,047	10,310	85,352	39,470	37,565	22,257	78,633
Gain (loss) on sale of assets	1,576	(11,837)	3,428	(15,282)	186		
Change in working capital	(569)	(911)	(9,861)	2,209	(4,763)	4,166	(12,505)
Change in fair value of interest rate swaps	14,715	3,985	(43,678)	(8,447)	(14,000)	24,180	(3,195)

Foreign currency exchange (loss) gain and other, net	(72,092)	18,059	(68,799)	49,725	22,638	(48,234)	(27,426)
EBITDA	$ (16,194)	$ 40,391	$ (5,845)	$ 84,026	$ 104,846	$ 86,837	$ 170,431

(1) EBITDA is net of non-controlling interest expense of $16.7 million and $(3.2) million for the years ended December 31, 2007 and 2006, respectively. Non-controlling interest is nil for the year ended December 31, 2003 and the periods January 1 to April 30, 2004, May 1 to December 31, 2004, January 1 to May 9, 2005, and May 10 to December 31, 2005.

EBITDA also includes the following:

	Year Ended December 31, 2003 (restated)	**January 1 to April 30, 2004 (restated)**	**May 1 to December 31, 2004 (restated)**	**January 1 to May 9, 2005 (restated)**	**May 10 to December 31, 2005 (restated)**	**Year Ended December 31, 2006 (restated)**	**Year Ended December 31, 2007 (restated)**
Foreign currency exchange (loss) gain	$ (71,502)	$ 18,010	$ (78,831)	$ 52,295	$ 29,523	$ (39,590)	$ (41,241)
Change in fair value of the Toledo Spirit					(6,484)	(873)	14,136

derivative included in revenue

$ (71,502)	$ 18,010	$ (78,831)	$ 52,295	$ 23,039	$ (40,463)	$ (27,105)

(11) Calendar-ship-days are equal to the aggregate number of calendar days in a period that our vessels were in our possession during that period (including five vessels deemed to be in our possession for accounting purposes as a result of the impact of the Dropdown Predecessor prior to our actual acquisition of such vessels).

(12) Expenditures for vessels and equipment excludes non-cash investing activities. Please read Item 18 Financial Statements: Note 15 Supplemental Cash Flow Information.

(13) A reconciliation of our previously reported consolidated financial information to our restated consolidated financial

information as at December 31, 2005, 2004 and 2003 and for the years ended December 31, 2004 and 2003 is contained in the following table. Only those line items in the selected financial data table that are from our consolidated financial information and were affected by the restatement are contained below.

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	As Reported $	Adjustments: Derivative Instruments $	Adjustments: Dropdown Predecessor $	Adjustments: Gross-up Presentation and Other $	As Restated $
		(in thousands, except unit and per unit data)			
Income Statement Data:					
January 1 to April 31, 2004					
Voyage revenues	$ 40,718		$ 11,131		$ 51,849
Operating expenses:					
Voyage expenses	1,842		152		1,994
Vessel operating expenses	10,302		2,481		12,783
Depreciation and amortization	8,585		2,423		11,008
General and administrative	2,103		1,009		3,112
Total operating expenses	22,832		6,065		28,897
Income from vessel operations	17,886		5,066		22,952
Interest expense	(17,490)		(1,512)		(19,002)
Interest income	8,692				8,692
Foreign currency exchange gain	18,010				18,010
Other loss	(10,934)				(10,934)
Income before non-controlling interest	16,164		3,554		19,718
Non-controlling interest					
Net income	$ 16,164	$	$ 3,554	$	$ 19,718
Dropdown Predecessor s interest in net income	$				$ 3,554
General Partner s interest in net income					
Limited partners interest:					
Net income	16,164				16,164
Net income per:					
Common unit (basic and diluted)	0.69				0.69
Subordinated unit (basic and diluted)	0.69				0.69
Total unit (basic and diluted)	0.69				0.69
Cash distributions declared per unit					
May 1 to December 31, 2004					
Voyage revenues	$ 83,115		$ 22,647	$	$ 105,762
Operating expenses:					
Voyage expenses	3,090		798		3,888
Vessel operating expenses	20,315		5,388		25,703

