Teekay LNG Partners L.P.
Form 6-K
December 08, 2009

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

FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2009
Commission file number 1- 32479
TEEKAY LNG PARTNERS L.P.
(Exact name of Registrant as specified in its charter)
4th Floor, Belvedere Building
69 Pitts Bay Road
Hamilton, HM 08 Bermuda
(Address of principal executive office)

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

Form 20-F þ Form 40- F o

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

Yes o No þ

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

Yes o No þ

TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009
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TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES (Note 1)
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands of U.S. dollars, except unit and per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
VOYAGE REVENUES *(note 10)*	79,783	77,514	235,580	225,411
OPERATING EXPENSES *(note 10)*				
Voyage expenses	743	615	1,483	1,672
Vessel operating expenses	19,126	17,500	56,045	56,699
Depreciation and amortization	18,901	19,105	58,387	56,767
General and administrative	4,952	4,167	12,563	14,367
Restructuring charge *(note 16)*	393		3,053	
Goodwill impairment *(note 6)*		3,648		3,648
Total operating expenses	44,115	45,035	131,531	133,153
Income from vessel operations	35,668	32,479	104,049	92,258
OTHER ITEMS				
Interest expense *(notes 5 and 8)*	(13,396)	(32,627)	(46,630)	(101,227)
Interest income	3,375	14,711	10,858	45,678
Realized and unrealized loss on derivative instruments *(note 11)*	(33,882)	(23,297)	(41,476)	(26,008)
Foreign currency exchange (loss) gain *(note 8)*	(17,559)	48,567	(19,510)	14,647
Equity (loss) income	(2,499)	278	11,507	(1,413)
Other income (expense) net *(note 9)*	61	207	239	1,211
Total other items	(63,900)	7,839	(85,012)	(67,112)
Net (loss) income	(28,232)	40,318	19,037	25,146
Non-controlling interest in net (loss) income	1,818	(5,571)	22,700	(10,235)
Dropdown Predecessor s interest in net (loss) income				894
General Partner s interest in net (loss) income	436	9,854	3,038	5,031
Limited partners interest in net (loss) income	(30,486)	36,035	(6,701)	29,456
Limited parnters interest in net (loss) income per (*note 14*):				
Common unit (basic and diluted)	(0.63)	0.99	(0.16)	0.37
Subordinated unit (basic and diluted)	(0.63)	0.99	(0.06)	0.01
Total unit (basic and diluted)	(0.63)	0.99	(0.14)	0.26

Weighted-average number of units outstanding:				
Common units (basic and diluted)	41,021,963	33,338,320	37,855,872	28,475,744
Subordinated units (basic and diluted)	7,367,286	11,050,929	9,229,347	12,933,082
Total units (basic and diluted)	48,389,249	44,389,249	47,085,219	41,408,826

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES (Note 1)
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars)

	As at September 30, 2009 $	As at December 31, 2008 $
ASSETS		
Current		
Cash and cash equivalents	90,485	117,641
Restricted cash current *(note 5)*	35,574	28,384
Accounts receivable	6,103	5,793
Prepaid expenses	8,795	5,329
Other current assets	2,336	7,266
Current portion of derivative assets *(notes 2 and 11)*	16,402	13,078
Current portion of net investments in direct financing leases *(note 5)*	11,855	
Advances to affiliates *(note 10h)*	11,926	9,583
Total current assets	183,476	187,074
Restricted cash long-term *(note 5)*	614,943	614,565
Vessels and equipment *(note 8)*		
At cost, less accumulated depreciation of $147,623 (2008 $121,233)	885,511	1,078,526
Vessels under capital leases, at cost, less accumulated depreciation of $130,412 (2008 $106,975) (*note 5*)	908,040	928,795
Advances on newbuilding contracts *(note 12)*	56,421	200,557
Total vessels and equipment	1,849,972	2,207,878
Investment in and advances to joint venture *(note 10f)*	77,024	64,382
Net investments in direct financing leases (*note 5*)	407,394	
Other assets	23,395	27,266
Derivative assets *(notes 2 and 11)*	55,574	154,248
Intangible assets net *(note 6)*	134,958	141,805
Goodwill *(note 6)*	35,631	35,631
Total assets	3,382,367	3,432,849
LIABILITIES AND EQUITY		
Current		
Accounts payable (*note 10a*)	7,445	10,838
Accrued liabilities (*note 10a*)	33,175	24,071
Unearned revenue	14,165	9,705

