Teekay LNG Partners L.P.
Form 6-K
November 24, 2017

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

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2017
Commission file number 1- 32479

TEEKAY LNG PARTNERS L.P.
(Exact name of Registrant as specified in its charter)

4th Floor, Belvedere Building
69 Pitts Bay Road
Hamilton, HM 08 Bermuda
(Address of principal executive office)

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

TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017
INDEX

ITEM 1 – FINANCIAL STATEMENTS
TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF (LOSS) INCOME
(in thousands of U.S. Dollars, except unit and per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Voyage revenues (note 9a)	104,285	100,658	306,369	295,670
Voyage expenses	(1,466)	(355)	(3,899)	(1,354)
Vessel operating expenses (note 9a)	(26,724)	(22,055)	(76,113)	(66,320)
Depreciation and amortization	(24,980)	(24,041)	(77,894)	(70,521)
General and administrative expenses (notes 9a, 9e and 13)	(2,793)	(3,573)	(11,592)	(14,865)
Write-down and loss on sales of vessels (note 14)	(38,000)	—	(50,600)	(27,439)
Income from vessel operations	10,322	50,634	86,271	115,171
Equity income	1,417	13,514	6,797	52,579
Interest expense (notes 7 and 10)	(20,091)	(15,644)	(57,604)	(42,910)
Interest income	602	653	2,035	1,800
Realized and unrealized (loss) gain on non-designated derivative instruments (note 10)	(2,178)	5,004	(8,375)	(50,406)
Foreign currency exchange (loss) gain (notes 7 and 10)	(5,104)	504	(24,497)	(10,139)
Other income	356	397	1,137	1,223
Net (loss) income before income tax expense	(14,676)	55,062	5,764	67,318
Income tax expense (note 8)	(750)	(209)	(1,143)	(722)
Net (loss) income	(15,426)	54,853	4,621	66,596
Non-controlling interest in net (loss) income	3,470	4,746	10,533	10,556
Preferred unitholders' interest in net (loss) income	2,813	—	8,438	—
General Partner’s interest in net (loss) income	(434)	1,002	(287)	1,121
Limited partners’ interest in net (loss) income	(21,275)	49,105	(14,063)	54,919
Limited partners’ interest in net (loss) income per common unit: (note 12)				
• Basic	(0.27)	0.62	(0.18)	0.69
• Diluted	(0.27)	0.62	(0.18)	0.69
Weighted-average number of common units outstanding:				
• Basic	79,626,819	79,571,820	79,614,731	79,567,188
• Diluted	79,626,819	79,697,417	79,773,745	79,659,822
Cash distributions declared per common unit	0.14	0.14	0.42	0.42

Related party transactions (note 9)
Commitments and contingencies (note 11)
Subsequent events (note 16)
The accompanying notes are an integral part of the unaudited consolidated financial statements.

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TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands of U.S. Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Net (loss) income	(15,426)	54,853	4,621	66,596
Other comprehensive income (loss):				
Other comprehensive income (loss) before reclassifications				
Unrealized loss on qualifying cash flow hedging instruments, net of tax (note 10)	(264)	2,517	(1,278)	(15,689)
Amounts reclassified from accumulated other comprehensive income (loss)				
To equity income:				
Realized loss on qualifying cash flow hedging instruments	793	868	2,085	2,591
Other comprehensive income (loss)	529	3,385	807	(13,098)
Comprehensive (loss) income	(14,897)	58,238	5,428	53,498
Non-controlling interest in comprehensive (loss) income	3,436	4,999	10,168	7,954
Preferred unitholders' interest in comprehensive (loss) income (note 12)	2,813	—	8,438	—
General and limited partners' interest in comprehensive (loss) income	(21,146)	53,239	(13,178)	45,544

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

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

	As at September 30, 2017 $	As at December 31, 2016 $
ASSETS		
Current		
Cash and cash equivalents	161,008	126,146
Restricted cash – current (notes 7 and 10)	21,386	10,145
Accounts receivable, including non-trade of $18,813 (2016 – $19,325)	22,079	25,224
Prepaid expenses	4,345	3,724
Vessels held for sale (notes 14b and 14c)	17,000	20,580
Current portion of derivative assets (note 10)	1,759	531
Current portion of net investments in direct financing leases (notes 3b and 5)	9,683	150,342
Advances to affiliates (notes 9b and 10)	9,245	9,739
Total current assets	246,505	346,431
Restricted cash – long-term (notes 7, 10 and 11c)	71,626	106,882
Vessels and equipment		
At cost, less accumulated depreciation of $664,461 (2016 – $668,969)	1,316,234	1,374,128
Vessels under capital leases, at cost, less accumulated depreciation of $18,331 (2016 – $69,072) (note 5)	643,973	484,253
Advances on newbuilding contracts (note 9d)	492,800	357,602
Total vessels and equipment	2,453,007	2,215,983
Investments in and advances to equity-accounted joint ventures (notes 6 and 9a)	1,114,709	1,037,726
Net investments in direct financing leases (notes 3b and 5)	624,122	492,666
Other assets	1,440	5,529
Derivative assets (note 10)	9,324	4,692
Intangible assets – net	63,293	69,934
Goodwill – liquefied gas segment	35,631	35,631
Total assets	4,619,657	4,315,474
LIABILITIES AND EQUITY		
Current		
Accounts payable	2,240	5,562
Accrued liabilities (note 10)	38,056	35,881
Unearned revenue	20,283	16,998
Current portion of long-term debt (note 7)	516,232	188,511
Current obligations under capital lease (note 5)	108,592	40,353
Current portion of in-process contracts	9,050	15,833
Current portion of derivative liabilities (note 10)	69,964	56,800
Advances from affiliates (note 9b)	9,864	15,492
Total current liabilities	774,281	375,430
Long-term debt (note 7)	1,380,175	1,602,715
Long-term obligations under capital lease (note 5)	595,674	352,486
Long-term unearned revenue	9,358	10,332

