Teekay LNG Partners L.P.
Form 424B5
September 05, 2012
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Registration No. 333-174220

PROSPECTUS SUPPLEMENT

(To Prospectus dated May 13, 2011)

4,600,000 Common Units

Representing Limited Partner Interests

Teekay LNG Partners L.P.

$38.43 per common unit

We are selling 4,600,000 of our common units, representing limited partner interests. We have granted the underwriters an option to purchase up to 690,000 additional common units.

Our common units are listed on the New York Stock Exchange under the symbol TGP. The last reported sale price of our common units on the New York Stock Exchange on September 4, 2012 was $39.95 per common unit.

Investing in our common units involves risks. Please read Risk Factors beginning on page S-5 of this prospectus supplement and page 5 of the accompanying prospectus before you make an investment in our common units.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

	Per common unit	Total
Public offering price	$ 38.43	$ 176,778,000
Underwriting discount	$ 1.38	$ 6,348,000
Proceeds to us (before expenses) from this offering to the public	$ 37.05	$ 170,430,000

The underwriters expect to deliver the common units on or about September 10, 2012 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

UBS Investment Bank **Morgan Stanley** **Deutsche Bank Securities**

Senior Co-Managers

Credit Suisse **J.P. Morgan**

Junior Co-Managers

ABN AMRO **Credit Agricole CIB** **DNB Markets**

September 5, 2012

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common units. Generally, when we refer to the prospectus, we refer to both parts combined. If information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus or any free writing prospectus we may authorize to be delivered to you. We have not authorized anyone to provide you with different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus or any free writing prospectus we may authorize to be delivered to you, as well as the information we previously filed with the Securities and Exchange Commission (or *SEC*) that is incorporated by reference herein, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since such dates.

We are offering to sell the common units, and are seeking offers to buy the common units, only in jurisdictions where offers and sales are permitted. The distribution of this prospectus and the offering of the common units in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the common units and the distribution of this prospectus outside the United States. This prospectus does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus are 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. In some cases, you can identify the forward-looking statements by the use of words such as may, will, could, should, would, expect, plan, anticipate, intend, forecast, believe, estimate, predict, propose, potential, contin terms or other comparable terminology. Forward-looking statements include statements with respect to, among other things, those relating to our projects with future deliveries and our business strategies, and those set forth in the sections titled Material U.S. Federal Income Tax Considerations and Non-United States Tax Considerations in this prospectus supplement, including with respect to the ratio of taxable income to distributions.

These and other forward-looking statements are made based upon management s current plans, expectations, estimates, assumptions and beliefs concerning future events affecting us and, therefore, involve a number of risks and uncertainties. The risks and uncertainties include those risks discussed in Risk Factors set forth in the prospectus and those discussed in other reports we file with the SEC and that are incorporated in this prospectus by reference, including our Annual Report on Form 20-F for the year ended December 31, 2011. The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

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

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SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference in this prospectus and does not contain all the information you will need in making an investment decision. You should carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus. Unless otherwise specifically stated, the information presented in this prospectus supplement assumes that the underwriters have not exercised their option to purchase additional common units.

Unless otherwise indicated, references in this prospectus to Teekay LNG Partners, we, us and our and similar terms refer to Teekay LNG Partners L.P. and/or one or more of its subsidiaries, except that those terms, when used in this prospectus in connection with the common units described herein, shall mean specifically Teekay LNG Partners L.P. References in this prospectus to Teekay Corporation refer to Teekay Corporation and/or any one or more of its subsidiaries.

Overview

We are an international provider of marine transportation services for liquefied natural gas (or *LNG*), liquefied petroleum gas (or *LPG*) and crude oil. We were formed in 2004 by Teekay Corporation, the world s largest owner and operator of medium-sized crude oil tankers, to expand its operations in the LNG shipping sector. Our primary growth strategy focuses on expanding our fleet of LNG and LPG carriers under long-term, fixed-rate charters. In executing our growth strategy, we may engage in vessel or business acquisitions or enter into joint ventures and partnerships with companies that may provide increased access to emerging opportunities from global expansion of the LNG and LPG sectors.