Current portion of long-term debt *(note 8)*	66,558	76,801
Current obligations under capital lease *(note 5)*	44,739	147,616
Current portion of derivative liabilities *(notes 2 and 11)*	52,393	35,182
Advances from joint venture partners *(note 7)*	1,236	1,236
Advances from affiliates *(note 10h)*	99,387	73,064
Total current liabilities	319,098	378,513
Long-term debt *(note 8)*	1,340,462	1,305,810
Long-term obligations under capital lease *(note 5)*	779,626	669,725
Other long-term liabilities *(note 5)*	55,097	44,668
Derivative liabilities *(notes 2 and 11)*	130,853	225,420
Total liabilities	2,625,136	2,624,136
Commitments and contingencies *(notes 5, 8, 11 and 12)*		
Equity		
Non-controlling interest	6,510	2,862
Partners equity	750,721	805,851
Total equity	757,231	808,713
Total liabilities and total equity	3,382,367	3,432,849

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES (Note 1)
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	Nine Months Ended September 30, 2009 $	Nine Months Ended September 30, 2008 $
Cash and cash equivalents provided by (used for)		
OPERATING ACTIVITIES		
Net income	19,037	25,146
Non-cash items:		
Unrealized loss on derivative instruments *(note 11)*	16,348	21,231
Depreciation and amortization	58,387	56,767
Goodwill impairment *(note 6)*		3,648
Foreign currency exchange loss (gain)	18,763	(14,252)
Equity based compensation	277	276
Equity (income) loss	(11,507)	1,413
Accrued interest and other net	5,820	6,382
Change in non-cash working capital items related to operating activities	31,036	(428)
Expenditures for drydocking	(5,456)	(10,883)
Net operating cash flow	132,705	89,300
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	162,826	819,056
Debt issuance costs		(2,248)
Scheduled repayments of long-term debt	(61,541)	(32,184)
Prepayments of long-term debt	(95,900)	(321,000)
Scheduled repayments of capital lease obligations and other long-term liabilities	(7,092)	(6,766)
Proceeds from follow-on offering net of offering costs of $3,305 (2008 $6,179)	68,532	202,519
Advances to and from affiliates	17,954	3,974
Advances from joint venture partners		607
Decrease in restricted cash	1,390	2,032
Cash distributions paid	(85,196)	(70,631)
Excess of purchase price over the contributed basis of Teekay Nakilat (III) Holdings Corporation *(note 10f)*		(25,120)
Excess of purchase price over the contributed basis of Teekay Tangguh Borrower LLC *(note 10e)*	(33,442)	
Distribution to Teekay Corporation for the purchase of Kenai LNG Carriers *(note 10g)*		(230,000)
Equity distribution from Teekay Corporation		3,281

Net financing cash flow	(32,469)	343,520
INVESTING ACTIVITIES		
Advances to joint venture	(2,610)	(262,721)
Expenditures for vessels and equipment	(95,669)	(115,020)
Purchase of Teekay Nakilat (III) Holdings Corporation *(note 10f)*		(73,070)
Purchase of Teekay Tangguh Borrower LLC *(note 10e)*	(35,646)	
Receipts from direct financing leases	6,533	
Return of capital from Teekay BLT Corporation *(note 10e)*		(19,600)
Receipt of Spanish re-investment tax credit *(note 18)*		5,431
Net investing cash flow	(127,392)	(464,980)
Decrease in cash and cash equivalents	(27,156)	(32,160)
Cash and cash equivalents, beginning of the period	117,641	91,891
Cash and cash equivalents, end of the period	90,485	59,731

Supplemental cash flow information *(note 13)*

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES (Note 1)
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY
(in thousands of U.S. dollars and units)

	TOTAL EQUITY						
	Partners Equity					Non-controlling	
	Common		Subordinated		General Partner	Interest	Total
	Units	$	Units	$	$	$	$
Balance as at December 31, 2008	33,338	634,212	11,051	134,291	37,348	2,862	808,713
Net (loss) income and comprehensive (loss) income		(6,122)		(579)	3,038	22,700	19,037
Cash distributions		(63,668)		(16,797)	(4,731)		(85,196)
Proceeds from follow-on equity offering of units, net of offering costs of $3.3 million *(note 3)*	4,000	67,095			1,437		68,532
Equity based compensation		220		50	7		277
Conversion of subordinated units to common (*note 14*)	3,684	42,010	(3,684)	(42,010)			
Loss on acquisition of interest rate swap (*note 10k*)		(1,278)		(324)	(36)		(1,638)
Purchase of Teekay Tangguh Borrower LLC from Teekay Corporation (*notes 8 and 10e*)		(22,777)		(9,406)	(1,259)	(19,052)	(52,494)
Balance as at September 30, 2009	41,022	649,692	7,367	65,225	35,804	6,510	757,231

The accompanying notes are an integral part of the unaudited consolidated financial statements.

TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except unit and per unit data or unless otherwise indicated)

1. Basis of presentation

The unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (or *GAAP*). These financial statements include the accounts of Teekay LNG Partners L.P., which is a limited partnership organized under the laws of the Republic of The Marshall Islands, its wholly owned or controlled subsidiaries, the Dropdown Predecessor, as described below, and variable interest entities for which Teekay LNG Partners L.P. or its subsidiaries are the primary beneficiaries (see Note 12) (collectively, the *Partnership*). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain information and footnote disclosures required by GAAP for complete annual financial statements have been omitted and, therefore, these interim financial statements should be read in conjunction with the Partnership s audited consolidated financial statements for the year ended December 31, 2008. In the opinion of management of Teekay GP L.L.C., the general partner of Teekay LNG Partners L.P. (or the *General Partner*), these interim consolidated financial statements reflect all adjustments, of a normal recurring nature, necessary to present fairly, in all material respects, the Partnership s consolidated financial position, results of operations, and changes in total equity and cash flows for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of those for a full fiscal year. Significant intercompany balances and transactions have been eliminated upon consolidation. Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current period.

The Partnership has accounted for the acquisition of interests in vessels from Teekay Corporation as a transfer of a business between entities under common control. The method of accounting for such transfers is similar to the pooling of interests method of accounting. Under this method, the carrying amount of net assets recognized in the balance sheets of each combining entity are carried forward to the balance sheet of the combined entity, and no other assets or liabilities are recognized as a result of the combination. The excess of the proceeds paid, if any, by the Partnership over Teekay Corporation s historical cost is accounted for as an equity distribution to Teekay Corporation. In addition, transfers of net assets between entities under common control are accounted for as if the transfer occurred from the date that the Partnership and the acquired vessels were both under the common control of Teekay Corporation and had begun operations. As a result, the Partnership s financial statements prior to the date the interests in these vessels were actually acquired by the Partnership are retroactively adjusted to include the results of these vessels during the periods they were under common control of Teekay Corporation.

On April 1, 2008, the Partnership acquired interests in two liquefied natural gas (or *LNG*) vessels (or the *Kenai LNG Carriers*) from Teekay Corporation and immediately chartered the vessels back to Teekay Corporation. These transactions were deemed to be business acquisitions between entities under common control. As a result, the Partnership s statement of income and cash flows for the nine months ended September 30, 2008 reflect these two vessels, referred to herein as the *Dropdown Predecessor*, as if the Partnership had acquired them when each respective vessel began operations under the ownership of Teekay Corporation. The two Kenai LNG Carriers began operations under the ownership of Teekay Corporation on December 13 and 14, 2007, respectively. The effect of adjusting the Partnership s financial statements to account for this common control exchange increased the Partnership s net income by $0.9 million for the nine months ended September 30, 2008.

The Partnership s consolidated financial statements include the financial position, results of operations and cash flows of the Dropdown Predecessor. In the preparation of these consolidated financial statements, general and administrative expenses and interest expense were not identifiable as relating solely to the vessels. General and administrative expenses (consisting primarily of salaries and other employee related costs, office rent, legal and professional fees, and travel and entertainment) were allocated based on the Dropdown Predecessor s proportionate share of Teekay Corporation s total ship-operating (calendar) days for the period presented. In addition, if the Dropdown Predecessor was capitalized in part with non-interest bearing loans from Teekay Corporation and its subsidiaries, these intercompany loans were generally used to finance the acquisition of the vessels. Interest expense includes the allocation of interest to the Dropdown Predecessor from Teekay Corporation and its subsidiaries based upon the weighted-average outstanding balance of these intercompany loans and the weighted-average interest rate outstanding on Teekay Corporation s loan facilities that were used to finance these intercompany loans. Management believes these allocations reasonably present the general and administrative expenses and interest expense of the Dropdown Predecessor.

The Partnership evaluated events and transactions occurring after the balance sheet date and through the day the financial statements were issued. The date of issuance of the financial statements was December 7, 2009.

Adoption of New Accounting Pronouncements

In January 2009, the Partnership adopted an amendment to Financial Accounting Standards Board (FASB) ASC 805, *Business Combinations*. This amendment requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. This amendment also requires the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full fair values of the assets and liabilities as if they had occurred on the acquisition date. In addition, this amendment requires that all acquisition related costs be expensed as incurred, rather than capitalized as part of the purchase price, and those restructuring costs that an acquirer expected, but was not obligated to incur, be recognized separately from the business combination. The amendment applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Partnership s adoption of this amendment did not have a material impact on the Partnership s consolidated financial statements.

