Teekay LNG Partners L.P.
Form 6-K
November 15, 2018
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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

Date of report: November 15, 2018

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, HM08 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 Form 40- F

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 No

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 No

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Item 1- Information Contained in this Report Form 6-K

Attached as Exhibit I is a copy of the proxy statement of Teekay LNG Partners L.P. (the Company), dated November 15, 2018.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEEKAY LNG PARTNERS L.P.

By: Teekay GP L.L.C., its general partner

Date: November 15, 2018

By: /s/ Edith Robinson
Edith Robinson
Secretary

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Exhibit I

TEEKAY LNG PARTNERS L.P.
4th Floor, Belvedere Building,
69 Pitts Bay Road, Hamilton, HM 08 Bermuda

November 15, 2018

Dear Common Unitholder of Teekay LNG Partners L.P.,

You are cordially invited to attend a special meeting of common unitholders of Teekay LNG Partners L.P. (or *Teekay LNG Partners, the Partnership, we, us or our*). The special meeting will be held:

Date: December 18, 2018
Time: 2:00 p.m. Atlantic Time

Place: 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton HM 08 Bermuda

The board of directors (or the *Board*) of Teekay GP L.L.C. (or our *General Partner)* has called the special meeting. The Notice of Special Meeting and Proxy Statement describes the business to be transacted at the special meeting and provides other information concerning Teekay LNG Partners. At the special meeting, common unitholders of Teekay LNG Partners entitled to vote will be voting on the following three proposals:

Proposal No. 1 Approval to allow Teekay LNG Partners to elect to be treated as a corporation, instead of a partnership, for U.S. federal income tax purposes (commonly known as a *check-the-box* election);

Proposal No. 2 Approval of the Fourth Amended and Restated Agreement of Limited Partnership of Teekay LNG Partners to give effect to the change in U.S. federal income tax classification from a partnership to a corporation as proposed in Proposal No. 1; and

Proposal No. 3 Approval to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the foregoing proposals.

The Board has unanimously determined that the proposals are in the best interests of Teekay LNG Partners and our unitholders, and the Board recommends that common unitholders vote **FOR** each of the proposals. If the common unitholders adopt the proposals and Teekay LNG Partners makes the check-the-box election:

United States holders of our common units will begin to receive corporate distributions reported on an IRS Form 1099, to the extent taxable as dividends, rather than a share of net income or net loss reported on an IRS Form 1065 Schedule K-1;

Teekay LNG Partners expects to realize approximately $400,000 per year in administrative costs savings as a result of the check-the-box election; and

The partnership agreement of Teekay LNG Partners will be amended to effect the above changes.

On or about November 15, 2018, we will commence the mailing of proxy materials to our common unitholders which contain instructions on how to vote your common units of Teekay LNG Partners for the special meeting. In accordance with the partnership agreement of Teekay LNG Partners, the holders of Series A Preferred Units and Series B Preferred Units of Teekay LNG Partners are not entitled to vote on the proposals at the special meeting.

Representation of your units at the meeting is very important. Proxies are solicited so that each common unitholder entitled to vote has an opportunity to vote on all matters that are scheduled to come before the special meeting, even if they are unable to attend the special meeting. Whether or not you plan to attend the special meeting, we hope that you will have your common units represented by voting online, by telephone or by completing and returning a proxy card or voting instruction card, as soon as possible. You may attend the special meeting and vote in person even if you have previously voted online or by telephone, or previously submitted your proxy card or voting instructions. You may be contacted by representatives of Teekay LNG Partners or our proxy solicitor, MacKenzie Partners, Inc., who has been retained to assist Teekay LNG Partners in soliciting proxies for the special meeting. If you have any questions or need assistance voting your units, please contact MacKenzie Partners, Inc. at (800) 322-2885 (toll-free in North America) or at +1 (212) 929-5500 or by email at proxy@mackenziepartners.com.

Sincerely,

/s/ Edith Robinson

Edith Robinson

Corporate Secretary of Teekay GP L.L.C., the General Partner of Teekay LNG Partners L.P.

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SPECIAL MEETING OF COMMON UNITHOLDERS

NOTICE OF SPECIAL MEETING AND PROXY STATEMENT

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TEEKAY LNG PARTNERS L.P.

NOTICE OF SPECIAL MEETING OF COMMON UNITHOLDERS AND PROXY STATEMENT

Date	December 18, 2018
Time	2:00 p.m. Atlantic Time
Place	4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton HM 08 Bermuda
Items of Business	(1) To consider a proposal that would allow Teekay LNG Partners to elect to be treated as a corporation, instead of a partnership, for U.S. federal income tax purposes. (2) To consider a proposal to approve and adopt the Fourth Amended and Restated Agreement of Limited Partnership of Teekay LNG Partners (or the *Fourth Amended and Restated Partnership Agreement*) to give effect to the change in U.S. federal income tax classification from a partnership to a corporation as proposed in Proposal No. 1. (3) To consider a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the foregoing proposals. (4) To transact such other business as may properly come before the special meeting or any adjournment or postponement of the meeting.
Adjournments and Postponements	Any action on the items of business described above may be considered at the special meeting at the time and on the date specified above or at any time and date to which the special meeting may be properly adjourned or postponed.
Board Recommendation	The board of directors of Teekay GP L.L.C., our General Partner, recommends that you vote **FOR** each of the above proposals, each as outlined in this proxy statement.
Record Date	The record date for the special meeting is November 12, 2018. Only holders of record of common units at the close of business on that date will be entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the special meeting.
Proxy Availability	On or about November 15, 2018, we will commence the mailing of proxy materials to our common unitholders which contain instructions on how to vote your common units of Teekay LNG Partners at the special meeting.
Voting	**Your vote is very important.** Whether or not you plan to attend the special meeting, we encourage you to read the proxy statement and vote online or by telephone or submit your proxy or voting instructions as soon as possible. For specific instructions on how to vote your common units, please refer to the section entitled Questions and Answers beginning on page 2 of the proxy statement and the instructions on the proxy or voting instruction card.

By Order of the Board of Directors,

/s/ Edith Robinson

Edith Robinson

Corporate Secretary of Teekay GP L.L.C.

November 15, 2018

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QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE SPECIAL MEETING

Q: Why am I receiving these materials?

A: The Board of our General Partner is providing these proxy materials to you in connection with the special meeting of common unitholders of Teekay LNG Partners, which will be held on Tuesday, December 18, 2018, at 2:00 p.m. Atlantic Time, at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton HM 08 Bermuda. As a holder of common units, you are invited to attend the special meeting and are entitled and requested to vote on the items of business described in this proxy statement.

Q: What items of business will be voted on at the special meeting?

A: The items of business scheduled to be voted on at the special meeting are:

(1) A proposal to allow Teekay LNG Partners to elect to be treated as a corporation for U.S. federal income tax purposes (*the Check-the-Box Election*) (Proposal No. 1);

(2) A proposal to approve and adopt the Fourth Amended and Restated Partnership Agreement to give effect to the change in U.S. federal income tax classification from a partnership to a corporation as proposed in Proposal No. 1 (*the Partnership Agreement Proposal*) (Proposal No. 2);

(3) A proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the foregoing proposals (*the Adjournment Proposal*) (Proposal No. 3); and

(4) Any other business that properly comes before the special meeting.

As of the date of this proxy statement, we are not aware of any business to come before the special meeting other than the proposals noted above.

The implementation of Check-the-Box Election (Proposal No. 1) and the Partnership Agreement Proposal (Proposal No. 2) is conditioned on approval of both proposals. Thus, even if Proposal No. 1 is approved by common unitholders, Teekay LNG Partners will not be authorized to elect to be treated as a corporation for U.S. federal income tax purposes unless Proposal No. 2 is also approved by common unitholders. Similarly, even if Proposal No. 2 is approved by common unitholders, the Fourth Amended and Restated Partnership Agreement will not become effective unless Proposal No. 1 is also approved by common unitholders.

Q: How does the Board recommend that I vote?

A:

The Board of our General Partner has determined that the Check-the-Box Election is in the best interests of the Partnership and its unitholders, and the Board expects that the Check-the-Box Election will (i) significantly expand the potential investor base for our common units, (ii) improve the Partnership s access to the capital markets and (iii) ease the administrative burden on our investors and the Partnership by simplifying tax reporting. For these reasons, the Board recommends that you vote your common units **FOR** each of the proposals at the special meeting.

Q: How does Teekay Corporation intend to vote?

A: Teekay Corporation, a holder of 25,208,274 common units of Teekay LNG Partners and representing approximately 31.6% percent of our outstanding common units, has indicated that it intends to vote its common units in favor of each of the proposals at the special meeting.

Q: Who is entitled to vote at the special meeting, and how many votes do they have?

A: Each common unit of Teekay LNG Partners issued and outstanding as of the close of business on November 12, 2018 (or the *record date)*, is entitled to be voted on all items being voted upon at the special meeting. The record date for the special meeting is the date used to determine both the number of common units of Teekay LNG Partners that are entitled to be voted at the special meeting and the identity of the *unitholders of record* and *beneficial owners* of those common units who are entitled to vote those common units at the special meeting. On the record date for the special meeting, we had 79,687,499 common units issued and outstanding. Each common unit has one vote. In accordance with the Partnership Agreement, the holders of the Partnership s Series A Preferred Units and Series B Preferred Units are not entitled to vote on the proposals at the special meeting.

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79,687,499 common units issued and outstanding. Each common unit has one vote. In accordance with the Partnership Agreement, the holders of the Partnership s Series A Preferred Units and Series B Preferred Units are not entitled to vote on the proposals at the special meeting.

You may vote all common units owned by you as of the record date for the special meeting, including (1) common units held directly in your name as the *unitholder of record*, and (2) common units held for you as the *beneficial owner* through a broker, bank, trustee or other nominee.