Our fleet, excluding newbuildings, currently consists of 27 LNG carriers, 10 Suezmax-class crude oil tankers, five LPG carriers and one Handymax product tanker, all of which are double-hulled and generally operate under long-term, fixed-rate charters with major energy and utility companies. Our interests in these vessels range from 33% to 100%. Although we may acquire additional crude oil tankers from time to time, we view our conventional tanker fleet primarily as a source of stable cash flow as we seek to continue to expand our LNG and LPG operations. We seek to leverage the expertise, relationships and reputation of Teekay Corporation and its affiliates to pursue growth opportunities in the LNG and LPG shipping sectors and may consider other opportunities for which our competitive strengths are well suited. As of June 30, 2012, Teekay Corporation, which beneficially owns and controls our general partner, beneficially owned a 40.1% interest in us, including a 2% general partner interest.

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. We own our interests in our subsidiaries through our 100% ownership interest in our operating company, Teekay LNG Operating L.L.C., a Marshall Islands limited liability company. Our general partner, Teekay GP L.L.C., a Marshall Islands limited liability company, has an economic interest in us and manages our operations and activities.

Business Strategies

Our primary business objective is to increase distributable cash flow per unit by executing the following strategies:

Expand our LNG and LPG operations globally. We seek to capitalize on opportunities emerging from the global expansion of the LNG and LPG sector by selectively targeting:

- projects that involve medium-to long-term, fixed-rate charters;

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joint ventures and partnerships with companies that may provide increased access to opportunities in attractive LNG and LPG importing and exporting geographic regions;

strategic vessel and business acquisitions; and

adjacent areas of business, including floating storage and regasification units (or *FSRUs*).

Provide superior customer service by maintaining high reliability, safety, environmental and quality standards. LNG and LPG project operators seek LNG and LPG transportation partners that have a reputation for high reliability, safety, environmental and quality standards. We seek to leverage our own and Teekay Corporation s operational expertise to create a sustainable competitive advantage with consistent delivery of superior customer service.

Manage our conventional tanker fleet to provide stable cash flows. The remaining terms for our existing long-term conventional tanker charters are four to 13 years. We believe the fixed-rate time-charters for our conventional tanker fleet provide us stable cash flows during their terms and a source of funding for expanding our LNG and LPG operations. Depending on prevailing market conditions during and at the end of each existing charter, we may seek to extend the charter, enter into a new charter, operate the vessel on the spot market or sell the vessel, in an effort to maximize returns on our conventional tanker fleet while managing residual risk.

Recent Developments

Maersk LNG Acquisition

In 2011, we and the Marubeni Corporation (or *Marubeni*) entered into an agreement to acquire, through a joint venture, ownership interests in six LNG carriers from Denmark-based A.P. Moller-Maersk A/S (or *Maersk*) for an aggregate purchase price of approximately $1.3 billion (or the *Maersk LNG Acquisition*). We and Marubeni have 52% and 48% economic interests, respectively, but share control in the joint venture, MALT LNG Holdings ApS (or the *Teekay LNG-Marubeni Joint Venture*), that we formed to acquire the LNG carriers. In February 2012, the Teekay LNG-Marubeni Joint Venture acquired a 100% interest in the six LNG carriers (or the *MALT LNG Carriers*). Four of the six MALT LNG Carriers are currently operating under long-term, fixed-rate time-charter contracts, with an average remaining firm contract period of approximately 17 years, plus extension options. The other two vessels are currently operating under medium-term, fixed-rate time-charters with an average remaining firm contract period of approximately four years. Since control of the Teekay LNG-Marubeni Joint Venture is shared jointly between Marubeni and us, we account for our investment in the Teekay LNG-Marubeni Joint Venture using the equity method.