Depreciation and amortization	26,275		4,948		31,223
General and administrative	4,375		2,119		6,494
Total operating expenses	54,055		13,253		67,308
Income from vessel operations	29,060		9,394		38,454
Interest expense	(50,485)	(45,262)	(3,124)		(98,871)
Interest income	13,519				13,519
Foreign currency exchange loss	(78,831)				(78,831)
Other income	2,342	1,584			3,926
(Loss) income before non-controlling interest	(84,395)	(43,678)	6,270		(121,803)
Non-controlling interest					
Net (loss) income	$ (84,395)	$ (43,678)	$ 6,270	$	$ (121,803)
Dropdown Predecessor s interest in net income	$				$ 6,270
General Partner s interest in net income					
Limited partners interest:					
Net loss	(84,395)				(128,073)
Net loss per:					
Common unit (basic and diluted)	(3.60)				(5.46)
Subordinated unit (basic and diluted)	(3.60)				(5.46)
Total unit (basic and diluted)	(3.60)				(5.46)
Cash distributions declared per unit					

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	As Reported $	Adjustments: Derivative Instruments $	Adjustments: Dropdown Predecessor $	Adjustments: Gross-up Presentation and Other $	As Restated $
	(in thousands, except unit and per unit data)				
Income Statement Data:					
Year ended December 31, 2003					
Voyage revenues	$ 86,709		$ 7,664		$ 94,373
Operating expenses:					
Voyage expenses	4,911		49		4,960
Vessel operating expenses	26,440		1,752		28,192
Depreciation and amortization	23,390		1,672		25,062
General and administrative	8,799		764		9,563
Total operating expenses	63,540		4,237		67,777
Income from vessel operations	23,169		3,427		26,596
Interest expense	(20,147)		(331)		(20,478)
Interest income	8,431				8,431
Foreign currency exchange loss	(71,502)				(71,502)
Other income	617				617
(Loss) income before non-controlling interest	(59,432)		3,096		(56,336)
Non-controlling interest					
Net (loss) income	$ (59,432)	$	$ 3,096	$	$ (56,336)
Dropdown Predecessor s interest in net income	$				$ 3,096
General Partner s interest in net income					
Limited partners interest:					
Net loss	(59,432)				(59,432)
Net loss per:					
Common unit (basic and diluted)	(2.53)				(2.53)
Subordinated unit (basic and diluted)	(2.53)				(2.53)
Total unit (basic and diluted)	(2.53)				(2.53)
Cash distributions declared per unit					
Balance Sheet Data (at end of year):					
As at December 31, 2005					
Cash and marketable securities	$ 34,469	$	$ 1,486	$	35,955
Restricted cash	298,323				298,323

Vessels and equipment	1,502,386		20,501		1,522,887
Total assets	2,070,815		21,889	(7,070)	2,085,634
Total debt and capital lease obligations	1,248,136		18,145		1,266,281
Total stockholder s/partners equity (deficit)	769,139	(29,213)	3,743	(7,070)	736,599
As at December 31, 2004					
Cash and marketable securities	$ 156,410	$	$	$	$ 156,410
Restricted cash	435,112				435,112
Vessels and equipment	1,045,068		202,698		1,247,766
Total assets	1,885,366		204,270		2,089,636
Total debt and capital lease obligations	1,853,869		180,484		2,034,353
Total stockholder s/partners equity (deficit)	(123,002)		19,740		(103,262)
As at April 30, 2004					
Cash and marketable securities	$ 11,289	$	$	$	$ 11,289
Restricted cash	385,564				385,564
Vessels and equipment	602,055		183,443		785,498
Total assets	1,021,695		184,522		1,206,217
Total debt and capital lease obligations	1,072,379		141,208		1,213,587
Total stockholder s/partners equity (deficit)	(144,186)		43,314		(100,872)
As at December 31, 2003					
Cash and marketable securities	$ 22,533	$	$	$	$ 22,533
Restricted cash	398,038				398,038
Vessels and equipment	602,550		130,756		733,306
Total assets	1,069,081		131,431		1,200,512
Total debt and capital lease obligations	1,129,426		109,479		1,238,905
Total stockholder s/partners equity (deficit)	(164,809)		20,945		(143,864)