Other long-term liabilities (note 5)	58,432	60,573
In-process contracts	2,418	8,233
Derivative liabilities (note 10)	59,312	128,293
Total liabilities	2,879,650	2,538,062
Commitments and contingencies (notes 5, 7, 10, and 11)		
Equity		
Limited Partners - common units (79.6 million units issued and outstanding at September 30, 2017 and December 31, 2016)	1,516,634	1,563,852
Limited Partners - preferred units (5.0 million units issued and outstanding at September 30, 2017 and December 31, 2016)	123,520	123,426
General Partner	49,690	50,653
Accumulated other comprehensive income	1,747	575
Partners' equity	1,691,591	1,738,506
Non-controlling interest	48,416	38,906
Total equity	1,740,007	1,777,412
Total liabilities and total equity	4,619,657	4,315,474

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

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

	Nine Months Ended September 30, 2017 $	2016 $
Cash and cash equivalents provided by (used for)		
OPERATING ACTIVITIES		
Net income	4,621	66,596
Non-cash items:		
Unrealized (gain) loss on non-designated derivative instruments (note 10)	(5,522)	31,276
Depreciation and amortization	77,894	70,521
Write-down and loss on sales of vessels	50,600	27,439
Unrealized foreign currency exchange gain and other	(7,845)	(4,476)
Equity income, net of dividends received of $28,781 (2016 – $32,851)	21,984	(19,728)
Ineffective portion on qualifying cash flow hedging instruments included in interest expense	755	1,044
Change in operating assets and liabilities	1,804	(15,177)
Expenditures for dry docking	(17,067)	(6,574)
Net operating cash flow	127,224	150,921
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	249,682	259,922
Financing issuance costs	(1,765)	(562)
Scheduled repayments of long-term debt	(136,582)	(141,505)
Prepayments of long-term debt	(67,040)	(195,789)
Scheduled repayments of capital lease obligations	(27,411)	(17,477)
Decrease in restricted cash	22,196	13,086
Cash distributions paid	(42,462)	(34,099)
Dividends paid to non-controlling interest	(658)	(1,167)
Other	(605)	—
Net financing cash flow	(4,645)	(117,591)
INVESTING ACTIVITIES		
Capital contributions to equity-accounted joint ventures	(143,513)	(32,994)
Return of capital from equity-accounted joint ventures	40,320	—
Receipts from direct financing leases	9,203	18,262
Proceeds from sale of vessels (notes 14a and 14b)	20,580	94,311
Proceeds from sale-leaseback of vessels	335,830	355,306
Expenditures for vessels and equipment	(350,137)	(302,301)
Net investing cash flow	(87,717)	132,584
Increase in cash and cash equivalents	34,862	165,914
Cash and cash equivalents, beginning of the period	126,146	102,481
Cash and cash equivalents, end of the period	161,008	268,395

Supplemental cash flow information (note 15)

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

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

	TOTAL EQUITY							
	Partners' Equity							
	Limited Partners							
	Common Units	Common Units	Preferred Units	Preferred Units	General Partner	Accumulated Other Comprehensive Income	Non-controlling Interest	Total
	#	$	#	$	$	$	$	$
Balance as at December 31, 2016	79,572	1,563,852	5,000	123,426	50,653	575	38,906	1,777,412
Net (loss) income	—	(14,063)	—	8,438	(287)	—	10,533	4,621
Other comprehensive income	—	—	—	—	—	1,172	(365)	807
Cash distributions	—	(33,436)	—	(8,344)	(682)	—	—	(42,462)
Dividends paid to non-controlling interest	—	—	—	—	—	—	(658)	(658)
Equity based compensation, net of withholding tax of $0.6 million (note 13)	55	281	—	—	6	—	—	287
Balance as at September 30, 2017	79,627	1,516,634	5,000	123,520	49,690	1,747	48,416	1,740,007

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

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

1. Basis of Presentation

The unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (or GAAP). These financial statements include the accounts of Teekay LNG Partners L.P., which is a limited partnership formed under the laws of the Republic of The Marshall Islands, and its wholly-owned and controlled subsidiaries (collectively, the Partnership). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain information and footnote disclosures required by GAAP for complete annual financial statements have been omitted and, therefore, these interim financial statements should be read in conjunction with the Partnership's audited consolidated financial statements for the year ended December 31, 2016, which are included in the Partnership's Annual Report on Form 20-F for the year ended December 31, 2016 filed with the U.S. Securities and Exchange Commission (or SEC) on April 26, 2017. In the opinion of management of Teekay GP L.L.C., the general partner of the Partnership (or the General Partner), these interim unaudited consolidated financial statements reflect all adjustments consisting solely of a normal recurring nature, necessary to present fairly, in all material respects, the Partnership's consolidated financial position, results of operations, changes in total equity and cash flows for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of those for a full fiscal year. Significant intercompany balances and transactions have been eliminated upon consolidation.

2. Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (or FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers, (or ASU 2014-09). ASU 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue as each performance obligation is satisfied. ASU 2014-09 is effective for the Partnership on January 1, 2018 and will be applied as a cumulative-effect adjustment as of this date. The Partnership's only significant source of revenue that will be accounted for pursuant to ASU 2014-09 is its non-lease portion of time-charter contracts. Based on the Partnership's preliminary assessment of ASU 2014-09, when applied to the standard terms of the Partnership's time-charter contracts, no significant impact on the accounting for the non-lease portion of time-charter contracts is expected. The Partnership is in the final stages of completing its assessment of ASU 2014-09 and is focused on developing process changes, determining the transitional impact, and completing other items required for the adoption of ASU 2014-09.