Q: What is the difference between holding units as a unitholder of record and as a beneficial owner?

A: ***Unitholder of Record***. If your common units are registered directly in your name with the Partnership s transfer agent, Computershare, you are considered, with respect to those units, the *unitholder of record*, and these proxy materials are being sent directly to you by Teekay LNG Partners. As the *unitholder of record*, you have the right to grant your voting proxy directly to Teekay LNG Partners management or to vote in person at the special meeting.

Beneficial Owner. If your common units are held in a brokerage account, by a trustee or by another nominee, you are considered the *beneficial owner* of units held *in street name* and these proxy materials are being forwarded to you together with a voting instruction form. As the beneficial owner, you have the right to direct your broker, bank, trustee or nominee how to vote your common units and are also invited to attend the special meeting. Although brokerage firms have the authority under NYSE rules to vote their clients unvoted units on certain routine matters, your brokerage firm is not permitted to vote your common units on the Check-the-Box Election, the Partnership Agreement Proposal or the Adjournment Proposal, as each of these proposals are non-routine. We urge you to respond to your brokerage firm so that your vote will be cast in accordance with your instructions.

Since a beneficial owner is not the *unitholder of record*, you may not vote these units in person at the special meeting unless you obtain a legal proxy from the broker, bank, trustee or other nominee that holds your common units, giving you the right to vote the common units at the special meeting. Your broker, bank, trustee or other nominee should have provided a voting instruction form for you to use in directing the broker, bank, trustee or other nominee how to vote your common units.

Q: How can I attend the special meeting?

A: You are entitled to attend the special meeting only if you were a Teekay LNG Partners common unitholder as of the close of business on the record date, or you hold a valid proxy for the special meeting. You should be prepared to present photo identification for admittance. In addition, if you are a *unitholder of record*, your name will be verified against the list of *unitholders of record* on the record date prior to your being admitted to the special meeting. If you are not a common unitholder of record but hold common units through a broker, bank, trustee or other nominee (*i.e.*, in street name), you should provide proof of beneficial ownership on the record date, such as your most recent account statement prior to the record date, a copy of the voting instruction form provided by your broker, bank, trustee or other nominee or other similar evidence of ownership. If you do not provide photo identification or comply with the procedures outlined above upon request, you may not be admitted to the special meeting.

Q: How can I vote my units in person at the special meeting?

A: Common units held in your name as the unitholder of record may be voted in person at the special meeting. Common units held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, bank, trustee or other nominee that holds your common units giving you the right to vote the common units. Even if you plan to attend the special meeting, we recommend that you also submit your proxy or voting instruction form as described below so that your vote will be counted if you later decide not to attend the meeting.

Q: How can I vote my units without attending the special meeting?

A: Whether you hold common units directly as the unitholder of record or beneficially in street name, you may direct how your common units are voted without attending the special meeting.

Unitholders of Record. If you are a unitholder of record, you can vote your common units over the internet or by telephone as described on the proxy card, or by mail by marking, signing, dating and mailing your proxy card in the postage-paid envelope provided. Your designation of a proxy is revocable by following the procedures outlined in this proxy statement. The method by which you vote will not limit your right to vote in person at the special meeting.

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Beneficial Owners of Units Held in Street Name. If you hold your common units through a broker, bank, trust or other nominee (i.e. in street name), you need to submit voting instructions to your broker, bank, trustee or other nominee over the internet or by telephone as described on the voting instruction form, or by mail by marking, signing, dating and mailing your voting instruction form in the postage-paid envelope provided. Your vote is revocable by following the procedures outlined in this proxy statement. However, since you are not a unitholder of record you may not vote your common units in person at the special meeting without obtaining a legal proxy from your broker, bank, trust or other nominee.

Q: Can I change my vote or revoke my proxy?

A: You may change your vote at any time prior to the vote at the special meeting. If you are the unitholder of record, you may change your vote (i) by submitting a new proxy with a later date by mail or transmitted using the telephone or Internet voting procedures described above (which automatically revokes the earlier proxy), (ii) by providing a written notice of revocation to the Partnership s Corporate Secretary by mail received prior to your common units being voted, or (iii) by attending the special meeting and voting in person. Attendance at the special meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For common units you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, bank, trustee or other nominee, or, if you have obtained a legal proxy from your broker, bank, trustee or other nominee giving you the right to vote your common units, by attending the special meeting and voting in person.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual unitholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Teekay LNG Partners or to third parties, except (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote and (3) to facilitate a successful proxy solicitation. Occasionally, unitholders provide written comments on their proxy card, which are then forwarded to Teekay LNG Partners management.

Q: How many common units must be present or represented to conduct business at the special meeting?

A: The general quorum requirement for holding the special meeting and transacting business at the special meeting is that holders of a majority of the common units of Teekay LNG Partners entitled to vote must be present in person or represented by proxy. Because there were 79,687,499 common units outstanding on the record date, holders of 39,843,750 common units represented in person or by proxy at the special meeting will constitute a quorum. We must have a quorum of common units to conduct the special meeting.

Q: What is the voting requirement to approve each of the proposals?

A: If a quorum of common unitholders is present at the special meeting:

Proposal No. 1, the Check-the-Box Election, requires the affirmative vote of a majority of common units present or represented by proxy at the special meeting and entitled to vote on the proposal;

Proposal No. 2, the Partnership Agreement Proposal, requires the affirmative vote of a majority of the common units outstanding; and

Proposal No 3, the Adjournment Proposal, requires the affirmative vote of a majority of common units present or represented by proxy at the special meeting and entitled to vote on the proposal (even if a quorum is not present).

Q: How are votes counted?

A: For any item of business to be conducted at the special meeting, you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN, the abstention has the same effect as a vote AGAINST.

If you provide specific instructions for a given item, your common units will be voted as you instruct on such item. If you sign your proxy card or voting instruction card without giving specific instructions, your common units will be voted in accordance with the recommendations of the Board (*i.e.*, FOR the Check-the-Box Election, the Partnership Agreement Proposal and the Adjournment Proposal, and in the discretion of the proxyholders on any other matters that properly come before the special meeting).

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If you hold common units beneficially in street name and do not provide your broker with voting instructions, your units may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. Brokers are not permitted to vote without the beneficial owner instructions on any of the proposals being voted on at the special meeting. Broker non-votes will have the same effect as a vote AGAINST the proposals.

Q: What happens if additional matters are presented at the special meeting?

A: Other than the three proposals described in this proxy statement, we are not aware of any business to be acted upon at the special meeting. If you grant a proxy, the person named as proxyholder, Edith Robinson, will have the discretion to vote your common units on any additional matters properly presented for a vote at the special meeting.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy or voting instruction cards. For example, if you hold your units in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold common units. If you are a unitholder of record and your units are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

Q: How may I obtain a separate set of voting materials?

A: If you share an address with another unitholder and request a printed set of voting materials, you may receive only one set of proxy materials unless you have provided contrary instructions. If you wish to receive a separate set of proxy materials now or in the future, you may contact us to request a separate copy of these materials at:

Teekay LNG Partners L.P.

4th Floor, Belvedere Building,

69 Pitts Bay Road

Hamilton HM 08, Bermuda

Attn: Corporate Secretary

(441) 298-2530

Similarly, if you share an address with another unitholder and have received multiple copies of our proxy materials, you may contact us as indicated above to request delivery of a single copy of these materials in the future.

Q: Who will bear the cost of soliciting votes for the special meeting?

A: Teekay LNG Partners is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing proxy materials and soliciting votes. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. Teekay LNG Partners has also retained MacKenzie Partners, Inc. to assist in soliciting proxies from brokers, bank nominees, and other institutional holders for an estimated fee of $10,000, plus reimbursement of reasonable expenses. Upon request, we will reimburse brokerage houses and other custodians, nominees and fiduciaries for forwarding proxy and solicitation materials to unitholders.

Q: What should I do if I want to make a proposal to be considered at the special meeting?

A: Your common units do not entitle you to make proposals at the special meeting. Under the Third Amended and Restated Agreement of Limited Partnership, (or the *Partnership Agreement*), only our General Partner can make a proposal at the special meeting. The Partnership Agreement establishes a procedure for calling meetings whereby limited partners owning 20% or more of the outstanding units of the class for which a meeting is proposed may call a meeting at which they may make proposals.

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Q: How may I obtain Teekay LNG Partners Annual Report on Form 20-F filed with the Securities and Exchange Commission (or the SEC)?

A: Our 2017 Annual Report on Form 20-F constitutes our annual report to unitholders. Copies of the 2017 Annual Report on Form 20-F are available under Financials & Presentations SEC Filings in the Investors Teekay LNG Partners L.P. section of our website at *www.teekay.com*, and at the SEC s EDGAR database on the SEC s website at *www.sec.gov*. Unitholders may also request a free copy of our 2017 Annual Report on Form 20-F from:

Teekay LNG Partners L.P.