The Teekay LNG-Marubeni Joint Venture financed approximately $1.06 billion of the purchase price for the MALT LNG Carriers from secured loan facilities, and $266 million from equity contributions from us and Marubeni Corporation. We agreed to guarantee our 52% share of the secured loan facilities of the Teekay LNG-Marubeni Joint Venture and as a result, deposited $30 million in a restricted cash account as security. Our 52% share of the equity contribution was approximately $138 million. We financed this equity contribution by drawing on our existing credit facilities. Teekay Corporation has substantially taken over the technical management of the acquired vessels.

Angola LNG Project

In December 2007, a consortium in which Teekay Corporation had a 33% ownership interest agreed to charter four newbuilding 160,400-cubic meter LNG carriers (or the *Angola LNG Carriers*) to the Angola LNG Project. The Angola LNG Project involves the collection and transportation of gas from offshore production facilities to an onshore LNG processing plant at Soyo, located in northwest Angola. The project is being developed by subsidiaries of Chevron Corporation, Sociedade Nacional de Combustiveis de Angola EP, BP Plc,

Total S.A. and Eni SpA. Mitsui & Co., Ltd. and NYK Bulkship (Europe) have 34% and 33% ownership interests in the consortium, respectively. In 2011, Teekay Corporation offered to us, and we agreed to purchase, its 33% ownership interest in these vessels and related charter contracts at a total equity purchase price of approximately $76 million (net of assumed debt of approximately $259 million), subject to adjustment based on actual costs incurred at the time of delivery. We acquired the ownership interests and paid a proportionate share of the purchase price as each vessel was delivered. Three of the Angola LNG Carriers were delivered in 2011 and the final Angola LNG Carrier was delivered in January 2012.

The Angola LNG Carriers are chartered at fixed rates, subject to inflation adjustments, to the Angola LNG Project for a period of 20 years from the date of delivery from the shipyard, with two extension periods for five years each. The charterer has the option to terminate the charter upon 120 days notice and payment of an early termination fee, which would equal approximately 50% of the fully built-up cost of the applicable vessel. The charterer may also terminate the charter under other circumstances typical in our long-term charters, such as excessive off-hire during which we do not provide a replacement vessel or certain force majeure events.

Norwegian Bond Issuance

In May 2012, we issued in the Norwegian bond market Norwegian Kroner 700 million in senior unsecured bonds that mature in May 2017 and bear interest at NIBOR plus a margin of 5.25%. The aggregate principal amount of the bonds is equivalent to approximately U.S. $125 million and we entered into a cross currency swap agreement to swap all interest and principal payments into U.S. dollars, with the interest payments fixed at a rate of 6.88%. We used the proceeds of the bonds to prepay outstanding debt under our revolving credit facilities and for general corporate purposes. We are applying to list the bonds on the Oslo Stock Exchange.

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THE OFFERING

Issuer	Teekay LNG Partners L.P.
Common units offered by us	4,600,000 common units.
	5,290,000 common units if the underwriters exercise in full their option to purchase up to an additional 690,000 common units.
Units outstanding after this offering	69,457,900 common units. 70,147,900 common units if the underwriters exercise their option to purchase additional common units in full.
Use of proceeds	We intend to use the net proceeds of approximately $167.2 million from this offering, including our general partner s related capital contribution, for general partnership purposes, which may include funding potential future newbuilding deliveries or vessel acquisitions. Pending our use of the proceeds, we intend to repay outstanding debt under two of our revolving credit facilities. Please read Use of Proceeds.
	Certain affiliates of the underwriters in this offering are lenders under our credit facilities and, accordingly, will receive a portion of the proceeds of this offering. Please read the Underwriting (Conflicts of Interest) section in this prospectus supplement.
Estimated ratio of taxable income to distributions	We estimate that if you hold the common units you purchase in this offering through December 31, 2015 you will be allocated, on a cumulative basis, an amount of U.S. federal taxable income for that period that will be 20% or less of the cash distributed to you with respect to that period. For a discussion of the basis for this estimate and of factors that may affect our ability to achieve this estimate, please read Material U.S. Federal Income Tax Considerations Ratio of Taxable Income to Distributions.
New York Stock Exchange Symbol	TGP