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases (or ASU 2016-02). ASU 2016-02 establishes a right-of-use model that requires a lessee to record a right of use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The Partnership expects to adopt

ASU 2016-02 on January 1, 2018. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Partnership's lessee-related leasing activities primarily consist of on balance sheet finance leases. The accounting for such transactions is not significantly impacted by ASU 2016-02. The Partnership also has extensive lessor-related leasing activities, which consist of bareboat charter contracts and the lease portion of time-charter contracts. However, ASU 2016-02 does not make extensive changes to lessor accounting. Based on the Partnership's preliminary assessment of ASU 2016-02 no significant impact on the accounting for its lessor-related leasing activities is expected. The Partnership is in the final stages of completing its assessment of ASU 2016-02 and is focused on developing process changes, determining the transitional impact, and completing other items required for the adoption of ASU 2016-02.

In June 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. This update replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This update is effective for the Partnership on January 1, 2020, with a modified-retrospective approach. The Partnership is currently evaluating the effect of adopting this new guidance.

In August 2016, the FASB issued Accounting Standards Update 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments, which, among other things, provides guidance on two acceptable approaches of classifying distributions received from equity-method investees in the statements of cash flows. This update is effective for the Partnership on January 1, 2018, with a retrospective approach. The Partnership is currently evaluating the effect of adopting this new guidance.

On November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows: Restricted Cash (or ASU 2016-18). ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. ASU 2016-18 is effective for the Partnership on January 1, 2018. Adoption of ASU 2016-18 will result in the Partnership's statements of cash flows to be modified to include changes in restricted cash in addition to changes in cash and cash equivalents.

In August 2017, the FASB issued Accounting Standards Update 2017-12, Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities (or ASU 2017-12). ASU 2017-12 eliminates the requirement to separately measure and report hedge ineffectiveness

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and generally requires, for qualifying hedges, the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also modifies the accounting for components excluded from the assessment of hedge effectiveness, eases documentation and assessment requirements and modifies certain disclosure requirements. ASU 2017-12 will be effective January 1, 2019. The Partnership is currently evaluating the effect of adopting this new guidance.

3. Financial Instruments

a) Fair Value Measurements

For a description of how the Partnership estimates fair value and for a description of the fair value hierarchy levels, see Note 3 to the Partnership's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2016. The following table includes the estimated fair value and carrying value of those assets and liabilities that are measured at fair value on a recurring and non-recurring basis, as well as the estimated fair value of the Partnership's financial instruments that are not accounted for at fair value on a recurring basis.

		September 30, 2017		December 31, 2016	
	Fair Value Hierarchy Level	Carrying Amount Asset (Liability) $	Fair Value Asset (Liability) $	Carrying Amount Asset (Liability) $	Fair Value Asset (Liability) $
Recurring:					
Cash and cash equivalents and restricted cash	Level 1	254,020	254,020	243,173	243,173
Derivative instruments (note 10)					
Interest rate swap agreements – assets	Level 2	636	636	1,080	1,080
Interest rate swap agreements – liabilities	Level 2	(81,475)	(81,475)	(87,681)	(87,681)
Interest rate swaption agreements – assets	Level 2	15	15	3,283	3,283
Interest rate swaption agreements – liabilities	Level 2	(535)	(535)	(4,230)	(4,230)
Cross-currency swap agreements – assets	Level 2	8,688	8,688	—	—
Cross-currency swap agreements – liabilities	Level 2	(49,956)	(49,956)	(99,786)	(99,786)
Other derivative	Level 3	2,390	2,390	2,134	2,134
Non-recurring:					
Vessels held for sale (notes 14b and 14e)	Level 2	17,000	17,000	20,580	20,580
Vessels and equipment (note 14d)	Level 2	17,000	17,000	—	—
Vessels under capital leases (note 14e)	Level 3	52,914	52,914	—	—
Other:					
Advances to equity-accounted joint ventures (note 6)	(i)	131,439	(i)	272,514	(i)
Long-term receivable included in accounts receivable and other assets (ii)	Level 3	5,028	5,004	10,985	10,944
Long-term debt – public (note 7)	Level 1	(387,831)	(395,473)	(368,612)	(366,418)
Long-term debt – non-public (note 7)	Level 2	(1,508,576)	(1,472,367)	(1,422,614)	(1,381,287)

(i) The advances to equity-accounted joint ventures together with the Partnership's equity investments in the joint ventures form the net aggregate carrying value of the Partnership's interests in the joint ventures in these consolidated financial statements. The fair values of the individual components of such aggregate interests are not determinable.

(ii) As described in Note 3 to the Partnership's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year-ended December 31, 2016, the estimated fair value of the non-interest bearing receivable from Royal Dutch Shell Plc (or Shell) is based on the remaining future fixed payments as well as an estimated discount rate. The estimated fair value of this receivable as of September 30, 2017 was $5.0 million (December 31, 2016 – $10.9 million) using a discount rate of 8.0%. As there is no market rate for the equivalent of an unsecured non-interest bearing receivable from Shell, the discount rate is based on unsecured debt instruments of similar maturity held by the Partnership, adjusted for a liquidity premium. A higher or lower discount rate would result in a lower or higher fair value asset.