4th Floor, Belvedere Building,

69 Pitts Bay Road

Hamilton HM 08, Bermuda

Attn: Corporate Secretary

(441) 298-2530

Teekay LNG Partners will also furnish any exhibit to the Form 20-F, if specifically requested.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this Proxy Statement may constitute forward-looking statements (as such term is defined in Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events and our operations, performance and financial condition, including, in particular, statements regarding:

- the outcome of any legal proceedings that may be instituted against Teekay LNG Partners or others relating to the actions described in this proxy statement or the actions contemplated thereby;
- the effect of the announcement of the Check-the-Box Election on the common unitholders of Teekay LNG Partners and the liquidity of the common units;
- the amount of costs, fees, expenses and charges related to the Check-the-Box Election;
- our expectations regarding taxes after the Check-the-Box Election;
- our expectations regarding the effect of the Check-the-Box Election on our administrative and operational costs, the marketability of our common units, and the tax effect on the Partnership and our unitholders;
- our expectations regarding our operations and sources of income; 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, plan, intend 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, the factors detailed from time to time in our periodic reports filed with the SEC, including our Annual Report on Form 20-F for the year ended December 31, 2017. We do not intend to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

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PROPOSAL NO. 1: APPROVAL OF THE CHECK-THE-BOX TAX ELECTION

General

The Board has approved and hereby proposes, and recommends, that the common unitholders approve a proposal to authorize Teekay LNG Partners to take the required regulatory steps to allow Teekay LNG Partners to be treated as a corporation, instead of a partnership, for U.S. federal income tax purposes (commonly known as the *Check-the-Box Election*). If the Check-the-Box Election is approved by the common unitholders, after Teekay LNG Partners makes the Check-the-Box Election, Teekay LNG Partners will cease to be taxed as a pass-through entity for U.S. federal income tax purposes and will begin to be taxed as a corporation effective as of the date selected by the Board, which will not be earlier than the date on which Teekay LNG Partners files IRS Form 8832. The Check-the-Box Election is expected to be effective for the tax year beginning January 1, 2019. However, Teekay LNG Partners will remain a limited partnership for state law purposes even if Teekay LNG Partners makes the Check-the-Box Election, and all other provisions of the Partnership Agreement will remain in effect.

The Board of our General Partner has determined that the Check-the-Box Election is in the best interests of the Partnership and its unitholders, and the Board expects that the Check-the-Box Election will (i) significantly expand the potential investor base for our common units, (ii) improve the Partnership s access to the capital markets and (iii) ease the administrative burden on the Partnership and our unitholders by simplifying tax reporting.

In conjunction with Proposal No. 1, the Board also recommends that common unitholders approve and adopt an amendment and restatement of the Partnership Agreement, which would, in part, delete or amend, as applicable, those provisions of the Third Amended and Restated Partnership Agreement that pertain to Teekay LNG Partners U.S. federal income tax classification as a partnership and allow it to be taxed as a corporation as described in Proposal No. 2 below. The Check-the-Box Election (Proposal No. 1) is conditioned on the amendment and restatement of the Partnership Agreement (Proposal No. 2) being approved by the common unitholders, such that even if common unitholders approve the Check-the-Box Election pursuant to this Proposal No. 1, Teekay LNG Partners cannot consummate the Check-the-Box Election unless common unitholders also approve and adopt the Fourth Amended and Restated Partnership Agreement pursuant to Proposal No. 2 below. The Board recommends that you vote your common units **FOR** both the Check-the-Box Election (Proposal No. 1) and the Partnership Agreement Proposal (Proposal No. 2).

Vote Required

Approval of the Check-the-Box Election requires the affirmative vote of a majority of common units present or represented by proxy at the special meeting and entitled to vote on the proposal. Abstentions and broker non-votes will have the same effect as a vote against this proposal.

THE BOARD RECOMMENDS THAT COMMON UNITHOLDERS VOTE FOR THE PROPOSAL TO ALLOW TEEKAY LNG PARTNERS TO ELECT TO BE TREATED AS A CORPORATION, INSTEAD OF A PARTNERSHIP, FOR U.S. FEDERAL INCOME TAX PURPOSES. IF NOT OTHERWISE SPECIFIED IN PROXY CARDS, THE PROXY WILL VOTE COMMON UNITS FOR APPROVAL OF THIS PROPOSAL.

Reasons for the Check-the-Box Election

The Board believes that the Check-the-Box Election is in the best interests of Teekay LNG Partners and our unitholders, and should be approved for the following reasons:

Enhanced Marketability of Common Units

Electing to be treated as a corporation for U.S. federal income tax purposes eliminates the requirement to issue Form 1065 Schedule K-1s, which we believe could result in enhanced marketability of our common units and could result in additional investors acquiring our common units who previously may not have invested in Teekay LNG Partners due to it being treated as a pass-through entity for U.S. federal income tax purposes. In addition, we believe many investors prefer not to invest in pass-through entities such as Teekay LNG Partners because of the relatively greater administrative burden and potential additional tax costs of receiving a Form 1065 Schedule K-1 reporting their share of net income (which may exceed the amount of cash distributions received during such period) or net loss (which are subject to at risk and passive activity loss deduction limitations), as compared to a Form 1099 reporting distributions to the extent taxable as dividends (which for United States holders of our common units who are individuals, trusts or estates are expected to be treated as qualified dividend income eligible for a preferential U.S. federal income tax rate), in respect of their investment in the pass-through entity.

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Further, after the Check-the-Box Election, based on the existing tax basis in our assets, together with the anticipated basis adjustments from gain recognized by certain United States Holders of our common units as a result of the Check-the-Box Election, and certain assumptions, we estimate that no portion of the total cash distributions made by us during the three year period ending on December 31, 2021, on a cumulative basis, will be treated as a dividend, but instead that 100% of our cash distributions during that period will be treated first as a nontaxable return of capital to the extent of the holder s tax basis in its common units on a dollar-for-dollar basis and thereafter as capital gain. These estimates are subject to certain uncertainties beyond our control, and based upon current U.S. federal income tax law and tax reporting positions that we will adopt and with which the IRS could disagree. Accordingly, no assurance can be given that these estimates will prove to be correct.

Additionally, after the Check-the-Box Election, Teekay LNG Partners believes that certain tax-exempt investors may be more likely to invest in Teekay LNG Partners because, when treated as a corporation for U.S. federal income tax purposes, such investors are not concerned that they will be allocated unrelated business taxable income associated with an investment in partnership units, except to the extent that the tax-exempt entity has units that are considered financed by debt.

Similarly, regulated investment companies (or RICs) cannot hold more than 25% of their investments in publicly traded partnerships (or PTPs) taxed as partnerships and this requirement is often seen as a reason why RICs typically avoid investing in such entities. Accordingly, by no longer being taxed as a partnership for U.S. federal income tax purposes, Teekay LNG Partners believes that investor perception of the Partnership will improve and make it more widely appealing to United States investors.

Administrative Cost Savings

As a PTP, Teekay LNG Partners incurs significant external and internal costs to calculate and issue Form 1065 Schedule K-1s to the unitholders annually. We estimate that eliminating Form 1065 Schedule K-1 production by us will reduce our administrative costs by approximately $400,000 annually.

The Partnership s external administrative costs arise from internal and external professionals to prepare the Form 1065 Schedule K-1s. Internally, Teekay LNG Partners is required to allocate resources to maintain a website to permit the unitholders of the Partnership to access their tax information, manage and collect data necessary to prepare the Form 1065 Schedule K-1s, manage the Form 1065 Schedule K-1 filing process, correct Form 1065 Schedule K-1 errors and resolve unitholders questions. Additionally, when a PTP issues or repurchases units or when units are transferred between unitholders, the Partnership incurs additional administrative cost to determine the appropriate basis adjustments. These costs are typical to an entity that is a PTP such as Teekay LNG Partners. After the Check-the-Box Election, the incremental costs related to the tax compliance by the Partnership would be reduced.

Material U.S. Federal Income Tax Considerations

The following is a discussion of certain material U.S. federal income tax consequences of the Check-the-Box Election that may be relevant to holders of our common units. This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (or the *Code*), legislative history, applicable U.S. Treasury Regulations (or *Treasury Regulations*), judicial authority and administrative interpretations, all as in effect on the date of this proxy statement, and which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Holders of our Series A Preferred Units and Series B Preferred Units should consult their own tax advisors regarding the tax consequences of the Check-the-Box Election that may be relevant to such holders.

This discussion is limited to holders of common units who hold their common units as capital assets for tax purposes. This discussion does not address all tax considerations that may be important to a particular common unitholder in light of the unitholder s circumstances, including common unitholders who hold our Series A Preferred Units or Series B Preferred Units, or to certain categories of common unitholders that may be subject to special tax rules, such as:

dealers in securities or currencies;

traders in securities that have elected the mark-to-market method of accounting for their securities;

persons whose functional currency is not the U.S. dollar;

persons holding our common units as part of a hedge, straddle, conversion or other synthetic security or integrated transaction;

certain U.S. expatriates;

financial institutions;

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insurance companies;

persons subject to the alternative minimum tax;

persons that actually or under applicable constructive ownership rules own 10% or more of our common units; and

entities that are tax-exempt for U.S. federal income tax purposes.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our common units, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partners in partnerships holding our common units should consult their tax advisors to determine the appropriate tax treatment of Check-the-Box Election as a result of the partnership s ownership of our common units.

No ruling has been or will be requested from the Internal Revenue Service (or *IRS*) regarding any matter affecting us or our common unitholders. Accordingly, the statements made herein may not be sustained by a court if contested by the IRS.

This discussion does not address any U.S. estate tax considerations or tax considerations arising under the laws of any state, local or non-U.S. jurisdiction. Each common unitholder is urged to consult its tax advisor regarding the U.S. federal, state, local, non-U.S. and other tax consequences of the of the Check-the-Box Election that may be relevant to such holder.

Election to be Treated as a Corporation for U.S. Federal Income Tax Purposes

We will file with the IRS our election to be treated as a corporation for U.S. federal income tax purposes on IRS Form 8832. Once we make an election to change our U.S. federal income tax classification, we generally cannot change our classification by election again during the 60 months after the effective date of the Check-the-Box Election. Once the Check-the-Box Election is made, any change to our tax classification for U.S. federal income tax purposes will have tax consequences to both the entity and the common unitholders.

The U.S. federal income tax consequences of the Check-the-Box Election to a particular common unitholder will depend on whether such common unitholder is a U.S. Holder or a Non-U.S. Holder (as each is defined below), whether the Control Assumption (as defined below) is correct and, in the case of a U.S. Holder, whether the fair market value of our assets allocable to such U.S. Holder exceeds the tax basis of such assets allocable to such U.S. Holder.