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	As Reported $	Adjustments: Derivative Instruments $	Adjustments: Dropdown Predecessor $	Adjustments: Gross-up Presentation and Other $	As Restated $
	(in thousands, except unit and per unit data)				
Cash Flow Data:					
For the period January 1 to April 30, 2004					
Net cash provided by (used in):					
Operating activities	$ 14,808	$	$ 5,977	$	$ 20,785
Financing activities	(25,846)		(5,977)		(31,823)
Investing activities	901				901
For the period May 1 to December 31, 2004					
Net cash provided by (used in):					
Operating activities	$ 10,268	$	$ 13,360	$	$ 23,628
Financing activities	393,149		13,140		406,289
Investing activities	(258,198)		(26,500)		(284,698)
For the year ended December 31, 2003					
Net cash provided by (used in):					
Operating activities	$ 18,318	$	$ 5,100	$	$ 23,418
Financing activities	(277,616)		(5,100)		(282,716)
Investing activities	262,766				262,766

Risk Factors

The information included in Item 3 Risk Factors in the Original Filing has not been updated for information or events occurring after the date of the Original Filing and has not been updated to reflect the passage of time since the date of the Original Filing.

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

We may not have sufficient cash available each quarter to pay the minimum quarterly distribution on our common units. The amount of cash we can distribute on our common units principally depends upon the amount of cash we generate from our operations, which may fluctuate based on, among other things:

- the rates we obtain from our charters;
- the level of our operating costs, such as the cost of crews and insurance;
- the continued availability of LNG and LPG production, liquefaction and regasification facilities;
- the number of unscheduled off-hire days for our fleet and the timing of, and number of days required for, scheduled drydocking of our vessels;
- delays in the delivery of newbuildings and the beginning of payments under charters relating to those vessels;
- prevailing global and regional economic and political conditions;
- currency exchange rate fluctuations; and

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

The actual amount of cash we will have available for distribution also will depend on factors such as:

- the level of capital expenditures we make, including for maintaining vessels, building new vessels, acquiring existing vessels and complying with regulations;
- our debt service requirements and restrictions on distributions contained in our debt instruments;
- fluctuations in our working capital needs;
- our ability to make working capital borrowings, including to pay distributions to unitholders; and
- the amount of any cash reserves, including reserves for future capital expenditures and other matters, established by our General Partner in its discretion.

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

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

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

- the cost of labor and materials;
- customer requirements;
- increases in the size of our fleet;
- governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment; and
- competitive standards.

Our significant maintenance capital expenditures reduce the amount of cash we have available for distribution to our unitholders.

In addition, our actual maintenance capital expenditures vary significantly from quarter to quarter based on, among other things, the number of vessels drydocked during that quarter. Our partnership agreement requires our General Partner to deduct estimated, rather than actual, maintenance capital expenditures from operating surplus each quarter in an effort to reduce fluctuations in operating surplus (as defined in our partnership agreement). The amount of estimated maintenance capital expenditures deducted from operating surplus is subject to review and change by the conflicts committee of our General Partner s board of directors at least once a year. In years when estimated maintenance capital expenditures are higher than actual maintenance capital expenditures as we expect will be the case in the years we are not required to make expenditures for mandatory drydockings the amount of cash available for distribution to unitholders will be lower than if actual maintenance capital expenditures were deducted from operating surplus. If our General Partner underestimates the appropriate level of estimated maintenance capital expenditures, we may have less cash available for distribution in future periods when actual capital expenditures begin to exceed our previous estimates.