Changes in fair value during the nine months ended September 30, 2017 and 2016 for the Partnership's other derivative instrument, the Toledo Spirit time-charter derivative, which is described below and is measured at fair value on a recurring basis using significant unobservable inputs (Level 3), are as follows:

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(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

	Nine Months Ended September 30,	
	2017	2016
	$	$
Fair value at beginning of period	2,134	(6,296)
Realized and unrealized gains included in earnings	1,410	4,550
Settlement payments	(1,154)	2,556
Fair value at end of period	2,390	810

The Partnership's Suezmax tanker, the Toledo Spirit, operates pursuant to a time-charter contract that increases or decreases the otherwise fixed-hire rate established in the charter depending on the spot charter rates that the Partnership would have earned had it traded the vessel in the spot tanker market. The time-charter contract ends in August 2025, although the charterer has the right to terminate the time-charter contract in July 2018. In order to reduce the variability of its revenue under the Toledo Spirit time-charter, the Partnership entered into an agreement with Teekay Corporation under which Teekay Corporation pays the Partnership any amounts payable to the charterer of the Toledo Spirit as a result of spot rates being below the fixed rate, and the Partnership pays Teekay Corporation any amounts payable to the Partnership by the charterer of the Toledo Spirit as a result of spot rates being in excess of the fixed rate. The estimated fair value of this other derivative is based in part upon the Partnership's projection of future spot market tanker rates, which has been derived from current spot market tanker rates and long-term historical average rates, as well as an estimated discount rate. The estimated fair value of this other derivative as of September 30, 2017 is based upon an average daily tanker rate of $18,000 (September 30, 2016 – $22,875) over the remaining duration of the charter contract and a discount rate of 8.4% (September 30, 2016 – 8.0%). In developing and evaluating this estimate, the Partnership considers the current tanker market fundamentals as well as the short and long-term outlook. A higher or lower average daily tanker rate would result in a higher or lower fair value liability or a lower or higher fair value asset. A higher or lower discount rate would result in a lower or higher fair value asset or liability.

b) Financing Receivables

The following table contains a summary of the Partnership's loan receivables and other financing receivables by type of borrower and the method by which the Partnership monitors the credit quality of its financing receivables on a quarterly basis.

Class of Financing Receivable	Credit Indicator	Grade	September 30, 2017 $	December 31, 2016 $
Direct financing leases	Payment activity	Performing	633,805	643,008
Other receivables:				
Long-term receivable and accrued revenue included in accounts receivable and other assets	Payment activity	Performing	5,028	12,171
Advances to equity-accounted joint ventures (note 6)	Other internal metrics	Performing	131,439	272,514
			770,272	927,693

4. Segment Reporting

The following table includes results for the Partnership's segments for the periods presented in these financial statements.

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TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
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(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

	Three Months Ended September 30,					
	2017			2016		
	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $
Voyage revenues	92,700	11,585	104,285	87,260	13,398	100,658
Voyage expenses	(716)	(750)	(1,466)	(175)	(180)	(355)
Vessel operating expenses	(22,172)	(4,552)	(26,724)	(16,751)	(5,304)	(22,055)
Depreciation and amortization	(22,580)	(2,400)	(24,980)	(19,317)	(4,724)	(24,041)
General and administrative expenses (i)	(2,330)	(463)	(2,793)	(3,008)	(565)	(3,573)
Write-down and loss on sales of vessels	—	(38,000)	(38,000)	—	—	—
Income (loss) from vessel operations	44,902	(34,580)	10,322	48,009	2,625	50,634
Equity income	1,417	—	1,417	13,514	—	13,514

	Nine Months Ended September 30,					
	2017			2016		
	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $
Voyage revenues	271,078	35,291	306,369	250,342	45,328	295,670
Voyage expenses	(1,664)	(2,235)	(3,899)	(418)	(936)	(1,354)
Vessel operating expenses	(62,211)	(13,902)	(76,113)	(48,717)	(17,603)	(66,320)
Depreciation and amortization	(69,639)	(8,255)	(77,894)	(58,476)	(12,045)	(70,521)
General and administrative expenses (i)	(9,283)	(2,309)	(11,592)	(12,049)	(2,816)	(14,865)
Write-down and loss on sales of vessels	—	(50,600)	(50,600)	—	(27,439)	(27,439)
Income (loss) from vessel operations	128,281	(42,010)	86,271	130,682	(15,511)	115,171
Equity income	6,797	—	6,797	52,579	—	52,579

(i) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to each segment based on estimated use of corporate resources).

A reconciliation of total segment assets to total assets presented in the consolidated balance sheets is as follows:

	September 30, 2017 $	December 31, 2016 $
Total assets of the liquefied gas segment	4,307,812	3,957,088
Total assets of the conventional tanker segment	115,168	193,553
Unallocated:		
Cash and cash equivalents	161,008	126,146
Accounts receivable and prepaid expenses	26,424	28,948
Advances to affiliates	9,245	9,739

Consolidated total assets	4,619,657	4,315,474

5. Vessel Charters

The minimum estimated charter hire and rental payments for the remainder of the year and the next four fiscal years, as at September 30, 2017, for the Partnership's vessels chartered-in and vessels chartered-out are as follows:

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	Remainder of 2017	2018	2019	2020	2021
Vessel Charters [(i)]	$	$	$	$	$
Charters-in – capital leases[(ii)]	44,728	138,934	119,499	118,938	110,246
Charters-out – operating leases[(iii)(iv)]	84,812	293,880	309,100	275,252	235,799
Charters-out – direct financing leases[(iv)]	15,091	45,872	39,065	39,172	39,065
	99,903	339,752	348,165	314,424	274,864

(i) The Partnership owns 69% of Teekay BLT Corporation (or Teekay Tangguh Joint Venture), which is a party to operating leases whereby the Teekay Tangguh Joint Venture is leasing the Tangguh Hiri and Tangguh Sago liquefied natural gas (or LNG) carriers (or the Tangguh LNG Carriers) to a third party, which is in turn leasing the vessels back to the joint venture. The table above does not include the Partnership's minimum charter hire payments to be paid and received under these leases, which are described in more detail in Note 5 to the Partnership's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2016. Under the terms of the leasing arrangement for the Tangguh LNG Carriers, whereby the Teekay Tangguh Joint Venture is the lessee, the lessor claims tax depreciation on its lease of these vessels. As is typical in these types of leasing arrangements, tax and change of law risks are assumed by the lessee. Lease payments under the lease arrangements are based on certain tax and financial assumptions at the commencement of the leases. If an assumption proves to be incorrect, the lessor is entitled to increase the lease payments to maintain its agreed after-tax margin.