As used herein, the term U.S. Holder means a beneficial owner of our common units that is, for U.S. federal income tax purposes: (a) a U.S. citizen or U.S. resident alien (or a *U.S. Individual Holder*), (b) a corporation or other entity taxable as a corporation that was created or organized under the laws of the United States, any state thereof or the District of Columbia, (c) an estate whose income is subject to U.S. federal income taxation regardless of its source, or (d) a trust that either is subject to the supervision of a court within the United States and has one or more U.S. persons with authority to control all of its substantial decisions or has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

A beneficial owner of our common units (other than a partnership, including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is a Non U.S. Holder.

United States Federal Income Taxation of the Check-the-Box Election to Teekay LNG Partners

For U.S. federal income tax purposes, an election to be treated as a corporation generally is treated as a deemed transfer of all of our assets to a new entity classified as a corporation for U.S. federal income tax purposes in exchange for units in such entity, followed by a distribution of those units to our existing unitholders in complete liquidation of us. Subject to the discussion below under United States Federal Income Taxation of the Check-the-Box Election to U.S. Holders, and assuming the Control Assumption (as defined below) is correct, and provided that our tax basis in the assets deemed transferred to the new entity exceeds the amount of our liabilities deemed assumed by such entity in the deemed transfer, no gain or loss should be recognized by us as a result of the Check-the-Box Election. If the liabilities deemed assumed exceed the tax basis of our assets deemed transferred, we would recognize gain in the amount of such excess, which gain would be allocated to the holders of our units in accordance with their interests in us.

If no gain or loss is recognized by us as a result of the Check-the-Box Election, our assets will retain the same tax basis in our hands as they had prior to the Check-the-Box Election. If gain is recognized by us, or by a Section 367 U.S. Holder as described below, the amount of such gain would be added to the tax basis of the assets in our hands.

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We will have a holding period in the units deemed received that includes the period during which the assets deemed transferred were held by us, provided that such assets were held as capital assets. To the extent that the value of such units deemed received is attributable to certain of our assets (essentially our assets that would generate ordinary income or loss when sold and cash), a unit deemed received will have a holding period that begins on the day following the Check-the-Box Election.

The foregoing conclusions are based on the assumption that our unitholders will own, in the aggregate, at least 80% of our units (by vote and value) outstanding immediately after the Check-the-Box Election, excluding from the numerator any units received in the Check-the-Box Election that are sold after the Check-the-Box Election pursuant to a plan or arrangement established before the Check-the-Box Election (or the *Control Assumption*). The Control Assumption should be correct unless, contrary to our best knowledge, unitholders holding a significant percentage of our units agree prior to the Check-the-Box Election to sell the units they are deemed to receive as a result of the Check-the-Box Election. If the Control Assumption is not correct, the Check-the-Box Election will be treated as if we (a) sold all of our assets to the new entity treated as a corporation for U.S. federal income tax purposes for an amount equal to the value of the units deemed received, plus the our liabilities deemed assumed, and (b) distributed the units deemed received to the unitholders. Accordingly, we would recognize gain (or loss) as a result of the Check-the-Box Election in an amount equal to the amount by which the value of the units deemed received plus the amount of our liabilities deemed assumed exceeds (or is less than) our tax basis in the assets deemed transferred and all such gain or loss would be allocated to the holders of our units in accordance with their interests in us. If the Control Assumption is not correct, the tax basis of the assets in our hands following the Check-the-Box Election would equal the value of the units deemed issued as a result of the Check-the-Box Election plus the amount of our liabilities deemed assumed, and our holding period in the units deemed received would begin the day after the Check-the-Box Election takes effect.

United States Federal Income Taxation of the Check-the-Box Election to U.S. Holders

Section 367 U.S. Holders. Because we are a limited partnership formed under the laws of the Republic of the Marshall Islands, and assuming the Control Assumption is correct, special tax rules promulgated under Section 367 of the Code will apply to U.S. Holders. Under those rules, and solely for purposes of determining whether gain is recognized, a U.S. Holder generally will be treated as separately transferring its proportionate share of our assets, subject to its proportionate share of our liabilities, to the new entity in exchange for its proportionate share of the common units in such entity. As a result, a U.S. Holder will recognize gain, but not loss, as a result of the Check-the-Box Election equal to the amount by which the value of the common units deemed received plus the amount of such U.S. Holder s share of our liabilities deemed assumed exceeds such U.S. Holder s proportionate share of the tax basis of our assets deemed transferred. Due to the fact that we have a Section 754 election in effect, a U.S. Holder s proportionate share of the tax basis of our assets will depend on, among other things, the date or dates on which such U.S. Holder acquired its common units, the price paid for such common units and the amount of depreciation or amortization previously allocated to such U.S. Holder by us. U.S. Holders recognizing gain under Section 367 of the Code are herein referred to as Section 367 U.S. Holders and other U.S. Holders are referred to herein as Non-Section 367 U.S. Holders.

A Section 367 U.S. Holder s tax basis in the common units deemed received will equal such Section 367 U.S. Holder s tax basis in its common units deemed surrendered (as determined immediately prior to the Check-the-Box Election), decreased by the amount of our liabilities deemed assumed and increased by the amount of gain recognized by such Section 367 U.S. Holder. A Section 367 U.S. Holder generally should have a holding period in the common units deemed received that will include the period during which the transferred assets were held by us, provided that such assets were held as capital assets. To the extent that the value of such common units deemed received is attributable to certain of our assets (essentially our assets that would generate ordinary income or loss when sold and cash), a common unit deemed received will have a holding period that begins on the day following the Check-the-Box Election. Therefore, a Section 367 U.S. Holder may have a split holding period in the common units deemed received.

Because a Section 367 U.S. Holder generally will be treated as separately transferring its proportionate share of our assets, subject to its proportionate share of our liabilities, to the new entity in exchange for its proportionate share of the common units in such entity, under the Section 367 rules, the application of the holding period rules to Section 367 U.S. Holders is uncertain. Accordingly, 367 U.S. Holders are encouraged to consult with their tax advisors regarding the application of the holding period rules to them.

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Non-Section 367 U.S. Holders. Provided that we recognize no gain or loss as a result of the Check-the-Box Election, a Non-Section 367 U.S. Holder should not recognize any gain or loss except to the extent that our liabilities allocated to such Non-Section 367 U.S. Holder for U.S. federal income tax purposes prior to the Check-the-Box Election and deemed assumed by the new entity exceed such Non-Section 367 U.S. Holder s tax basis in its common units. For U.S. federal income tax purposes, a Non-Section 367 U.S. Holder s relief from such share of our liabilities is treated as if such Non-Section 367 U.S. Holder received a cash distribution from us in the amount of the liabilities deemed assumed by the new entity.

A Non- Section 367 U.S. Holder s tax basis in the common units deemed received will equal such Non-Section 367 U.S. Holder s tax basis in its common units deemed surrendered (as determined immediately prior to the Check-the-Box Election), decreased by the amount of our liabilities deemed assumed and increased by the amount of gain recognized by such Non-Section 367 U.S. Holder. A Non-Section 367 U.S. Holder generally will have a holding period in the common units deemed received that will include the period during which the transferred assets were held by us, provided that such assets were held as capital assets. To the extent that the value of such common units deemed received is attributable to certain of our assets (essentially our assets that would generate ordinary income or loss when sold and cash), a common unit deemed received will have a holding period that begins on the day following the Check-the-Box Election. Therefore, a Non-Section 367 U.S. Holder may have a split holding period in the common units deemed received.

Additional United States Federal Income Tax Considerations. Certain Section 367 U.S. Holders may recognize significant gain on this transaction, including in some cases gain that exceeds the fair market value of their common units where their tax basis in their common units and our assets is low. The character of the gain as ordinary or capital depends on the nature of our assets and it is expected that a significant part of the gain will be ordinary income rather than capital gain. In addition, however, where a Section 367 U.S. Holder has a passive activity loss carry-over in respect of its investment, those passive activity losses generally will be triggered by the Check-the-Box Election. Those losses generally will produce tax savings at ordinary income rates to the extent that they can be used to offset other ordinary income of the taxpayer. The application of the passive activity loss carry-over rules to Non-Section 367 U.S. Holders is uncertain. Accordingly, Non-Section 367 U.S. Holders are encouraged to consult with their tax advisors regarding the application of the passive activity loss carry-over rules to them.

U.S. Holders generally will be required to file IRS Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation, to report the deemed asset transfers resulting from the Check-the-Box Election and any other transfers they make to us while we are treated as a corporation. Substantial penalties may apply for failure to satisfy these reporting requirements, unless the person otherwise required to report shows such failure was due to reasonable cause and not willful neglect.

If the Control Assumption is not correct, we would recognize gain (or loss) as described above under United States Federal Income Taxation of the Check-the-Box Election to Teekay LNG Partners, which would be allocated to the holders of our units in accordance with their interests in us. A unitholder s tax basis in the units deemed received would equal such unitholder s tax basis in its units deemed surrendered (as determined immediately prior to the Check-the-Box Election), decreased by the amount of our liabilities deemed assumed and the amount of any loss recognized by such unitholder, and increased by the amount of gain recognized by such unitholder. A unitholder generally would have a holding period in the units deemed received that begins on the day following the Check-the-Box Election.

United States Federal Income Taxation of the Check-the-Box Election to Non-U.S. Holders

In general, a Non-U.S. Holder is not subject to U.S. federal income tax on any gain recognized as a result of the Check-the-Box Election unless (a) such gain is effectively connected with the Non-U.S. Holder s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States) or (b) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year in which such disposition occurs and meets certain other requirements. If a Non-U.S. Holder is engaged in a trade or business within the United States and recognizes gain as a result of the Check-the-Box Election which is deemed to be effectively connected to that trade or business, the Non-U.S. Holder generally will be subject to U.S. federal income tax on such gain in the same manner as if it were a Non-Section 367 U.S. Holder. Non-U.S. Holder are encouraged to consult their tax advisors regarding the U.S. federal, state, local and other tax consequences of the Check-the-Box Election to them.

