Dynagas LNG Partners LP
Form F-1/A
October 29, 2013
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As filed with the Securities and Exchange Commission on October 29, 2013

Registration No. 333-191653

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM F-1

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

Dynagas LNG Partners LP

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands **(State or other jurisdiction of** **incorporation or organization)**	**4400** **(Primary Standard Industrial** **Classification Code Number)**	**N/A** **(I.R.S. Employer** **Identification No.)**

Dynagas LNG Partners LP **97 Poseidonos Avenue & 2 Foivis** **Street** **Glyfada, 16674, Greece** **011 30 210 8917 260** **(Address and telephone number of** **Registrant s principal executive offices)**	**Seward & Kissel LLP** **Attention: Gary J. Wolfe, Esq.** **One Battery Park Plaza** **New York, New York 10004** **(212) 574-1200** **(Name, address and telephone** **number of agent for service)**

Copies to:

Gary J. Wolfe, Esq. **Robert E. Lustrin, Esq.** **Seward & Kissel LLP** **One Battery Park Plaza** **New York, New York 10004** **(212) 574-1200 (telephone number)** **(212) 480-8421 (facsimile number)**	**Sean T. Wheeler** **Latham & Watkins LLP** **811 Main Street, Suite 3700** **Houston, Texas 77002** **(713) 546-5400 (telephone number)** **(713) 546-5401 (facsimile number)**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee(2)**
Common units representing limited partner interests	$150,000,000	$19,320

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.
(2) Previously paid

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED , 2013

PRELIMINARY PROSPECTUS

Dynagas LNG Partners LP

Common Units

Representing Limited Partner Interests

$ per common unit

We are selling of our common units and our Sponsor, Dynagas Holding Ltd., is selling of our common units. Prior to this offering, there has been no public market for our common units. We currently estimate that the initial public offering price will be between $ and $ per unit. Although we are organized as a partnership, we have elected to be treated as a corporation solely for U.S. federal income tax purposes. We have applied to list our common units on the Nasdaq Global Select Market under the symbol DLNG.

The underwriters have an option to purchase a maximum of additional common units from our Sponsor to cover over-allotments.

We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act (the JOBS Act).

Investing in our common units involves risks. See Risk Factors beginning on page 28. These risks include the following:

- We may not be able to pay the minimum quarterly distribution on our common units and subordinated units.

- Our Initial Fleet consists of only three LNG carriers. Any limitation in the availability or operation of these vessels could have a material adverse effect on our business, results of operations and financial condition and could significantly reduce or eliminate our ability to pay the minimum quarterly distribution on our common units and subordinated units.

- We derive all our revenue and cash flow from two charterers and the loss of either of these charterers could cause us to suffer losses or otherwise adversely affect our business.

- The amount of our debt could limit our liquidity and flexibility in obtaining additional financing and in pursuing other business opportunities.

- Our Sponsor, our General Partner and their respective affiliates own a controlling interest in us and have conflicts of interest and limited duties to us and our common unitholders, which may permit them to favor their own interests to your detriment.

- Demand for LNG shipping could be significantly affected by volatile natural gas prices and the overall demand for natural gas.

Unitholders have limited voting rights, and our Partnership Agreement restricts the voting rights of our unitholders that own more than 4.9% of our common units.

We are a holding company, and our ability to make cash distributions to our unitholders will be limited by the value of investments we currently hold and by the distribution of funds from our subsidiaries.

There is no existing market for our common units, and a trading market that will provide you with adequate liquidity may not develop. The price of our common units may fluctuate significantly, and you could lose all or part of your investment.

You will incur immediate and substantial dilution of $ per common unit.

U.S. tax authorities could treat us as a passive foreign investment company, which would have adverse U.S. federal income tax consequences to U.S. unitholders.

	Price per Common Unit	**Total**
Public offering price	$	$
Underwriting discounts		
Proceeds to Dynagas Holding Ltd. (before expenses)[1]		
Proceeds to Dynagas LNG Partners LP (before expenses)		
Total	$	$

(1) Dynagas Holding Ltd., our Sponsor, is selling of our common units. In addition, the underwriters have an option to purchase a maximum of additional common units from our Sponsor to cover over-allotments. We will not receive any of the proceeds from the sale of these units.

Delivery of the common units will be made on or about , 2013.

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

Joint Book-Running Managers

Credit Suisse

BofA Merrill Lynch

Morgan Stanley

Barclays

Co-Managers

ABN AMRO **Credit Agricole CIB**

The date of this prospectus is , 2013.

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The *Ob River*, one of our LNG carriers, traversing the Northern Sea Route, which is a shipping lane from the Atlantic Ocean to the Pacific Ocean that is entirely in Arctic waters.