The carrying amount of tax indemnification guarantees of the Partnership relating to the leasing arrangement through the Teekay Tangguh Joint Venture as at September 30, 2017 was $7.2 million (December 31, 2016 – $7.5 million) and is included as part of other long-term liabilities in the Partnership's consolidated balance sheets. The tax indemnification is for the duration of the lease contracts with the third party plus the years it would take for the lease payments to be statute barred, which will end in 2033 for the vessels. Although there is no maximum potential amount of future payments, the Teekay Tangguh Joint Venture may terminate the lease arrangement on a voluntary basis at any time. If the lease arrangement terminates, the Teekay Tangguh Joint Venture will be required to pay termination sums to the lessor sufficient to repay the lessor's investment in the vessels and to compensate it for the tax effect of the terminations, including recapture of any tax depreciation.

(ii) As at September 30, 2017, the Partnership was a party, as lessee, to capital leases on two Suezmax tankers, the Teide Spirit and Toledo Spirit. Under these capital leases, the owner has the option to require the Partnership to purchase the two vessels. The charterer, who is also the owner, also has the option to cancel the charter contracts and the cancellation options are first exercisable in November 2017 and August 2018, respectively. The amounts in the table above assume the owner will not exercise its options to require the Partnership to purchase either of the vessels from the owner, but rather assume the owner will cancel the charter contracts when the cancellation right is first exercisable (in November 2017 and August 2018, respectively) and sell the vessels to a third party, upon which the remaining lease obligations will be extinguished. Therefore, the table above does not include any amounts after the expected cancellation date of the leases. In August 2017, the charterer of the Teide Spirit gave formal notification to the Partnership of its intention to terminate its charter contract subject to certain conditions being met and third party approvals being received. In October 2017, the charterer notified us that it has marketed the Teide Spirit for sale and, upon sale of the vessel, it will concurrently terminate its existing charter contract with the Partnership.

The Partnership is also a party to capital leases on three LNG carriers, the Creole Spirit, Oak Spirit and Torben Spirit. Upon delivery of the Creole Spirit in February 2016, the Oak Spirit in July 2016 and the Torben Spirit in March 2017, the Partnership sold these vessels to a third party and leased them back under 10-year bareboat charter contracts ending in 2026 and 2027. The bareboat charter contracts are accounted for as capital leases. The obligations of the Partnership under the bareboat charter contracts are guaranteed by the Partnership. In addition, the guarantee agreements require the Partnership to maintain minimum levels of tangible net worth and aggregate liquidity, and not to exceed a maximum amount of leverage.

As at September 30, 2017, the Partnership had sale-leaseback agreements in place for five of its eight LNG carrier newbuildings scheduled to deliver during the remainder of 2017 and 2018, and at such dates, the buyers will take delivery and charter each respective vessel back to the Partnership. As at September 30, 2017, the Partnership had received $211.2 million from the buyers, which has been recorded as current and long-term obligations under capital lease in the Partnership's consolidated balance sheets, and the Partnership has secured a further $699 million in capital lease financing to be received in the remainder of 2017 to 2018.

(iii) Minimum scheduled future rentals on operating lease contracts do not include rentals generated from new contracts entered into after September 30, 2017, rentals from unexercised option periods of contracts that existed on September 30, 2017, rentals from vessels in the Partnership's equity-accounted investments, variable or contingent rentals, or rentals from contracts which commenced after September 30, 2017. Therefore, the minimum scheduled future rentals on operating lease contracts should not be construed to reflect total charter hire revenues that may be recognized for any of the years.

(iv) As described in Note 5 to the Partnership’s audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2016, the Tangguh LNG Carriers’ time-charter contracts and two bareboat charter contracts for two LNG carriers chartered to Awilco LNG ASA (or Awilco) are accounted for as direct financing leases. In June 2017, the Partnership amended the charters with Awilco to defer a portion of charter hire and extend the bareboat charter contracts and related purchase obligations on both vessels to December 2019. The amendments have the effect of deferring between $10,600 per day and $20,600 per day per vessel from July 1, 2017 until December 2019, with such deferred amounts added to the purchase obligation amounts. As a result of the contract amendments, the charter contracts with Awilco will be reclassified to operating leases from direct finance leases upon the expiry of the original terms of the contracts with Awilco in November 2017 and August 2018.

6. Advances to Equity-Accounted Joint Ventures

a) During the nine months ended September 30, 2017, the Partnership's 50/50 joint venture (or the Yamal LNG Joint Venture) with China LNG Shipping (Holdings) Limited (or China LNG) converted the $195.0 million advances of each joint venture partner, including accrued interest, into contributed capital of the joint venture. As at December 31, 2016, the Partnership had advanced $146.7 million to the Yamal LNG Joint Venture and the interest accrued on these advances was $9.4 million. Both the contributed capital and advances are included in investments and advances to equity-accounted joint ventures in the Partnership’s consolidated balance sheets.