United States Federal Income Taxation of the Partnership Following the Check-the-Box Election

For U.S. federal income tax purposes, 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 its share of items of income, gain, loss, deduction and credit of the partnership in computing its U.S. federal income tax liability, regardless of whether cash distributions are made to it 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 its partnership interest.

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Following our election to be treated as a corporation for U.S. federal income tax purposes, our items of income, gain, loss, deduction and credit will not pass through to common unitholders. Instead, we will be subject to U.S. federal income tax based on the rules applicable to foreign corporations, not partnerships, and such items will be treated as our own. In addition, Section 743(b) adjustments to the tax basis of our assets will no longer be available to purchasers in the marketplace. Unitholders will be subject to tax as described below under United States Federal Income Taxation of U.S. Holders Following the Check-the-Box Election and United States Federal Income Taxation of Non-U.S. Holders Following the Check-the-Box Election.

Taxation of Operating Income

We expect that substantially all of our gross income and the gross income of our corporate subsidiaries will be attributable to the transportation of liquified natural gas (or *LNG*), liquified petroleum gas (or *LPG*), ammonia, crude oil and related products. For this purpose, gross income attributable to transportation (or *Transportation Income*) includes income derived from, or in connection with, the use (or hiring or leasing for use) of a vessel to transport cargo, or the performance of services directly related to the use of any vessel to transport cargo, and thus includes both time-charter and bareboat charter income.

Fifty percent (50%) of Transportation Income that either begins or ends, but that does not both begin and end, in the United States (or *U.S. Source International Transportation Income*) is considered to be derived from sources within the United States. Transportation Income that both begins and ends in the United States (or *U.S. Source Domestic Transportation Income*) is considered to be 100% derived from sources within the United States. Transportation Income exclusively between non-U.S. destinations is considered to be 100% derived from sources outside the United States. Transportation Income derived from sources outside the United States generally is not subject to U.S. federal income tax.

Based on our current operations and the operations of our subsidiaries, we expect most of our Transportation Income to be from sources outside the United States and not subject to U.S. federal income tax. However, we have earned over $8 million of U.S. Source Domestic Transportation Income annually, and we expect that we will continue to earn an increasing amount of such income in future years. Our U.S. Source International Transportation Income or U.S. Source Domestic Transportation Income is subject to U.S. federal income taxation under either the net basis and branch profits taxes or the 4% gross basis tax, each of which is discussed below, unless the exemption from U.S. taxation under Section 883 of the Code (or the *Section 883 Exemption*) applies.

The Section 883 Exemption

In general, the Section 883 Exemption provides that if a non-U.S. corporation satisfies the requirements of Section 883 of the Code and the Treasury Regulations thereunder, it will not be subject to the net basis and branch profits taxes or the 4% gross basis tax described below on its U.S. Source International Transportation Income. The Section 883 Exemption does not apply to U.S. Source Domestic Transportation Income.

We do not believe that we would be able to qualify for the Section 883 Exemption and therefore our U.S. Source International Transportation Income would not be exempt from U.S. federal income taxation.

Net Basis Tax and Branch Profits Tax

If the Section 883 Exemption does not apply, our U.S. Source International Transportation Income may be treated as effectively connected with the conduct of a trade or business in the United States (or *Effectively Connected Income*) if we have a fixed place of business in the United States and substantially all of our U.S. Source International

Transportation Income is attributable to regularly scheduled transportation or, in the case of income derived from bareboat charters, is attributable to a fixed place of business in the United States. Based on our current operations, none of our potential U.S. Source International Transportation Income is attributable to regularly scheduled transportation or is derived from bareboat charters attributable to a fixed place of business in the United States. As a result, we do not anticipate that any of our U.S. Source International Transportation Income would be treated as Effectively Connected Income. However, there is no assurance that we would not earn income pursuant to regularly scheduled transportation or bareboat charters attributable to a fixed place of business in the United States in the future, which would result in such income being treated as Effectively Connected Income. U.S. Source Domestic Transportation Income generally would be treated as Effectively Connected Income. However, we do not anticipate that a material amount of our income has been, or will be, U.S. Source Domestic Transportation Income.

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Any income that we earn that is treated as Effectively Connected Income would be subject to U.S. federal corporate income tax (the statutory rate for 2018 onwards is 21%) and a 30% branch profits tax imposed under Section 884 of the Code. In addition, a branch interest tax could be imposed on certain interest paid or deemed paid by us.

On the sale of a vessel that has produced Effectively Connected Income, we generally would be subject to the net basis and branch profits taxes with respect to our gain recognized up to the amount of certain prior deductions for depreciation that reduced Effectively Connected Income. Otherwise, we would not be subject to U.S. federal income tax with respect to gain realized on sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles.

The 4% Gross Basis Tax

If the Section 883 Exemption does not apply and we are not subject to the net basis and branch profits taxes described above, we would be subject to a 4% U.S. federal income tax on our U.S. Source International Transportation Income, without benefit of deductions. We estimate that, in this event, we would be subject to less than $900,000 of U.S. federal income tax in 2018 (in addition to any U.S. federal income taxes on our subsidiaries, as described below) based on the amount of U.S. Source International Transportation Income we earned for 2017. We expect the amount of our liability for U.S. federal income tax on our U.S. Source International Transportation Income to increase in subsequent years based on our expected U.S. Source International Transportation Income we expect to earn for 2018 and subsequent years. The amount of such tax for which we would be liable in any year would depend upon the amount of income we earn from voyages into or out of the United States in such year, however, which is not within our complete control.

United States Federal Income Taxation of U.S. Holders Following the Check-the-Box Election

Distributions

Following our election to be treated as a corporation for U.S. federal income tax purposes, our items of income, gain, loss, deduction and credit will not pass through to our common unitholders for U.S. federal income tax purposes. Rather, a common unitholder will be taxed only on cash dividends and other distributions of property received from us. Subject to the discussion of passive foreign investment companies (or *PFICs*) below, any distributions made by us with respect to our common units to a U.S. Holder generally will constitute dividends, which may be taxable as ordinary income or qualified dividend income as described in more detail below, to the extent of our current and accumulated earnings and profits allocated to the U.S. Holder s common units, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder s tax basis in our common units and thereafter as capital gain, which will be either long term or short term capital gain depending upon whether the U.S. Holder has held the common units for more than one year. U.S. Holders that are corporations for U.S. federal income tax purposes generally will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. For purposes of computing allowable foreign tax credits for U.S. federal income tax purposes, dividends received with respect to our common units will be treated as foreign source income and generally will be treated as passive category income.

Based on the existing tax basis in our assets, together with the anticipated basis adjustments from gain recognized by Section 367 U.S. Holders, we estimate that no portion of the total cash distributions made by us during the three year period ending on December 31, 2021, on a cumulative basis, will be treated as a dividend, but instead that 100% of our cash distributions during that period will be treated first as a nontaxable return of capital to the extent of the holder s tax basis in its common units on a dollar-for-dollar basis and thereafter as capital gain. These estimates are

subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, the estimates are based on current U.S. federal income tax law and tax reporting positions that we will adopt and with which the IRS could disagree. Accordingly, no assurance can be given that these estimates will prove to be correct.

Subject to holding period requirements and certain other limitations, dividends received with respect to our common units by a U.S. Holder who is an individual, trust or estate (or a *Non-Corporate U.S. Holder*) will be treated as qualified dividend income that is taxable to such Non-Corporate U.S. Holder at preferential capital gain tax rates provided that we are not classified as a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (we intend to take the position that we are not now and have never been classified as a PFIC, as discussed below). Any dividends received with respect to our common units not eligible for these preferential rates will be taxed as ordinary income to a Non-Corporate U.S. Holder.

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Special rules may apply to any extraordinary dividend paid by us. Generally, an extraordinary dividend is a dividend with respect to a share of stock if the amount of the dividend is equal to or in excess of 10% of a common stockholder s, or 5% of a preferred stockholder s, adjusted tax basis (or fair market value in certain circumstances) in such stock. In addition, extraordinary dividends include dividends received within a one-year period that, in the aggregate, equal or exceed 20% of a stockholder s adjusted tax basis (or fair market value in certain circumstances). If we pay an extraordinary dividend on our common units that is treated as qualified dividend income, then any loss recognized by a Non-Corporate U.S. Holder from the sale or exchange of such common units will be treated as long term capital loss to the extent of the amount of such dividend.

Certain Non-Corporate U.S. Holders are subject to a 3.8% tax on certain investment income, including dividends. Non-Corporate U.S. Holders should consult their tax advisors regarding the effect, if any, of this tax on their ownership of our common units.

Sale, Exchange or Other Disposition of Common Units

Subject to the discussion of PFICs below, a U.S. Holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of our common units in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder s tax basis in such common units. Subject to the discussion of extraordinary dividends above, such gain or loss generally will be treated as (a) long term capital gain or loss if the U.S. Holder s holding period is greater than one year at the time of the sale, exchange or other disposition, or short term capital gain or loss otherwise and (b) U.S. source gain or loss, as applicable, for foreign tax credit purposes. Non-Corporate U.S. Holders may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. A U.S. Holder s ability to deduct capital losses is subject to certain limitations.

Certain Non-Corporate U.S. Holders are subject to a 3.8% tax on certain investment income, including capital gains from the sale or other disposition of common units. Non-Corporate U.S. Holders should consult their tax advisors regarding the effect, if any, of this tax on their disposition of our common units.