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RISK FACTORS

Before investing in our common units, you should carefully consider all of the information included or incorporated by reference into this prospectus. Although many of our business risks are comparable to those of a corporation engaged in a similar business, limited partner interests are inherently different from the capital stock of a corporation. When evaluating an investment in our common units, you should carefully consider those risks discussed under the caption Risk Factors beginning on page 5 of the accompanying prospectus and the discussion of risk factors beginning on page 9 of our Annual Report on Form 20-F for the year ended December 31, 2011, which is incorporated by reference into this prospectus. If any of these risks or other risks incorporated by reference into this prospectus were to occur, our business, financial condition or operating results could be materially adversely affected. In that case, our ability to pay distributions on our common units may be reduced, the trading price of our common units could decline, and you could lose all or part of your investment. In addition, we are subject to the following risks and uncertainties.

In addition to the following risk factors, you should read Material U.S. Federal Income Tax Considerations in this prospectus supplement and in the accompanying base prospectus for a more complete discussion of expected material U.S. federal income tax consequences of owning and disposing of our securities.

Tax Risks

The decision of the United States Court of Appeals for the Fifth Circuit in Tidewater Inc. v. United States creates some uncertainty as to whether we will be classified as a partnership for U.S. federal income tax purposes.

In order for us to be classified as a partnership for U.S. federal income tax purposes, more than 90% of our gross income each year must be qualifying income under Section 7704 of the U.S. Internal Revenue Code of 1986, as amended (the *Code*). For this purpose, qualifying income includes income from providing marine transportation services to customers with respect to crude oil, natural gas and certain products thereof, but may not include rental income from leasing vessels to customers.

The decision of the United States Court of Appeals for the Fifth Circuit in *Tidewater Inc. v. United States,* 565 F.3d 299 (5th Cir. 2009) held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the Code. However, the Internal Revenue Service (or *IRS*) stated in an Action on Decision (AOD 2010-001) that it disagrees with, and will not acquiesce to, the way that the rental versus services framework was applied to the facts in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for purposes of the passive foreign investment company provisions of the Code. The IRS s statement with respect to *Tidewater* cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing qualifying income under Section 7704 of the Code, there can be no assurance that the IRS or a court would not follow the *Tidewater* decision in interpreting the qualifying income provisions under Section 7704 of the Code. Nevertheless, our counsel, Perkins Coie LLP, is of the opinion that our time charter income should be qualifying income within the meaning of Section 7704(d) of the Code and that we should (as opposed to will) be classified as a partnership for U.S. federal income tax purposes. No assurance can be given, however, that the opinion of Perkins Coie LLP would be sustained by a court if contested by the IRS. Please read Material U.S. Federal Income Tax Considerations Classification as a Partnership.

Some of our subsidiaries that are classified as corporations for U.S. federal income tax purposes might be treated as passive foreign investment companies, which could result in additional taxes to our unitholders.

Certain of our subsidiaries that are classified as corporations for U.S. federal income tax purposes could be treated as passive foreign investment companies (or *PFICs*) for U.S. federal income tax purposes. U.S. shareholders of a

PFIC are subject to an adverse 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. We have received a ruling from the IRS that our subsidiary Teekay LNG Holdco L.L.C. will be classified as a controlled foreign corporation (or *CFC*) rather than a PFIC as long as it is wholly-owned by our U.S. partnership. Our subsidiaries Arctic Spirit L.L.C., Polar Spirit L.L.C., DHJS Hull No. 2007-001 L.L.C. and DHJS Hull No. 2007-002 L.L.C. are also owned by our U.S. partnership. We intend to take the position, and our counsel, Perkins Coie LLP, is of the opinion, that these subsidiaries should also be treated as CFCs rather than PFICs. No assurance can be given, however, that the opinion of Perkins Coie LLP would be sustained by a court if contested by the IRS. Please read Material U.S. Federal Income Tax Considerations Taxation of our Subsidiary Corporations.