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b) As of September 30, 2017, the Partnership had advanced $52.3 million to Exmar LPG BVBA (December 31, 2016 – $52.3 million), the Partnership's 50/50 joint venture with Exmar NV (or Exmar). These advances bear interest at LIBOR plus 0.50% and have no fixed repayment terms. As at September 30, 2017, the interest receivable on the advances was $nil (December 31, 2016 – $1.1 million). Both the advances and the interest receivable on these advances are included in investments and advances to equity-accounted joint ventures in the Partnership's consolidated balance sheets.

c) As of September 30, 2017, the Partnership had advanced $79.1 million to Bahrain LNG W.L.L. (December 31, 2016 – $62.9 million), the Partnership's 30% owned joint venture with National Oil and Gas Authority (or Nogaholding) (30%), Gulf Investment Corporation (24%) and Samsung C&T (16%) (or the Bahrain LNG Joint Venture). As of September 30, 2017, the interest accrued on these advances was $0.1 million (December 31, 2016 – $0.1 million). Both the advances and the accrued interest on these advances are included in investments and advances to equity-accounted joint ventures in the Partnership's consolidated balance sheets.

7. Long-Term Debt

	September 30, 2017	December 31, 2016
	$	$
U.S. Dollar-denominated Revolving Credit Facilities due in 2018	339,809	208,222
U.S. Dollar-denominated Term Loans due from 2018 to 2026	933,166	1,005,199
Norwegian Kroner-denominated Bonds due from 2018 to 2021	389,320	371,329
Euro-denominated Term Loans due from 2018 to 2023	233,764	219,733
Other U.S. Dollar-denominated loan	10,000	—
Total principal	1,906,059	1,804,483
Unamortized discount and debt issuance costs	(9,652)	(13,257)
Total debt	1,896,407	1,791,226
Less current portion	(516,232)	(188,511)
Long-term debt	1,380,175	1,602,715

As at September 30, 2017, the Partnership had three revolving credit facilities available of which two credit facilities are current and one is long-term. The three credit facilities, as at such date, provided for borrowings of up to $429.8 million (December 31, 2016 – $451.9 million), of which $90.0 million (December 31, 2016 – $243.7 million) was undrawn. Interest payments are based on LIBOR plus margins, which margins ranged from 0.55% to 1.25%. In November 2017, the Partnership refinanced its $170 million revolving credit facility maturing in 2017 with a new $190 million revolving credit facility maturing in November 2018 (see Note 16f). The amount available under the three revolving credit facilities reduces by $6.1 million (remainder of 2017) and $423.7 million (2018). The revolving credit facilities may be used by the Partnership to fund general partnership purposes and to fund cash distributions. The Partnership is required to repay all borrowings used to fund cash distributions within 12 months of their being drawn, from a source other than further borrowings. One of the revolving credit facilities is unsecured, while the other two revolving credit facilities are collateralized by first-priority mortgages granted on four of the Partnership's vessels, together with other related security, and include a guarantee from the Partnership or its subsidiaries of all outstanding amounts. The Partnership is in the process of seeking to extend the other two revolving credit facilities (see Note 11b).

As at September 30, 2017, the Partnership had six U.S. Dollar-denominated term loans outstanding which totaled $933.2 million in aggregate principal amount (December 31, 2016 – $1.0 billion). Interest payments on the term loans are based on LIBOR plus a margin, which margins ranged from 0.30% to 2.80%. The six term loans require quarterly interest and principal payments and have balloon or bullet repayments due at maturity. The term loans are collateralized by first-priority mortgages on 14 of the Partnership's vessels to which the loans relate, together with certain other related security. In addition, at September 30, 2017, all of the outstanding term loans were guaranteed by either the Partnership or Teekay Nakilat Corporation, of which the Partnership is a 70% owner (or the Teekay Nakilat Joint Venture).

The Partnership has Norwegian Kroner (or NOK) 3.1 billion of senior unsecured bonds in the Norwegian bond market that mature through 2021. As at September 30, 2017, the total amount of the bonds, which are listed on the Oslo Stock Exchange, was $389.3 million (December 31, 2016 – $371.3 million). The interest payments on the bonds are based on NIBOR plus a margin, which margins ranged from 3.70% to 6.00%. The Partnership entered into cross-currency rate swaps, to swap all interest and principal payments of the bonds into U.S. Dollars, with the interest payments fixed at rates ranging from 5.92% to 7.70% and the transfer of principal fixed at $430.5 million upon maturity in exchange for NOK 3.1 billion (see Note 10).

The Partnership has two Euro-denominated term loans outstanding, which as at September 30, 2017, totaled 197.9 million Euros ($233.8 million) (December 31, 2016 – 208.9 million Euros ($219.7 million)). Interest payments are based on EURIBOR plus margins, which margins ranged from 0.60% to 2.25% as at September 30, 2017, and the loans require monthly interest and principal payments. The term loans have varying maturities through 2023. The term loans are collateralized by first-priority mortgages on two vessels to which the loans relate, together with certain other related security and are guaranteed by the Partnership and one of its subsidiaries.

The weighted-average interest rates for the Partnership's long-term debt outstanding at September 30, 2017 and December 31, 2016 were 3.15% and 3.03%, respectively. These rates do not reflect the effect of related interest rate swaps that the Partnership has used to economically

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hedge certain of its floating-rate debt (see Note 10). At September 30, 2017, the margins on the Partnership's outstanding revolving credit facilities and term loans ranged from 0.30% to 2.80%.

All Euro-denominated term loans and NOK-denominated bonds are revalued at the end of each period using the then-prevailing U.S. Dollar exchange rate. Due primarily to the revaluation of the Partnership's NOK-denominated bonds, the Partnership's Euro-denominated term loans and restricted cash, and the change in the valuation of the Partnership's cross-currency swaps, the Partnership incurred foreign exchange (losses) gains of ($5.1) million and $0.5 million for the three months ended September 30, 2017 and 2016, respectively, and ($24.5) million and ($10.1) million for nine months ended September 30, 2017 and 2016, respectively.