The *Clean Energy*, one of our LNG carriers.

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You should rely only on information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to give any information or to make any representations other than those contained in this prospectus. Do not rely upon any information or representations made outside of this prospectus. This prospectus is not an offer to sell, and it is not soliciting an offer to buy, (1) any securities other than our common units or (2) our common units in any circumstances in which such an offer or solicitation is unlawful. The information contained in this prospectus may change after the date of this prospectus. Do not assume after the date of this prospectus that the information contained in this prospectus is still correct.

Through and including , 2013 (the 25th day after the date of this prospectus), federal securities law may require all dealers that effect transactions in these securities, whether or not participating in this offering, to deliver a prospectus. This requirement is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This section summarizes material information that appears later in this prospectus and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus. This summary may not contain all of the information that may be important to you. As an investor or prospective investor, you should carefully review the entire prospectus, including the risk factors and the more detailed information that appears later.

Unless otherwise indicated, references to Dynagas LNG Partners, the Company, we, our and us or similar terms refer to Dynagas LNG Partners LP and its wholly-owned subsidiaries, including Dynagas Operating LP, unless the context otherwise indicates. Dynagas Operating LP will own, directly or indirectly, a 100% interest in the entities that own the Clean Energy, the Ob River and the Clean Force, collectively, our Initial Fleet. References in this prospectus to our General Partner refer to Dynagas GP LLC, the general partner of Dynagas LNG Partners LP.

All references in this prospectus to us when used in a historical context refer to our predecessor companies and their subsidiaries, which are subsidiaries of our Sponsor that have interests in the vessels in our Initial Fleet, or the Sponsor Controlled Companies, and when used in the present tense or prospectively refer to us and our subsidiaries, collectively, or individually, as the context may require. We own (i) a 100% limited partner interest in Dynagas Operating LP, (ii) the non-economic general partner interest in Dynagas Operating LP through our 100% ownership of its general partner, Dynagas Operating GP LLC and (iii) 100% of Dynagas Equity Holding Ltd. and its subsidiaries. References to our Sponsor are to Dynagas Holding Ltd. and its subsidiaries other than us or our subsidiaries. References in this prospectus to the Prokopiou Family are to our Chairman, Mr. George Prokopiou, and members of his family.

References in this prospectus to BG Group, Gazprom, Statoil, and Cheniere refer to BG Group Plc, Gazprom Global LNG Limited, Statoil ASA and Cheniere Energy, Inc., respectively, and certain of each of their subsidiaries that are our customers. Unless otherwise indicated, all references to U.S. dollars, dollars and $ in this prospectus are to the lawful currency of the United States. We use the term LNG to refer to liquefied natural gas and we use the term cbm to refer to cubic meters in describing the carrying capacity of our vessels.

Except where we or the context otherwise indicate, the information in this prospectus assumes no exercise of the underwriters over-allotment option described on the cover page of this prospectus.

Overview

We are a growth-oriented limited partnership focused on owning and operating LNG carriers. Our vessels are employed on multi-year time charters, which we define as charters of two years or more, with international energy companies such as BG Group and Gazprom, providing us with the benefits of stable cash flows and high utilization rates (as defined under Summary Historical Consolidated Financial and Operating Data). We intend to leverage the reputation, expertise, and relationships of our Sponsor and Dynagas Ltd., our Manager, in maintaining cost-efficient operations and providing reliable seaborne transportation services to our customers. In addition, we intend to make further vessel acquisitions from our Sponsor and from third parties. There is no guarantee that we will grow the size of our fleet or the per unit distributions that we intend to pay or that we will be able to make further vessel acquisitions from our Sponsor or third parties.

Our Sponsor entered the LNG sector in 2004 by ordering the construction of three LNG carriers, the *Clean Energy*, the *Ob River*, and the *Clean Force*, from Hyundai Heavy Industries Co. Ltd. or HHI, one of the world s leading shipbuilders of LNG carriers. On October 29, 2013, we acquired from our Sponsor these vessels, which we refer to as our Initial Fleet, in exchange for 6,735,000 of our common units and all of our subordinated units. The LNG carriers that comprise our Initial Fleet have an average age of 6.3 years and are under time charters with an average remaining term of 3.5 years, as of October 28, 2013.

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We believe that we will have the opportunity to grow our per unit distributions by making acquisitions of LNG carriers from our Sponsor or from third parties. Our Sponsor took delivery of two newbuilding LNG carriers in July 2013 and one in October 2013 from HHI, and has contracts for the construction of an additional four LNG carriers with HHI, scheduled to be delivered to our Sponsor in 2014 and 2015. We will receive the right to purchase these seven vessels, which we refer to as the Optional Vessels, at a purchase price to be determined pursuant to the terms and conditions of the Omnibus Agreement within 24 months of their delivery to our Sponsor.