Consequences of Possible PFIC Classification

A non U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to a look through rule, either: (a) at least 75% of its gross income is passive income; or (b) at least 50% of the average value of its assets is attributable to assets that produce or are held for the production of passive income. For purposes of these tests, passive income includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties (other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business). By contrast, income derived from the performance of services does not constitute passive income.

There are legal uncertainties involved in determining whether the income derived from our time-chartering activities constitutes rental income or income derived from the performance of services, including legal uncertainties arising from the decision in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), which 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 IRS stated in an Action on Decision (AOD 2010-01) that it disagrees with, and will not acquiesce to, the way that the rental versus services framework was applied to the facts in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. The IRS s 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 PFICs, there can be no assurance that the IRS or a court would not follow the *Tidewater* decision in interpreting the PFIC provisions of the Code. Moreover, the market value of our common units may be treated as reflecting the value of our assets at any given time. Therefore, a decline in the market value of our common units, which is not within our control, may impact the determination of whether we are a PFIC. Nevertheless, based on our and our subsidiaries current assets and operations, we intend to take the position that we are not now and have never been a PFIC.

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No assurance can be given, however, that the IRS, or a court of law, with accept our position or that we would not constitute a PFIC for any future taxable year if there were to be changes in our or our subsidiaries assets, income or operations.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder generally would be subject to different taxation rules depending on whether the U.S. Holder makes a timely and effective election to treat us as a Qualified Electing Fund (or a *QEF election*). As an alternative to making a QEF election, a U.S. Holder should be able to make a mark to market election with respect to our common units, as discussed below.

Taxation of U.S. Holders Making a Timely QEF Election

A U.S. Holder who makes a timely QEF election (or an *Electing Holder*) must report the Electing Holder s pro rata share of our ordinary earnings and net capital gain, if any, for each taxable year for which we are a PFIC that ends with or within the Electing Holder s taxable year, regardless of whether or not the Electing Holder received distributions from us in that year. Such income inclusions would not be eligible for the preferential tax rates applicable to qualified dividend income. The Electing Holder s adjusted tax basis in our common units will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that were previously taxed will result in a corresponding reduction in the Electing Holder s adjusted tax basis in our common units and will not be taxed again once distributed. An Electing Holder generally will recognize capital gain or loss on the sale, exchange or other disposition of our common units. A U.S. Holder makes a QEF election with respect to any year that we are a PFIC by filing IRS Form 8621 with the U.S. Holder s timely filed U.S. federal income tax return (including extensions).

If a U.S. Holder has not made a timely QEF election with respect to the first year in the U.S. Holder s holding period of our common units during which we qualified as a PFIC, the U.S. Holder may be treated as having made a timely QEF election by filing a QEF election with the U.S. Holder s timely filed U.S. federal income tax return (including extensions) and, under the rules of Section 1291 of the Code, a deemed sale election to include in income as an excess distribution (described below) the amount of any gain that the U.S. Holder would otherwise recognize if the U.S. Holder sold the U.S. Holder s common units on the qualification date. The qualification date is the first day of our taxable year in which we qualified as a qualified electing fund with respect to such U.S. Holder. In addition to the above rules, under very limited circumstances, a U.S. Holder may make a retroactive QEF election if the U.S. Holder failed to file the QEF election documents in a timely manner. If a U.S. Holder makes a timely QEF election for one of our taxable years, but did not make such election with respect to the first year in the U.S. Holder s holding period of our common units during which we qualified as a PFIC and the U.S. Holder did not make the deemed sale election described above, the U.S. Holder also will be subject to the more adverse rules described below.

A U.S. Holder s QEF election will not be effective unless we annually provide the U.S. Holder with certain information concerning our income and gain, calculated in accordance with the Code, to be included with the U.S. Holder s U.S. federal income tax return. We do not intend to provide such information in the current taxable year. Accordingly, U.S. Holders will not be able to make an effective QEF election at this time. If, contrary to our expectations, we determine that we are or will be a PFIC for any taxable year, we will provide U.S. Holders with the information necessary to make an effective QEF election with respect to our common units.

Taxation of U.S. Holders Making a Mark-to-Market Election

If we were to be treated as a PFIC for any taxable year and, as we anticipate, our common units were treated as marketable stock, then, as an alternative to making a QEF election, a U.S. Holder would be allowed to make a mark to market election with respect to our common units, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made for the

first year a U.S. Holder holds or is deemed to hold our common units and for which we are a PFIC, the U.S. Holder generally would include as ordinary income in each taxable year that we are a PFIC the excess, if any, of the fair market value of the U.S. Holder s common units at the end of the taxable year over the U.S. Holder s adjusted tax basis in the common units. The U.S. Holder also would be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder s adjusted tax basis in the common units over the fair market value thereof at the end of the taxable year that we are a PFIC, but only to the extent of the net amount previously included in income as a result of the mark to market election. A U.S. Holder s tax basis in our common units would be adjusted to reflect any such income or loss recognized. Gain recognized on the sale, exchange or other disposition of our common units in taxable years that we are a PFIC would be treated as ordinary income, and any loss recognized on the sale, exchange or other disposition of our common units in taxable years that we are a PFIC would be treated as ordinary loss to the extent that such loss does not exceed the net mark to market gains previously included in income by the U.S. Holder. Because the mark to market election only applies to marketable stock, however, it would not apply to a U.S. Holder s indirect interest in any of our subsidiaries that were also determined to be PFICs.

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If a U.S. Holder makes a mark-to-market election for one of our taxable years and we were a PFIC for a prior taxable year during which such U.S. Holder held our common units and for which (a) we were not a QEF with respect to such U.S. Holder and (b) such U.S. Holder did not make a timely mark-to-market election, such U.S. Holder would also be subject to the more adverse rules described below in the first taxable year for which the mark-to-market election is in effect and also to the extent the fair market value of the U.S. Holder s common units exceeds the U.S. Holder s adjusted tax basis in the common units at the end of the first taxable year for which the mark-to-market election is in effect.

Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election

If we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a mark to market election for that year (a *Non Electing Holder*) would be subject to special rules resulting in increased tax liability with respect to (a) any excess distribution (i.e., the portion of any distributions received by the Non Electing Holder on our common units in a taxable year in excess of 125% of the average annual distributions received by the Non Electing Holder in the three preceding taxable years, or, if shorter, the Non Electing Holder s holding period for our common units), and (b) any gain realized on the sale, exchange or other disposition of our common units. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder s aggregate holding period for our common units;
- the amount allocated to the current taxable year and any taxable year prior to the taxable year we were first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income in the current taxable year;
- the amount allocated to each of the other taxable years would be subject to U.S. federal income tax at the highest rate of tax in effect for the applicable class of taxpayer for that year; and
- an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

Additionally, for each year during which a U.S. Holder holds our common units, we are a PFIC, and the total value of all PFIC units that such U.S. Holder directly or indirectly holds exceeds certain thresholds, such U.S. Holder will be required to file IRS Form 8621 with its annual U.S. federal income tax return to report its ownership of our common units. In addition, if a Non Electing Holder, who is an individual, dies while owning our common units, such Non-Electing Holder s successor generally would not receive a step up in tax basis with respect to such common units.

U.S. Holders are urged to consult their tax advisors regarding the PFIC rules, including the PFIC annual reporting requirements, as well as the applicability, availability and advisability of, and procedure for, making QEF, Mark-to-Market and other available elections with respect to us, and the U.S. federal income tax consequences of making such elections.

U.S. Return Disclosure Requirements for U.S. Individual Holders

U.S. Individual Holders who hold certain specified foreign financial assets, including common units in a foreign corporation that is not held in an account maintained by a financial institution, with an aggregate value in excess of $50,000 on the last day of a taxable year, or $75,000 at any time during that taxable year, may be required to report such assets on IRS Form 8938 with their U.S. federal income tax return for that taxable year. This reporting requirement does not apply to U.S. Individual Holders who report their ownership of our common units under the PFIC annual reporting rules described above. Penalties apply for failure to properly complete and file IRS Form 8938. U.S. Individual Holders are encouraged to consult with their tax advisors regarding the possible application of this disclosure requirement to their investment in our common units.

United States Federal Income Taxation of Non-U.S. Holders Following the Check-the-Box Election

Distributions

After the Check-the-Box Election, the income and deductions attributable to the assets and liabilities of the new entity treated as a corporation for U.S. federal income tax purposes will not be allocated to our common unitholders for U.S. federal income tax purposes. Rather, a common unitholder will be taxed only on cash distributions and other distributions of property received from us. In general, a Non U.S. Holder will not be subject to U.S. federal income tax on distributions received from

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us with respect to our common units unless the distributions are effectively connected with the Non-U.S. Holder s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States). If a Non U.S. Holder is engaged in a trade or business within the United States and the distributions are deemed to be effectively connected to that trade or business, the Non-U.S. Holder generally will be subject to U.S. federal income tax on those distributions in the same manner as if it were a U.S. Holder.

Sale, Exchange or Other Disposition of Common Units

In general, a Non-U.S. Holder is not subject to U.S. federal income tax on any gain resulting from the disposition of our common units unless (a) such gain is effectively connected with the Non-U.S. Holder s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States) or (b) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year in which such disposition occurs and meets certain other requirements. If a Non-U.S. Holder is engaged in a trade or business within the United States and the disposition of our common units is deemed to be effectively connected to that trade or business, the Non-U.S. Holder generally will be subject to U.S. federal income tax on the resulting gain in the same manner as if it were a U.S. Holder.

Information Reporting and Backup Withholding

In general, payments of distributions with respect to, or the proceeds of a disposition of, our common units to a Non Corporate U.S. Holder will be subject to information reporting requirements. These payments to a Non Corporate U.S. Holder also may be subject to backup withholding if the Non Corporate U.S. Holder:

- fails to timely provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or distributions required to be shown on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non U.S. Holders may be required to establish their exemption from information reporting and backup withholding on payments made to them within the United States, or through a U.S. payor, by certifying their status on IRS Form W-8BEN, W-8BEN-E, W-8ECI, W-8EXP or W-8IMY, as applicable.