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

We make substantial capital expenditures to increase the size of our fleet, particularly the number of LNG and LPG carriers we own. We have agreed to purchase from Teekay Corporation its interests in a number of LNG newbuilding carriers and from I.M. Skaugen ASA (or *Skaugen*) three LPG carriers. Teekay Corporation is obligated to offer to us its interests in additional vessels. Please read Item 4: Information on the Partnership Overview, History and Development, for additional information about some of these pending and proposed acquisitions. In addition, we are obligated to purchase five of our existing Suezmax tankers upon the termination of the related capital leases, which will occur at various times from 2008 to 2011.

We and Teekay Corporation regularly evaluate and pursue opportunities to provide the marine transportation requirements for new or expanding LNG and LPG projects. Teekay Corporation currently has submitted bids to provide transportation solutions for LNG and LPG projects and we and Teekay Corporation may submit additional bids from time to time. The award process relating to LNG transportation opportunities typically involves various stages and takes several months to complete. Neither we nor Teekay Corporation may be awarded charters relating to any of the projects we or it pursues. If any LNG and LPG project charters are awarded to Teekay Corporation, it must offer them to us pursuant to the terms of an omnibus agreement entered into in connection with our initial public offering. If we elect pursuant to the omnibus agreement to obtain Teekay Corporation s interests in any projects Teekay Corporation may be awarded, or if we bid on and are awarded contracts relating to any LNG and LPG project, we will need to incur significant capital expenditures to buy Teekay Corporation s interest in these LNG and LPG projects or to build the LNG and LPG carriers.

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

A shipowner typically is required to expend substantial sums as progress payments during construction of a newbuilding, but does not derive any income from the vessel until after its delivery. If we were unable to obtain financing required to complete payments on any future newbuilding orders, we could effectively forfeit all or a portion of the progress payments previously made.

Our ability to grow may be adversely affected by our cash distribution policy.

Our cash distribution policy, which is consistent with our partnership agreement, requires us to distribute all of our available cash (as defined in our partnership agreement) each quarter. Accordingly, our growth may not be as fast as businesses that reinvest their available cash to expand ongoing operations.

Our substantial debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

As of December 31, 2007, our consolidated debt, capital lease obligations and advances from affiliates totaled \$2.6 billion and we had the capacity to borrow an additional \$431.0 million under our credit facilities. These facilities may be used by us for General Partnership purposes. If we are awarded contracts for new LNG or LPG projects, our consolidated debt and capital lease obligations will increase, perhaps significantly. We will continue to have the ability to incur additional debt, subject to limitations in our credit facilities. Our level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- we will need a substantial portion of our cash flow to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and distributions to unitholders;
- our debt level may make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our industry or the economy generally; and
- our debt level may limit our flexibility in responding to changing business and economic conditions.

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Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

Financing agreements containing operating and financial restrictions may restrict our business and financing activities.

The operating and financial restrictions and covenants in our financing arrangements and any future financing agreements for us could adversely affect our ability to finance future operations or capital needs or to engage, expand or pursue our business activities. For example, the arrangements may restrict our ability to:

- incur or guarantee indebtedness;
- change ownership or structure, including mergers, consolidations, liquidations and dissolutions;
- make dividends or distributions when in default of the relevant loans;
- make certain negative pledges and grant certain liens;
- sell, transfer, assign or convey assets;
- make certain investments; and
- enter into a new line of business.

In addition, some of our financing arrangements require us to maintain a minimum level of tangible net worth and a minimum level of aggregate liquidity, a maximum level of leverage and require one of our subsidiaries to maintain restricted cash deposits. Our ability to comply with covenants and restrictions contained in debt instruments may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, compliance with these covenants may be impaired. If restrictions, covenants, ratios or tests in the financing agreements are breached, a significant portion of the obligations may become immediately due and payable, and the lenders commitment to make further loans may terminate. We might not have or be able to obtain sufficient funds to make these accelerated payments. In addition, our obligations under our existing credit facilities are secured by certain of our vessels, and if we are unable to repay debt under the credit facilities, the lenders could seek to foreclose on those assets.