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USE OF PROCEEDS

We expect to receive net proceeds of approximately $167.2 million from the sale of common units we are offering, including from our general partners capital contribution to maintain its 2% general partner interest in us, after deducting the underwriting discount and estimated expenses payable by us. We expect to receive net proceeds of approximately $192.3 million if the underwriters option to acquire additional common units is exercised in full, including proceeds from our general partner s related capital contribution.

We intend to use the net proceeds from our sale of common units covered by this prospectus and the capital contribution by our general partner for general partnership purposes, which may include funding potential future newbuilding deliveries or vessel acquisitions. Pending our use of the proceeds, we intend to repay outstanding debt under two of our revolving credit facilities, which have fluctuating interest rates based on the London Interbank Offered Rate (LIBOR) plus 0.50% and 0.55%, respectively. These credit facilities mature on April 7, 2015 and August 23, 2018, respectively, and are available for general partnership purposes, including funding potential future newbuilding deliveries or vessel acquisitions. During the past year, we have used these credit facilities for general partnership purposes, including funding the Maersk LNG Acquisition.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2012 on an historical basis and on an as adjusted basis to give effect to this offering, the capital contribution by our general partner to maintain its 2% general partner interest in us, and the repayment of two of our credit facilities with the estimated net proceeds therefrom. Please read Use of Proceeds.

The historical data in the table is derived from and should be read in conjunction with our consolidated financial statements, including accompanying notes, incorporated by reference in this prospectus. You should also read this table in conjunction with the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes thereto, which are incorporated by reference herein from our Annual Report on Form 20-F for the year ended December 31, 2011 and our Report on Form 6-K for the quarterly period ended June 30, 2012.

	As of June 30, 2012	
	Actual	**As adjusted(1)**
	(in thousands)	
Cash and cash equivalents	$ 114,916	$ 114,916
Restricted cash(2)	526,705	526,705
Total cash and restricted cash	$ 641,621	$ 641,621
Long-term debt, including current portion:		
Long-term debt	$ 1,533,652	$ 1,366,442
Long-term obligations under capital leases(2)	642,346	642,346
Total long-term debt	2,175,998	2,008,788
Equity:		
Non-controlling interest	29,712	29,712
Partners equity	1,071,639	1,238,849
Total capitalization	$ 3,277,349	$ 3,277,349

(1) Assumes the underwriters have not exercised their option to purchase additional common units.

(2) Under certain capital lease arrangements, we maintain restricted cash deposits that, together with interest earned on the deposits, will equal the remaining scheduled payments we owe under our capital leases. The interest we receive from these deposits is used solely to pay interest associated with our capital leases, and the amount of interest we receive approximates the amount of interest we pay on our capital leases.

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PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

Our common units are listed for trading on the New York Stock Exchange under the symbol TGP.

The following table sets forth, for the periods indicated, the high and low sales price per common unit, as reported on the New York Stock Exchange, and the amount of quarterly cash distributions declared per unit. The closing sales price of our common units on the New York Stock Exchange on September 4, 2012 was $39.95 per common unit.