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TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)
(all tabular amounts stated in thousands of U.S. dollars, except unit and per unit data or unless otherwise indicated)

In January 2009, the Partnership adopted an amendment to FASB ASC 810, *Consolidation*, which requires us to make certain changes to the presentation of our financial statements. This amendment requires that non-controlling interests in subsidiaries held by parties other than the partners be identified, labeled and presented in the statement of financial position within equity, but separate from the partners equity. This amendment requires that the amount of consolidated net income (loss) attributable to the partners and to the non-controlling interest be clearly identified on the consolidated statements of income (loss). In addition, this amendment provides for consistency regarding changes in partners ownership including when a subsidiary is deconsolidated. Any retained non-controlling equity investment in the former subsidiary will be initially measured at fair value. Except for the presentation and disclosure provisions of this amendment, which were adopted retrospectively to the Partnership s consolidated financial statements, this amendment was adopted prospectively.

Consolidated net income attributable to the partners would have been different in the three and nine months ended September 30, 2009 had the amendment to FASB ASC 810 not been adopted. Losses attributable to the non-controlling interest that exceed the entities (Teekay Nakilat Corporation and Teekay BLT Corporation) equity capital would have been charged against the majority interest, as there was no obligation of the non-controlling interest to cover such losses. However, if future earnings do materialize, the majority interest should have been credited to the extent of such losses previously absorbed. Pro forma consolidated net income (loss) attributed to non-controlling interest and to the partners and pro forma income (loss) per unit had the amendment to FASB ASC 810 not been adopted are as follows:

	Three Months Ended September 30, 2009 $	Nine Months Ended September 30, 2009 $
Net (loss) income	(28,232)	19,037
Pro forma non-controlling interest in net (loss) income	1,724	10,097
Pro forma partners interest in net (loss) income	(29,956)	8,940
Pro forma net (loss) income per unit:		
Common unit (basic and diluted)	(0.63)	0.09
Subordinated unit (basic and diluted)	(0.63)	0.24
Total unit (basic and diluted)	(0.63)	0.12

In January 2009, the Partnership adopted an amendment to FASB ASC 820 *Fair Value Measurements and Disclosures,* which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Non-financial assets and non-financial liabilities include all assets and liabilities other than those meeting the definition of a financial asset or financial liability. The Partnership s adoption of this amendment did not have a material impact on the Partnership s consolidated financial statements.

In January 2009, the Partnership adopted an amendment to FASB ASC 815 *Derivatives and Hedging,* which requires expanded disclosures about a company s derivative instruments and hedging activities, including increased qualitative, and credit-risk disclosures. See Note 11 of the notes to the consolidated financial statements.

In January 2009, the Partnership adopted an amendment to FASB ASC 260, *Earnings Per Share,* which provides guidance on earnings-per-unit (or *EPU*) computations for all master limited partnerships (or *MLPs*) that distribute available cash , as defined in the respective partnership agreements, to limited partners, the general partner, and the holders of incentive distribution rights (or *IDRs*). MLPs will need to determine the amount of available cash at the end of the reporting period when calculating the period s EPU. This amendment was applied retrospectively to all periods presented. See Note 14 of the notes to the consolidated financial statements.

In January 2009, the Partnership adopted an amendment to FASB ASC 350, *Intangibles Goodwill and Other,* which amends the factors that should be considered in developing renewal or extension of assumptions used to determine the useful life of a recognized intangible asset The adoption of the amendment did not have a material impact on the Partnership s consolidated financial statements.

In January 2009, the Partnership adopted an amendment to FASB ASC 323, *Investments Equity Method and Joint Ventures,* which provides addresses the accounting for the acquisition of equity method investments, for changes in value and changes in ownership levels. The adoption of this amendment did not have a material impact on the Partnership s consolidated financial statements.

In April 2009, the Partnership adopted an amendment to FASB ASC 825, *Financial Instruments,* which requires disclosure of the fair value of financial instruments to be disclosed on a quarterly basis and that disclosures provide qualitative and quantitative information on fair value estimates for all financial instruments not measured on the balance sheet at fair value, when practicable, with the exception of certain financial instruments (see Note 2).

In April 2009, the Partnership adopted an amendment to FASB ASC 855, *Subsequent Events,* which established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This amendment requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for selecting that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This amendment is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this amendment did not have a material impact on the consolidated financial statements (see Note 19).

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TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)
(all tabular amounts stated in thousands of U.S. dollars, except unit and per unit data or unless otherwise indicated)

In June 2009, the FASB issued the FASB ASC effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC identifies the source of GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (or *SEC*) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date, the ASC superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the ASC will become non-authoritative. The Partnership adopted the ASC on July 1, 2009 and incorporated it in the Partnership s notes to the consolidated financial statements.

2. Fair Valu