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

The payment of principal and interest on our debt and capital lease obligations reduces cash available for distribution to us and on our units. In addition, our financing agreements prohibit the payment of distributions upon the occurrence of the following events, among others:

- failure to pay any principal, interest, fees, expenses or other amounts when due;
- failure to notify the lenders of any material oil spill or discharge of hazardous material, or of any action or claim related thereto;
- breach or lapse of any insurance with respect to vessels securing the facility;
- breach of certain financial covenants;
- failure to observe any other agreement, security instrument, obligation or covenant beyond specified cure periods in certain cases;
- default under other indebtedness;
- bankruptcy or insolvency events;
- failure of any representation or warranty to be materially correct;
- a change of control, as defined in the applicable agreement; and
- a material adverse effect, as defined in the applicable agreement.

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We derive a substantial majority of our revenues from a limited number of customers, and the loss of any customer, time charter or vessel could result in a significant loss of revenues and cash flow.

We have derived, and believe that we will continue to derive, a significant portion of our revenues and cash flow from a limited number of customers. Please see Item 18 Financial Statements: Note 3 Segment Reporting.

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

- the customer fails to make charter payments because of its financial inability, disagreements with us or otherwise;
- the customer exercises certain rights to terminate the charter, purchase or cause the sale of the vessel or, under some of our charters, convert the time charter to a bareboat charter (some of which rights are exercisable at any time);
- the customer terminates the charter because we fail to deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged periods of off-hire, or we default under the charter; or
- under some of our time charters, the customer terminates the charter because of the termination of the charterer s LNG sales agreement supplying the LNG designated for our services, or a prolonged force majeure event affecting the customer, including damage to or destruction of relevant LNG production or regasification facilities, war or political unrest preventing us from performing services for that customer.

If we lose a key LNG or LPG time charter, we may be unable to re-deploy the related vessel on terms as favorable to us due to the long-term nature of most LNG and LPG time charters and the lack of an established LNG spot market. If we are unable to re-deploy an LNG carrier, we will not receive any revenues from that vessel, but we may be required to pay expenses necessary to maintain the vessel in proper operating condition. In addition, if a customer exercises its right to purchase a vessel, we would not receive any further revenue from the vessel and may be unable to obtain a substitute vessel and charter. This may cause us to receive decreased revenue and cash flows from having fewer vessels operating in our fleet. Any compensation under our charters for a purchase of the vessels may not adequately compensate us for the loss of the vessel and related time charter.

If we lose a key Suezmax tanker customer, we may be unable to obtain other long-term Suezmax charters and may become subject to the volatile spot market, which is highly competitive and subject to significant price fluctuations. If a customer exercises its right under some charters to purchase or force a sale of the vessel, we may be unable to acquire an adequate replacement vessel or may be forced to construct a new vessel. Any replacement newbuilding would not generate revenues during its construction and we may be unable to charter any replacement vessel on terms as favorable to us as those of the terminated charter.

The loss of any of our customers, time charters or vessels, or a decline in payments under our charters, could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

We depend on Teekay Corporation to assist us in operating our business, competing in our markets, and providing interim financing for certain vessel acquisitions.

Pursuant to certain services agreements between us and certain of our operating subsidiaries, on the one hand, and certain subsidiaries of Teekay Corporation, on the other hand, the Teekay Corporation subsidiaries provide to us administrative services and to our operating subsidiaries significant operational services (including vessel maintenance, crewing for some of our vessels, purchasing, shipyard supervision, insurance and financial services) and other technical, advisory and administrative services. Our operational success and ability to execute our growth strategy depend significantly upon Teekay Corporation s satisfactory performance of these services. Our business will be harmed if Teekay Corporation fails to perform these services satisfactorily or if Teekay Corporation stops providing these services to us.