	Price ranges		
	High	Low	Quarterly cash distributions(1)
Years Ended			
December 31, 2011	$ 41.50	$ 28.61	
December 31, 2010	$ 38.25	$ 19.75	
December 31, 2009	$ 26.91	$ 15.02	
December 31, 2008	$ 32.50	$ 9.10	
December 31, 2007	$ 40.26	$ 28.56	
Quarters Ended			
September 30, 2012(2)	$ 41.41	$ 37.32	
June 30, 2012	$ 42.26	$ 34.68	$ 0.6750
March 31, 2012	$ 40.44	$ 33.50	$ 0.6750
December 31, 2011	$ 36.88	$ 28.61	$ 0.6300
September 30, 2011	$ 38.40	$ 28.81	$ 0.6300
June 30, 2011	$ 41.20	$ 33.55	$ 0.6300
March 31, 2011	$ 41.50	$ 34.00	$ 0.6300
December 31, 2010	$ 38.25	$ 31.45	$ 0.6300
September 30, 2010	$ 35.34	$ 28.35	$ 0.6000
June 30, 2010	$ 31.09	$ 19.75	$ 0.6000
March 31, 2010	$ 30.18	$ 23.22	$ 0.6000
Months Ended			
September 30, 2012(3)	$ 40.15	$ 39.72	
August 31, 2012	$ 41.41	$ 39.14	
July 31, 2012	$ 40.00	$ 37.32	
June 30, 2012	$ 38.84	$ 34.68	
May 31, 2012	$ 42.26	$ 36.38	
April 30, 2012	$ 41.67	$ 37.90	
March 31, 2012	$ 40.44	$ 38.44	

(1) Distributions are shown for the quarter with respect to which they were declared. Cash distributions were declared and paid within 45 days following the close of each quarter.
(2) Based on trading prices between July 1, 2012 and September 4, 2012.
(3) Based on the trading price on September 4, 2012.

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

For a discussion of the material U.S. federal income tax considerations associated with our operations and the purchase, ownership and disposition of our common units, please read Item 10 Additional Information Taxation United States Tax Consequences in our Annual Report on Form 20-F for the year ended December 31, 2011, and Material U.S. Federal Income Tax Considerations beginning on page 20 of the accompanying base prospectus, both of which are incorporated by reference into this prospectus. In addition, please consider the U.S. federal income tax considerations described below which, unless otherwise noted, is the opinion of Perkins Coie LLP, our U.S. counsel, insofar as it relates to matters of U.S. federal income tax law and legal conclusions with respect to those matters. The opinion of our counsel is dependent on the accuracy of representations made by us to them, including descriptions of our operations contained herein.

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences peculiar to your circumstances.

Classification as a Partnership

For purposes of U.S. federal income taxation, a partnership is not a taxable entity, and although it may be subject to withholding taxes on behalf of its partners under certain circumstances, a partnership itself incurs no U.S. federal income tax liability. Instead, each partner of a partnership is required to take into account his share of items of income, gain, loss, deduction and credit of the partnership in computing his U.S. federal income tax liability, regardless of whether cash distributions are made to him by the partnership. Distributions by a partnership to a partner generally are not taxable unless the amount of cash distributed exceeds the partner s adjusted tax basis in his partnership interest.

Section 7704 of the Internal Revenue Code provides that publicly traded partnerships generally will be treated as corporations for U.S. federal income tax purposes. However, an exception, referred to as the Qualifying Income Exception, exists with respect to publicly traded partnerships whose qualifying income represents 90% or more of their gross income for every taxable year. Qualifying income includes income and gains derived from the transportation and storage of crude oil, natural gas and products thereof, including liquefied natural gas. Other types of qualifying income include interest (other than from a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of qualifying income, including stock. We have received a ruling from the Internal Revenue Service (or *IRS*) that we requested in connection with our initial public offering that the income we derive from transporting LNG and crude oil pursuant to time charters existing at the time of our initial public offering is qualifying income within the meaning of Section 7704. A ruling from the IRS, while generally binding on the IRS, may under certain circumstances be revoked or modified by the IRS retroactively. As to income that is not covered by the IRS ruling, we will rely upon the opinion of Perkins Coie LLP whether the income is qualifying income.

We estimate that less than 5% of our current income is not qualifying income; however, this estimate could change from time to time for various reasons. Because we have not received an IRS ruling or an opinion of counsel that an