Our Initial Fleet

Our Initial Fleet consists of three LNG carriers currently operating under multi-year charters with BG Group and Gazprom. The *Clean Force* and the *Ob River* have been assigned with Lloyds Register Ice Class notation 1A FS, or Ice Class, designation for hull and machinery and are fully winterized, which means that they are designed to call at ice-bound and harsh environment terminals and to withstand temperatures up to minus 30 degrees Celsius. According to Drewry Consultants, Ltd., or Drewry, an independent consulting and research company, the *Clean Force* and the *Ob River* are two of only five LNG carriers in the global LNG fleet that are currently in operation which have been assigned an Ice Class designation or equivalent rating. This means that only 1.4% of the LNG vessels in the global LNG fleet have this designation, and we are the only company in the world that is currently transiting the Northern Sea Route with LNG carriers. We believe that these specifications enhance our trading capabilities and future employment opportunities because they provide greater flexibility in the trading routes available to our charterers.

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We believe that the key characteristics of each of our vessels in our Initial Fleet include the following:

- optimal sizing with a carrying capacity of approximately 150,000 cbm (which is a medium- to large-size class of LNG carrier) that maximizes operational flexibility as such vessel is compatible with most existing LNG terminals around the world;

- each vessel is a sister vessel, which are vessels built at the same shipyard, HHI, that shares (i) a near-identical hull and superstructure layout, (ii) similar displacement, and (iii) roughly comparable features and equipment;

- utilization of a membrane containment system that uses insulation built directly into the hull of the vessel with a membrane covering inside the tanks designed to maintain integrity and that uses the vessel s hull to directly support the pressure of the LNG cargo (see The International Liquefied Natural Gas (LNG) Shipping Industry The LNG Fleet for a description of the types of LNG containment systems);

- double-hull construction, based on the current LNG shipping industry standard; and

- a 99.5% utilization rate over 2012 and 2011.

According to Drewry, there are only 39 LNG carriers currently in operation, including the vessels in our Initial Fleet, with a carrying capacity of between 149,000 and 155,000 cbm and a membrane containment system, representing 9.0% of the global LNG fleet and a total of 113 LNG carriers on order of which eight are being constructed with these specifications.

The following table sets forth additional information about our Initial Fleet as of September 30, 2013:

Vessel Name	Shipyard	Year Built	Capacity (cbm)	Ice Class	Flag State	Charterer	Charter Commencement Date	Earliest Charter Expiration	Latest Charter Expiration Including Non-Exercised Options
Clean Energy	HHI	2007	149,700	No	Marshall Islands	BG Group	February 2012	April 2017	August 2020[(2)]
Ob River[(1)]	HHI	2007	149,700	Yes	Marshall Islands	Gazprom	September 2012	September 2017	May 2018[(3)]
Clean Force	HHI	2008	149,700	Yes	Marshall Islands	BG Group	October 2010	September 2016	January 2020[(4)]

(1) Formerly named *Clean Power*.
(2) BG Group has the option to extend the duration of the charter for an additional three-year term until August 2020 at an escalated daily rate, upon notice to us before January 2016.
(3) Gazprom has the option to extend the duration of the charter until May 2018 on identical terms, upon notice to us before March 2017.
(4) On January 2, 2013, BG Group exercised its option to extend the duration of the charter by an additional three-year term at an escalated daily rate, commencing on October 5, 2013. BG Group has the option to extend the duration of the charter by an additional three-year term at a further escalated daily rate, which would commence on October 5, 2016, upon notice to us before January 5, 2016. The latest expiration date upon the exercise of all options is January 2020.

The Optional Vessels

The Optional Vessels consist of seven fully winterized newbuilding LNG carriers, four of which have been contracted to operate under multi-year charters with Gazprom, Statoil and Cheniere. Each of the seven newbuilds has or is expected to have upon their delivery the Ice Class designation, or its equivalent, for hull and machinery. Three of these vessels were delivered to our Sponsor in July 2013 and October 2013, and the remaining four vessels are scheduled to be delivered to our Sponsor, as follows: two in 2014 and two in 2015. The three vessels delivered in 2013 are sister-vessels, each with a carrying capacity of 155,000 cbm and the four remaining

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vessels with expected deliveries in 2014 and 2015 are sister-vessels, each with a carrying capacity of 162,000 cbm. In the event we acquire the Optional Vessels in the future, we believe the staggered delivery dates of these newbuilding LNG carriers will facilitate a smooth integration of the vessels into our fleet, contributing to our annual fleet growth through 2017.