Our ability to compete for the transportation requirements of LNG and LPG projects and to enter into new time charters and expand our customer relationships depends largely on our ability to leverage our relationship with Teekay Corporation and its reputation and relationships in the shipping industry. If Teekay Corporation suffers material damage to its reputation or relationships it may harm our ability to:

- renew existing charters upon their expiration;
- obtain new charters;

- successfully interact with shipyards during periods of shipyard construction constraints;
- obtain financing on commercially acceptable terms; or
- maintain satisfactory relationships with our employees and suppliers.

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

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Teekay Corporation is also incurring all costs for the construction and delivery of certain newbuildings, which we refer to as warehousing. Upon their delivery, we will purchase all of the interest of Teekay Corporation in the vessels at a price that will reimburse Teekay Corporation for these costs and compensate it for its average weighted cost of capital on the construction payments. We may enter into similar arrangements with Teekay Corporation or third parties in the future. If Teekay Corporation or any such third party fails to make construction payments for these newbuildings or other vessels warehoused for us, we could lose access to the vessels as a result of the default or we may need to finance these vessels before they begin operating and generating voyage revenues, which could harm our business and reduce our ability to make cash distributions.

Our growth depends on continued growth in demand for LNG and LPG shipping.

Our growth strategy focuses on continued expansion in the LNG and LPG shipping sectors. Accordingly, our growth depends on continued growth in world and regional demand for LNG and LPG shipping, which could be negatively affected by a number of factors, such as:

- increases in the cost of natural gas derived from LNG relative to the cost of natural gas generally;
- increase in the cost of LPG relative to the cost of naphtha and other competing petrochemicals;
- increases in the production of natural gas in areas linked by pipelines to consuming areas, the extension of existing, or the development of new, pipeline systems in markets we may serve, or the conversion of existing non-natural gas pipelines to natural gas pipelines in those markets;
- decreases in the consumption of natural gas due to increases in its price relative to other energy sources or other factors making consumption of natural gas less attractive;
- availability of new, alternative energy sources, including compressed natural gas; and
- negative global or regional economic or political conditions, particularly in LNG and LPG consuming regions, which could reduce energy consumption or its growth.

Reduced demand for LNG and LPG shipping would have a material adverse effect on our future growth and could harm our business, results of operations and financial condition.

Growth of the LNG market may be limited by infrastructure constraints and community environmental group resistance to new LNG infrastructure over concerns about the environment, safety and terrorism

A complete LNG project includes production, liquefaction, regasification, storage and distribution facilities and LNG carriers. Existing LNG projects and infrastructure are limited, and new or expanded LNG projects are highly complex and capital-intensive, with new projects often costing several billion dollars. Many factors could negatively affect continued development of LNG infrastructure or disrupt the supply of LNG, including:

- increases in interest rates or other events that may affect the availability of sufficient financing for LNG projects on commercially reasonable terms;
- decreases in the price of LNG, which might decrease the expected returns relating to investments in LNG projects;
- the inability of project owners or operators to obtain governmental approvals to construct or operate LNG facilities;
- local community resistance to proposed or existing LNG facilities based on safety, environmental or security concerns;
- any significant explosion, spill or similar incident involving an LNG facility or LNG carrier;
- labor or political unrest affecting existing or proposed areas of LNG production; and
- capacity constraints at existing shipyards, which are expected to continue until at least the end of the decade.

If the LNG supply chain is disrupted or does not continue to grow, or if a significant LNG explosion, spill or similar incident occurs, it could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

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

One of our principal objectives is to enter into additional long-term, fixed-rate LNG time charters. The process of obtaining new long-term LNG time charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. LNG shipping contracts are awarded based upon a variety of factors relating to the vessel operator, including:

- shipping industry relationships and reputation for customer service and safety;
- LNG shipping experience and quality of ship operations (including cost effectiveness);
- quality and experience of seafaring crew;

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- the ability to finance LNG carriers at competitive rates and financial stability generally;
- relationships with shipyards and the ability to get suitable berths;
- construction management experience, including the ability to obtain on-time delivery of new vessels according to customer specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

We compete for providing marine transportation services for potential LNG projects with a number of experienced companies, including state-sponsored entities and major energy companies affiliated with the LNG project requiring LNG shipping services. Many of these competitors have significantly greater financial resources than we do or Teekay Corporation does. We anticipate that an increasing number of marine transportation companies including many with strong reputations and extensive resources and experience will enter the LNG transportation sector. This increased competition may cause greater price competition for time charters. As a result of these factors, 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, results of operations and financial condition and our ability to make cash distributions.