Backup withholding is not an additional tax. Rather, a common unitholder generally may obtain a credit for any amount withheld against its liability for U.S. federal income tax (and obtain a refund of any amounts withheld in excess of such liability) by accurately completing and timely filing a U.S. federal income tax return with the IRS.

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Material Non-U.S. Tax Considerations

Marshall Islands Tax Considerations

The following discussion is based upon the current laws of the Republic of the Marshall Islands and is applicable only to persons who are not citizens of, and do not reside in, maintain offices in or engage in business, transactions or operations in the Republic of the Marshall Islands.

Because we and our subsidiaries do not, and we do not expect that we or any of our subsidiaries will, conduct business, transactions or operations in the Republic of the Marshall Islands, and because all documentation related to the Check-the-Box Election will be executed outside of the Republic of the Marshall Islands, under current Marshall Islands law holders of our common units will not be subject to Marshall Islands taxation or withholding on distributions, including upon a return of capital, we make to our unitholders. In addition, our unitholders will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of common units, and they will not be required by the Republic of the Marshall Islands to file a tax return relating to the common units.

It is the responsibility of each unitholder to investigate the legal and tax consequences, under the laws of pertinent jurisdictions, including the Marshall Islands, of his investment in us. Accordingly, each unitholder is urged to consult its tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each unitholder to file all state, local and non-U.S., as well as U.S. federal tax returns that may be required of such unitholder.

Canadian Federal Income Tax Considerations

The following discussion is a summary of the material Canadian federal income tax considerations under the *Income Tax Act* (Canada) (or the *Canada Tax Act*) that we believe are relevant to holders of units who, for the purposes of the Canada Tax Act and the Canada-United States Tax Convention 1980 (or the *Canada-U.S. Treaty*), are at all relevant times resident in the United States and entitled to all of the benefits of the Canada-U.S. Treaty and who deal at arm s length with us and Teekay Corporation (or *U.S. Resident Holders*). This discussion takes into account all proposed amendments to the Canada Tax Act and the regulations thereunder that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and assumes that such proposed amendments will be enacted substantially as proposed. However, no assurance can be given that such proposed amendments will be enacted in the form proposed or at all.

A partnership that elects to be treated as a corporation for U.S. tax purposes will still be considered to be a partnership for Canadian tax purposes. As a result, following a Check-the-Box Election, Teekay LNG Partners L.P. will still be considered to be a partnership under Canadian federal income tax law and therefore not a taxable entity for Canadian income tax purposes. A U.S. Resident Holder will not be liable to tax under the Canada Tax Act on any income or gains allocated by Teekay LNG Partners L.P. to the U.S. Resident Holder in respect of such U.S. Resident Holder s units, provided that (a) Teekay LNG Partners L.P. does not carry on business in Canada for purposes of the Canada Tax Act and (b) such U.S. Resident Holder does not hold such units in connection with a business carried on by such U.S. Resident Holder through a permanent establishment in Canada for purposes of the Canada-U.S. Treaty.

A U.S. Resident Holder will not be liable to tax under the Canada Tax Act on any income or gain from the sale, redemption or other disposition of such U.S. Resident Holder s units, provided that, for purposes of the Canada-U.S. Treaty, such units do not, and did not at any time in the twelve-month period preceding the date of disposition, form part of the business property of a permanent establishment in Canada of such U.S. Resident Holder.

We believe that the activities and affairs of Teekay LNG Partners L.P. are conducted in such a manner that Teekay LNG Partners L.P. is not carrying on business in Canada and that U.S. Resident Holders should not be considered to be carrying on business in Canada for purposes of the Canada Tax Act or the Canada-U.S. Treaty solely by reason of the acquisition, holding, disposition or redemption of our units. We intend that this is and continues to be the case, notwithstanding that Teekay Shipping Limited (a subsidiary of Teekay Corporation that is a non-resident of Canada) and Teekay Gas Group Ltd. (an indirect subsidiary of Teekay LNG Partners L.P. that is a non-resident of Canada) provide certain services to Teekay LNG Partners L.P. and obtain some or all such services under subcontracts with Canadian service providers. If the arrangements we have entered into result in Teekay LNG Partners L.P. being considered to carry on business in Canada for purposes of the Canada Tax Act, U.S. Resident Holders would be considered to be carrying on business in Canada and may be required to file Canadian tax returns and, subject to any relief provided under the Canada-U.S. Treaty, would be subject to taxation in Canada on any income that is considered to be attributable to the business carried on by Teekay LNG Partners L.P. in Canada. The Canada-U.S. Treaty contains a treaty benefit denial rule which may have the effect of denying relief thereunder from Canadian taxation to U.S. Resident Holders in respect of any income attributable to a business carried on by us in Canada.

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Although we do not intend to do so, there can be no assurance that the manner in which we carry on our activities will not change from time to time as circumstances dictate or warrant in a manner that may cause U.S. Resident Holders to be carrying on business in Canada for purposes of the Canada Tax Act. Further, the relevant Canadian federal income tax law may change by legislation or judicial interpretation and the Canadian taxing authorities may take a different view than we have of the current law.

It is the responsibility of each unitholder to investigate the legal and tax consequences, under the laws of pertinent jurisdictions, including Canada, of an investment in us. Accordingly, each unitholder is urged to consult, and depend upon, such unitholder s tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each unitholder to file all state, local and non-U.S., as well as U.S. federal tax returns, that may be required of such unitholder.

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PROPOSAL NO. 2: APPROVAL OF THE FOURTH AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

General

The Board has approved and declared advisable and hereby proposes, and recommends, that the common unitholders approve and adopt the Fourth Amended and Restated Partnership Agreement. The Fourth Amended and Restated Partnership Agreement has been prepared in connection with and, if approved by the common unitholders, will become effective upon the effectiveness of Teekay LNG Partners being treated as a corporation for U.S. federal income tax purposes, as described in Proposal No. 1 above. This Proposal No. 2 is conditioned on Proposal No. 1 being approved by the common unitholders. As a result, even if common unitholders approve this Proposal No. 2, the adoption of the Fourth Amended and Restated Partnership Agreement by Teekay LNG Partners cannot become effective unless common unitholders also approve Proposal No. 1 above.

Subject to certain exceptions, the Partnership Agreement requires that (i) any amendments to the Partnership Agreement be proposed by our General Partner, (ii) any amendments to the Partnership Agreement be approved by an affirmative FOR vote of the holders of a majority of the common units outstanding, and (iii) Teekay LNG Partners obtains a written opinion of counsel to the effect that such amendments to the Partnership Agreement set forth in Proposal No. 2 will not affect the limited liability of any Limited Partner (as defined in the Partnership Agreement) under applicable law. The Board recommends that you vote your common units **FOR** both the Check-the-Box Election (Proposal No. 1) and the Partnership Agreement Proposal (Proposal No. 2).

Vote Required

Approval of this proposal requires the affirmative vote of the holders of a majority of the common units outstanding. Abstentions and broker non-votes will have the same effect as a vote against this proposal.

THE BOARD RECOMMENDS THAT UNITHOLDERS VOTE FOR APPROVAL AND ADOPTION OF THE FOURTH AMENDED AND RESTATED PARTNERSHIP AGREEMENT. IF NOT OTHERWISE SPECIFIED IN PROXY CARDS, THE PROXY WILL VOTE COMMON UNITS FOR APPROVAL OF THIS PROPOSAL.

Description of the Fourth Amended and Restated Partnership Agreement

The Fourth Amended and Restated Partnership Agreement has been prepared in connection with the proposal to authorize Teekay LNG Partners to elect to be treated as a corporation for U.S. federal income tax purposes, as described in Proposal No. 1 above. The primary purpose of amending and restating the Third Amended and Restated Partnership Agreement is to delete or amend those provisions of the Third Amended and Restated Partnership Agreement that pertain to Teekay LNG Partners U.S. federal income tax classification as a partnership (or the *Tax Amendments*) and to effect the Check-the-Box Election contemplated by Proposal No. 1. The Tax Amendments will not alter the rights of the holders of our common units or our General Partner to the distributions described in the Third Amended and Restated Partnership Agreement. The Tax Amendments will not have a materially adverse effect on the existing terms of the Series A Preferred Units or the Series B Preferred Units. Under the terms of the Fourth Amended and Restated Partnership Agreement, Teekay LNG Partners will remain a partnership for state law purposes.

The following is a brief summary of the foregoing amendments included in the Fourth Amended and Restated Partnership Agreement (capitalized terms used not defined herein have the meanings ascribed thereto in the Fourth Amended and Restated Partnership Agreement). In addition to the material amendments described below, the Fourth Amended and Restated Partnership Agreement also contains certain non-substantive amendments, including, but not limited to, updating section references and making other clerical changes. The following is not a complete list of the amendments and deletions included in the Fourth Amended and Restated Partnership Agreement. To view a complete marked copy of the Fourth Amended and Restated Partnership Agreement, which reflects all amendments to the Third Amended and Restated Partnership Agreement, please see Appendix A hereto.