The aggregate annual long-term debt principal repayments required subsequent to September 30, 2017, including the impact of the revolving credit facility refinancing completed in November 2017, are $46.1 million (remainder of 2017), $717.1 million (2018), $88.9 million (2019), $346.4 million (2020), $345.6 million (2021) and $362.0 million (thereafter).

Certain loan agreements require that (a) the Partnership maintain minimum levels of tangible net worth and aggregate liquidity, (b) the Partnership maintain certain ratios of vessel values related to the relevant outstanding loan principal balance, (c) the Partnership not exceed a maximum amount of leverage, and (d) certain of the Partnership's subsidiaries maintain restricted cash deposits. As at September 30, 2017, the Partnership had two facilities with an aggregate outstanding loan balance of $95.1 million that require it to maintain minimum vessel-value-to-outstanding-loan-principal-balance ratios ranging from 110% to 135%, which as at September 30, 2017 ranged from 121% to 232%. The vessel values were determined using second-hand market comparables or using a depreciated replacement cost approach. Since vessel values can be volatile, the Partnership's estimates of market value may not be indicative of either the current or future prices that could be obtained if the Partnership sold any of the vessels. The Partnership's ship-owning subsidiaries may not, among other things, pay dividends or distributions if the Partnership's subsidiaries are in default under their term loans or revolving credit facilities. As at September 30, 2017, the Partnership was in compliance with all covenants relating to the Partnership's credit facilities and term loans.

The Partnership maintains restricted cash deposits relating to certain term loans, collateral for cross-currency swaps (see Note 10), project tenders, leasing arrangements (see Note 11c) and amounts received from charterers to be used only for dry-docking expenditures and emergency repairs, which cash totaled $93.0 million and $117.0 million as at September 30, 2017 and December 31, 2016, respectively.

8. Income Tax

The components of the provision for income taxes were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	$	$	$	$

Current	(750)	(209)	(1,224)	(722)
Deferred	—	—	81	—
Income tax expense	(750)	(209)	(1,143)	(722)

9. Related Party Transactions

a) Two of the Partnership’s LNG carriers, the Arctic Spirit and Polar Spirit, are employed on long-term charter contracts with subsidiaries of Teekay Corporation. In addition, the Partnership and certain of its operating subsidiaries have entered into service agreements with certain subsidiaries of Teekay Corporation pursuant to which the Teekay Corporation subsidiaries provide the Partnership and its subsidiaries with administrative, commercial, crew training, advisory, business development, technical and strategic consulting services. The Partnership also has an agreement with a subsidiary of Teekay Corporation whereby Teekay Corporation’s subsidiary will, on behalf of the Partnership, provide shipbuilding supervision and crew training services for the four LNG carrier newbuildings in the Partnership’s joint venture with China LNG, CETS Investment Management (HK) Co. Ltd. and BW LNG Investments Pte. Ltd. (or the Pan Union Joint Venture), up to their delivery dates. All costs incurred by these Teekay Corporation subsidiaries related to these services are charged to the Partnership and recorded as part of vessel operating expenses. Finally, the Partnership reimburses the General Partner for expenses incurred by the General Partner that are necessary for the conduct of the Partnership’s business. Such related party transactions were as follows for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	$	$	$	$
Revenues [(i)]	9,296	9,429	26,851	28,075
Vessel operating expenses	(5,133)	(5,107)	(14,713)	(15,023)
General and administrative expenses [(ii)]	(901)	(3,437)	(5,363)	(8,666)
General and administrative expenses deferred and capitalized [(iii)]	(152)	(116)	(659)	(442)

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(i) Commencing in 2008, the Arctic Spirit and Polar Spirit were time-chartered to Teekay Corporation at a fixed-rate for a period of 10 years (plus options exercisable by Teekay Corporation to extend up to an additional 15 years).

(ii) Includes commercial, strategic, advisory, business development and administrative management fees charged by Teekay Corporation and reimbursements to Teekay Corporation and the Partnership's General Partner for costs incurred on the Partnership’s behalf.

(iii) Includes the Partnership's proportionate costs associated with the Bahrain LNG Joint Venture, including pre-operation, engineering and financing-related expenses, of which $0.4 million and $0.9 million were reimbursed by the Bahrain LNG Joint Venture for the three and nine months ended September 30, 2017, respectively ($nil for the three and nine months ended September 30, 2016). The net costs are recorded as part of investments in and advances to equity-accounted joint ventures in the Partnership's consolidated balance sheets.

b) As at September 30, 2017 and December 31, 2016, non-interest bearing advances to affiliates totaled $9.2 million and $9.7 million, respectively, and non-interest bearing advances from affiliates totaled $9.9 million and $15.5 million, respectively. These advances are unsecured and have no fixed repayment terms. Affiliates are entities that are under common control with the Partnership.

c) The Partnership’s Suezmax tanker, the Toledo Spirit, operates pursuant to a time-charter contract that increases or decreases the otherwise fixed-hire rate established in the charter depending on the spot charter rates that the Partnership would have earned had it traded the vessel in the spot tanker market. The time-charter contract ends in August 2025, although the charterer has the right to terminate the time-charter in July 2018. The Partnership has entered into an agreement with Teekay Corporation under which Teekay Corporation pays the Partnership any amounts payable to the charterer as a result of spot rates being below the fixed rate, and the Partnership pays Teekay Corporation any amounts payable to the Partnership as a result of spot rates being in excess of the fixed rate. The amounts receivable or payable to Teekay Corporation are settled annually (see Notes 3 and 10).