Delays in deliveries of newbuildings could harm our operating results and lead to the termination of related time charters.

We have agreed to purchase various newbuilding vessels. The delivery of these vessels, or any other newbuildings we may order or otherwise acquire, could be delayed, which would delay our receipt of revenues under the time charters for the vessels. In addition, under some of our charters if our delivery of a vessel to our customer is delayed, we may be required to pay liquidated damages in amounts equal to or, under some charters, almost double, the hire rate during the delay. For prolonged delays, the customer may terminate the time charter and, in addition to the resulting loss of revenues, we may be responsible for additional, substantial liquidated damages.

Our receipt of newbuildings could be delayed because of:

- quality or engineering problems;
- changes in governmental regulations or maritime self-regulatory organization standards;
- work stoppages or other labor disturbances at the shipyard;
- bankruptcy or other financial crisis of the shipbuilder;
- a backlog of orders at the shipyard;
- political or economic disturbances in South Korea or other locations, where our vessels are being or may be 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.

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

We may have more difficulty entering into long-term, fixed-rate time charters if an active short-term or spot LNG shipping market develops.

LNG shipping historically has been transacted with long-term, fixed-rate time charters, usually with terms ranging from 20 to 25 years. One of our principal strategies is to enter into additional long-term, fixed-rate LNG time charters. However, the number of spot and short-term charters has been increasing, with LNG charters under 12 months in duration growing from less than 2% of the market in the late 1990s to almost 13% in 2006.

If an active spot or short-term market continues to develop, we may have increased difficulty entering into long-term, fixed-rate time charters for our LNG vessels and, as a result, our cash flow may decrease and be less stable. In addition, an active short-term or spot LNG market may require us to enter into charters based on changing market prices, as opposed to contracts based on a fixed rate, which could result in a decrease in our cash flow in periods when the market price for shipping LNG is depressed or insufficient funds are available to cover our financing costs for related vessels.

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Over time vessel values may fluctuate substantially and, if these values are lower at a time when we are attempting to dispose of a vessel, we may incur a loss.

Vessel values for LNG and LPG carriers and Suezmax oil tankers can fluctuate substantially over time due to a number of different factors, including:

- prevailing economic conditions in natural gas, oil and energy markets;
- a substantial or extended decline in demand for natural gas, LNG, LPG or oil;
- increases in the supply of vessel capacity; and
- the cost of retrofitting or modifying existing vessels, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulation or standards, or otherwise.

Vessel values may decline substantially from existing levels. If a charter terminates, we may be unable to re-deploy the vessel at attractive rates and, rather than continue to incur costs to maintain and finance it, may seek to dispose of it. Our inability to dispose of the vessel at a reasonable value could result in a loss on its sale and adversely affect our results of operations and financial condition.

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

Our growth strategy includes selectively acquiring existing LNG carriers or LNG shipping businesses. Historically, there have been very few purchases of existing vessels and businesses in the LNG shipping industry. Factors that may contribute to a limited number of acquisition opportunities in the LNG industry in the near term include the relatively small number of independent LNG fleet owners and the limited number of LNG carriers not subject to existing long-term charter contracts. In addition, competition from other companies could reduce our acquisition opportunities or cause us to pay higher prices.

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

- fail to realize anticipated benefits, such as new customer relationships, cost-savings or cash flow enhancements;
- be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;
- decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense or financial leverage if we incur additional debt to finance acquisitions;
- incur or assume unanticipated liabilities, losses or costs associated with the business or vessels acquired; or
- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

Unlike newbuildings, existing vessels typically do not carry warranties as to their condition. While we generally 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.

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

Terrorist attack