Summary of Amendments to Partnership Agreement

The amendments to the Partnership Agreement relating to the Partnership s election to be classified as a corporation for U.S. federal income tax purposes primarily include the following:

Restriction on Business Activities. This section is amended to remove the restriction on business activities that would cause the Partnership to be taxable as a corporation or otherwise as an entity for U.S. federal income tax purposes. (Section 2.4)

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Transfer of the General Partner Interest and Restrictions on Transfers. These sections are amended to remove the restriction on a transfer of the General Partner Interests (as defined in the Partnership Agreement) or Partnership Interest (as defined in the Partnership Agreement) that would have prevented the Partnership from being taxable as a corporation or otherwise as an entity for U.S. federal income tax purposes. (Section 4.6 and Section 4.8)

Capital Account. This section is deleted to remove the requirement of maintaining a capital account for each Partner. (Section 5.5)

Allocations for Capital Account Purposes. This section is amended to (a) remove the provision of book allocations of the Partnership s income, gain, loss and deductions among the Partners and nominees for U.S. federal income tax capital account maintenance purposes, and (b) replace it with a provision allocating the Partnership s profits and losses among the Partners in accordance with their economic interests in the Partnership as determined by the General Partner in good faith for purposes of Marshall Islands law. (Section 6.1)

Allocations for Tax Purposes and Partnership Taxes. These sections are amended to remove the provision of U.S. federal income tax allocations of the Partnership s income, gain, loss and deductions among the Partners and to remove provisions related to payment of taxes on a Partner s behalf by the Partnership. (Section 6.2 and Section 6.3(c))

Estimated Taxes and Entity-Level Tax Adjustments to Minimum Quarterly and Incentive Distribution Amounts. This section is amended to remove the contingency that it applies if legislative changes or interpretations result in the Partnership becoming taxable as a corporation or otherwise as an entity for U.S. federal income tax purposes. As amended, the section provides for (a) the General Partner making quarterly estimates of the aggregate corporate tax liability of the Partnership and the group members and (b) proportionate adjustments to each of the Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution and Third Target Distribution levels applicable to cash distributions. The amounts of the adjustments are based on the level of entity-level corporate taxes relative to the amount of Available Cash (as defined in the Partnership Agreement) for the applicable quarter. (Section 6.8)

Tax Matters. These sections are amended to (i) add a provision authorizing the General Partner to make the Check-the-Box Election, and (ii) clarify that the General Partner is designated as the tax matters partner for taxable years that end on or prior to date immediately prior to the Effective Date (as defined in the Partnership Agreement). (Section 9.1, Section 9.2 and Section 9.3)

Removal of General Partner. This section is amended to remove the requirement of an opinion of counsel that the removal of the General Partner would not result in any group member becoming taxable as a corporation or otherwise as an entity for U.S. federal income tax purposes. (Section 11.2)

Dissolution and Liquidation. These sections are amended to (i) remove the requirement, relating to continuation of the Partnership following dissolution, that the Partnership must receive an opinion of counsel that the continuation of the business of the Partnership would not result in the Partnership or any group member becoming taxable as a corporation or otherwise as an entity for U.S. federal income tax purposes, and (ii) provide that all property and cash distributed to the Partners upon liquidation of the Partnership shall be made (a) first to the holders of Series A Preferred Units and Series B Preferred Units in an amount equal to their respective liquidation preferences, and (b) thereafter to the holders of common units and to the General Partner in accordance with the distribution entitlements contemplated by the provisions for making book allocations of the Partnership s income, gain, loss and deductions for U.S. federal income tax capital account maintenance purposes in the event of the dissolution and liquidation of the Partnership in effect prior to amendment and removal of those provisions. (Section 6.1(c), Section 12.2 and Section 12.4(c))

Capital Account Restoration. This section is deleted to remove the provision that no Partners shall have any obligation to restore any negative capital account balance upon liquidation. (Section 12.8)

Amendments Affecting Tax Treatment. This section is amended to remove the provisions related to amendments that would result in the Partnership or any group member becoming taxable as a corporation other than for Marshall Islands income tax purposes. (Section 13.1(c))

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Mergers or Consolidations. This section is amended to remove the restrictions related to mergers or consolidations that would cause the Partnership to be taxable as a corporation or otherwise as an entity for U.S. federal income tax purposes. (Section 14.3)

Distributions with respect to Preferred Units. This section is amended to remove the requirement to treat certain distributions to Series A Preferred Units and Series B Preferred Units as guaranteed payments for U.S. federal income tax purposes. (Section 16.3)

In addition, any definitions or references related to the provisions described above are added, deleted or amended.

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PROPOSAL NO. 3: ADJOURN THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES

General

The Board has approved and declared advisable and hereby proposes, and recommends, that the common unitholders approve Proposal No. 3 to give the Teekay LNG Partners the authority, if necessary or appropriate, to adjourn the special meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the special meeting to approve the Check-the-Box Election (Proposal No. 1) and the Partnership Agreement Proposal (Proposal No. 2).

If the Adjournment Proposal (Proposal No. 3) is approved, Teekay LNG Partners may adjourn the special meeting to solicit additional proxies (even if a quorum is not present at the special meeting). Teekay LNG Partners does not anticipate that it will adjourn or postpone the special meeting except for this purpose, or if it is advised by counsel that such adjournment or postponement is necessary under applicable law. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow Teekay LNG Partners common unitholders who have already submitted their proxies to revoke them prior to the special meeting, as adjourned or postponed.

Vote Required

Approval of the Adjournment Proposal (Proposal No. 3) requires the affirmative vote of a majority of common units present or represented by proxy at the special meeting and entitled to vote on the proposal (even if a quorum is not present). Abstentions and broker non-votes will have the same effect as a vote against this proposal.

THE BOARD RECOMMENDS THAT COMMON UNITHOLDERS VOTE FOR THE PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING TO APPROVE THE CHECK-THE-BOX ELECTION AND THE PARTNERSHIP AGREEMENT PROPOSAL.

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COMMON UNIT OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Major Common Unitholders

The following table sets forth information regarding beneficial ownership, as of November 12, 2018, of our common units by each person we know to beneficially own more than 5% of the outstanding common units. The number of common units beneficially owned by each person is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules a person beneficially owns any units as to which the person has or shares voting or investment power. In addition, a person beneficially owns any common units that the person or entity has the right to acquire as of January 13, 2019 (60 days after November 12, 2018) through the exercise of any unit option or other right. Unless otherwise indicated, each unitholder listed below has sole voting and investment power with respect to the common units set forth in the following table.

Identity of Person or Group	Common Units Owned	Percentage of Common Units Owned[1]
Teekay Corporation[1]	25,208,274	31.6%
FMR LLC[2]	7,962,681	10.0%
Cobas Asset Management, SGIIC, SA[3]	6,420,580	8.1%
OppenheimerFunds, Inc.[4]	5,014,317	6.3%

(1) Based on 79,687,499 of common units outstanding as of November 12, 2018. Excludes the 2% general partner interest held by our General Partner, a wholly-owned subsidiary of Teekay Corporation.
(2) FMR LLC has the sole dispositive power and has voting power as to 10,900 of these common units. This information is based on the Schedule 13G filed by this group with the SEC on February 13, 2018.
(3) Cobas Asset Management, SGIIC, SA (or *Cobas*) has sole and shared voting power as to 4,020,774 common units. This information is based on the Schedule 13G filed by this group with the SEC on June 23, 2017 and information disclosed to us by Cobas.
(4) OppenheimerFunds, Inc., an investment advisor, has shared voting power and shared dispositive power as to 5,014,317 common units. This information is based on the Schedule 13G/A filed by this group with the SEC on February 7, 2018.

As of November 12, 2018, we had 13 common unitholders of record located in the United States, one of which is Cede & Co., a nominee of The Depository Trust Company, which held an aggregate of 79,614,891 of our common units, representing approximately 99.9% of our outstanding common units. We believe that the common units held by Cede & Co. include units beneficially owned by both holders in the United States and outside the United States.

Teekay Corporation has the same voting rights with respect to common units it owns as our other common unitholders. We are controlled by Teekay Corporation as a result of its ownership of the General Partner. We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of us.

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INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Our General Partner is a wholly-owned indirect subsidiary of Teekay Corporation. Teekay Corporation also owns 25,208,274 common units, representing approximately 31.6% of our outstanding common units, and our General Partner owns approximately 2% of our common units. As a result of its ownership interest in the General Partner, Teekay Corporation controls the General Partner and has the ability to appoint all of the members of the Board. Three members of the Board are also directors or officers of Teekay Corporation. Conflicts of interest exist and may arise as a result of the relationships between the General Partner and its affiliates, including without limitation, Teekay Corporation, on the one hand, and the Partnership and its limited partners, on the other hand. Although our General Partner has a duty to manage the Partnership in a manner beneficial to the Partnership and its limited partners, the General Partner s directors and officers have fiduciary duties to manage the General Partner in a manner beneficial to its owner, Teekay Corporation.

Other than as described above, except in their capacity as unitholders (which interest does not differ from that of the other holders of our common units), none of our officers, directors, or any of their respective affiliates has any interest in the Check-the-Box Election or the Fourth Amended and Restated Partnership Agreement.

HOUSEHOLDING MATTERS

Common unitholders who share a single address will receive only one proxy statement at that address unless we have received instructions to the contrary from any common unitholder at that address. This practice, known as householding, is designed to reduce our printing and postage costs. However, if a common unitholder of record residing at such an address wishes to receive a separate copy of this proxy statement or of future proxy statements (as applicable), he or she may contact our Corporate Secretary at (441) 298-2530 or via mail at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton HM 08, Bermuda, Attn: Corporate Secretary. We will promptly deliver separate copies of this proxy statement promptly upon written or oral request. If you are a common unitholder of record receiving multiple copies of our proxy statement, you can request householding by contacting us in the same manner. If you own your common units through a broker, bank, trustee or other nominee, you can request additional copies of this proxy statement or request householding by contacting the unitholder of record.

OTHER MATTERS

If other matters are properly presented at the special meeting for consideration, the persons named in the proxy will have the discretion to vote on those matters for you. At the date this proxy statement went to press, we did not know of any other matters to be raised at the special meeting.

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APPENDIX A

Appendix A-1 - Fourth Amended and Restated Agreement of Limited Partnership

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FOURTH AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

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