d) The Partnership entered into services agreements with certain subsidiaries of Teekay Corporation pursuant to which the Teekay Corporation subsidiaries provide the Partnership with shipbuilding and site supervision services relating to the LNG carrier newbuildings the Partnership has ordered. These costs are capitalized and included as part of advances on newbuilding contracts in the Partnership’s consolidated balance sheets. For the three and nine months ended September 30, 2017, the Partnership incurred shipbuilding and site supervision costs of $4.0 million and $13.4 million, respectively ($2.1 million and $7.0 million for the three and nine months ended September 30, 2016, respectively).

e) The Partnership entered into an operation and maintenance (or O&M) contract with the Bahrain LNG Joint Venture and an O&M subcontract with Teekay Marine Solutions (Bermuda) Ltd. (or TMS), an entity wholly-owned by Teekay Tankers Ltd. (or TNK), which is controlled by Teekay Corporation, relating to the LNG regasification terminal in Bahrain. The Partnership, as the contractor, and TMS, as the subcontractor, agreed to provide pre-mobilization services up to August 2018, and mobilization services and other general operational and maintenance services of the facility thereafter. The subcontractor fees from TMS of $0.1 million and $0.3 million for the three and nine months ended September 30, 2017, respectively (three and nine months ended September 30, 2016 – $nil), and cost recoveries from the Bahrain LNG Joint Venture of a nominal amount and $0.2 million for the three and nine months ended September 30, 2017, respectively (three and nine months ended September 30, 2016 – $nil), are included in general and administrative expenses on the Partnership's consolidated statements of (loss) income.

10. Derivative Instruments and Hedging Activities

The Partnership uses derivative instruments in accordance with its overall risk management policy.

Foreign Exchange Risk

From 2013 through 2017, concurrently with the issuance of NOK senior unsecured bonds (see Note 7) during that time, the Partnership entered into cross-currency swaps, and pursuant to these swaps, the Partnership receives the principal amount in NOK on maturity dates of the swaps in exchange for payments of a fixed U.S. Dollar amount. In addition, the cross-currency swaps exchange a receipt of floating interest in NOK based on NIBOR plus a margin for a payment of U.S. Dollar fixed interest. The purpose of the cross-currency swaps is to economically hedge the foreign currency exposure on the payment of interest and principal of the Partnership's NOK-denominated bonds due in 2018, 2020 and 2021, and to economically hedge the interest rate exposure. The following table reflects information relating to the cross-currency swaps as at September 30, 2017.

		Floating Rate Receivable				
Principal Amount NOK (in thousands)	Principal Amount $	Reference Rate	Margin	Fixed Rate Payable	Fair Value / Carrying Amount of Asset (Liability) $	Weighted-Average Remaining Term (Years)
900,000	150,000	NIBOR	4.35 %	6.43 %	(39,088)	0.9
1,000,000	134,000	NIBOR	3.70 %	5.92 %	(9,862)	2.6
1,200,000	146,500	NIBOR	6.00 %	7.70 %	7,682	4.1
					(41,268)	

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Interest Rate Risk

The Partnership enters into interest rate swaps which exchange a receipt of floating interest for a payment of fixed interest to reduce the Partnership's exposure to interest rate variability on certain of its outstanding floating-rate debt. As at September 30, 2017, the Partnership was committed to the following interest rate swap agreements:

	Interest Rate Index	Principal Amount $	Fair Value / Carrying Amount of (Liability) $	Weighted-Average Remaining Term (years)	Fixed Interest Rate (%) (i)
LIBOR-Based Debt:					
U.S. Dollar-denominated interest rate swaps	LIBOR	90,000	(3,257)	0.9	4.9
U.S. Dollar-denominated interest rate swaps (ii)	LIBOR	143,750	(23,754)	11.3	5.2
U.S. Dollar-denominated interest rate swaps (ii)	LIBOR	42,845	(898)	3.8	2.8
U.S. Dollar-denominated interest rate swaps (iii)	LIBOR	331,933	(20,538)	1.8	3.4
U.S. Dollar-denominated interest rate swaps (iv)	LIBOR	101,833	(171)	1.3	1.7
U.S. Dollar-denominated interest rate swaps (v)	LIBOR	197,629	(1,408)	9.2	2.3
EURIBOR-Based Debt:					
Euro-denominated interest rate swaps (vi)	EURIBOR	233,763	(30,813)	3.2	3.1
			(80,839)		

(i) Excludes the margins the Partnership pays on its floating-rate term loans, which, at September 30, 2017, ranged from 0.30% to 2.80%.
(ii) Principal amount reducing semi-annually.
(iii) These interest rate swaps are being used to economically hedge expected interest payments on future debt that is planned to be outstanding from 2017 to 2024. These interest rate swaps are subject to mandatory early termination in 2018 and 2020 whereby the swaps will be settled based on their fair value at that time.
(iv) Principal amount reducing quarterly.
(v) Principal amount reducing quarterly commencing December 2017.
(vi) Principal amount reducing monthly to 70.1 million Euros ($82.8 million) by the maturity dates of the swap agreements.

As part of its economic hedging program, the Partnership has one interest rate swaption agreement. Pursuant to the swaption agreement, the Partnership has a one-time option (or Call Option) to enter into an interest rate swap with a third party, and the third party has a one-time option (or Put Option) to require the Partnership to enter into an interest swap. If the Partnership or the third party exercises its option, there will be a cash settlement for the fair value of the interest rate swap, in lieu of taking delivery of the actual interest rate swap. At September 30, 2017, the terms of the interest rate swap underlying the interest rate swaption was as follows:

Interest Principal Option Exercise Date

Rate	Amount
Index	$