The Optional Vessels are compatible with a wide range of LNG terminals, providing charterers with the flexibility to trade the vessels worldwide. Each vessel is equipped with a membrane containment system. The compact and efficient utilization of the hull structure reduces the required principal dimensions of the vessel compared to earlier LNG designs and results in higher fuel efficiency and smaller quantities of LNG required for cooling down vessels tanks. In addition, the Optional Vessels will be equipped with a tri-fuel diesel electric propulsion system, which is expected to reduce both fuel costs and emissions.

The following table provides certain information about the Optional Vessels as of September 30, 2013.

Vessel Name / Hull Number	Shipyard	Delivery Date / Expected Delivery Date	Capacity Cbm	Ice Class	Sister Vessels	Charter Commencement	Charterer	Earliest Charter Expiration	Latest Charter Expiration
Yenisei River(1)	HHI	Q3-2013	155,000	Yes	B	Q3 2013	Gazprom	Q3 2018	Q3 2018
Arctic Aurora(1)	HHI	Q3-2013	155,000	Yes	B	Q3 2013	Statoil	Q3 2018	Renewal Options(2)
Lena River(1)	HHI	Q4-2013	155,000	Yes	B	Q4 2013	Gazprom	Q4 2018	Q4 2018
Clean Ocean	HHI	Q1-2014	162,000	Yes	C	Q2 2015	Cheniere	Q2 2020	Q3 2022
Clean Planet	HHI	Q3-2014	162,000	Yes	C				
Hull 2566	HHI	Q1-2015	162,000	Yes	C				
Hull 2567	HHI	Q2-2015	162,000	Yes	C				

(1) In July 2013, our Sponsor took delivery of the *Yenisei River* and the *Arctic Aurora*, which were subsequently delivered to their charterers. In October 2013, our Sponsor took delivery of the *Lena River*, which was subsequently delivered to its charterer.

(2) Statoil has revolving consecutive one-year renewal options following the initial five year period.

Rights to Purchase Optional Vessels

We will receive the right to purchase the Optional Vessels from our Sponsor at a purchase price to be determined pursuant to the terms and conditions of the Omnibus Agreement, which we intend to enter into with our Sponsor and our General Partner at the closing of this offering. These purchase rights will expire 24 months following the respective delivery of each Optional Vessel from the shipyard. If we are unable to agree with our Sponsor on the purchase price of any of the Optional Vessels, the respective purchase price will be determined by an independent appraiser, such as an investment banking firm, broker or firm generally recognized in the shipping industry as qualified to perform the tasks for which such firm has been engaged, and we will have the right, but not the obligation, to purchase each vessel at such price. The independent appraiser will be mutually appointed by our Sponsor and a committee comprised of certain of our independent directors, or the conflicts committee. Please see Certain Relationships and Related Party Transactions Agreements Governing the Transactions Omnibus Agreement Rights to Purchase Optional Vessels for information on how the purchase price is calculated.

The purchase price of the Optional Vessels, as finally determined by an independent appraiser, may be an amount that is greater than what we are able or willing to pay or we may be unwilling to proceed to purchase such vessel if such acquisition would not be in our best interests. We will not be obligated to purchase the Optional Vessels at the determined price and, accordingly, we may not complete the purchase of such vessels, which may have an adverse effect on our expected plans for growth. In addition, our ability to purchase the Optional Vessels, should we exercise our right to purchase such vessels, is dependent on our ability to obtain additional financing to fund all or a portion of the acquisition costs of these vessels. As of the date of this prospectus, we have not secured any financing in connection with the potential acquisition of the Optional Vessels, other than amounts that may be available under our New Senior Secured Revolving Credit Facility following the application of the proceeds from such facility as described in Use of Proceeds, since it is uncertain if and when such purchase options will be exercised. Our Sponsor has entered into loan agreements in connection with the seven Optional Vessels. In the event we acquire the Optional Vessels in the future, we may enter into agreements with our Sponsor to novate these loan agreements to us. Any such novation would be subject to each respective lender s consent. Please see Risk Factors Our Sponsor may be unable to service its debt requirements and comply with the provisions contained in the credit agreements secured by the Optional Vessels. If our Sponsor fails to perform its obligations under its loan agreements, our business and expected plans for growth may be materially affected.

Our Relationship with Our Sponsor and members of the Prokopiou Family

We believe that one of our principal strengths is our relationships with our Sponsor, our Manager and members of the Prokopiou Family, including Mr. George Prokopiou, the Chairman of our board of directors, and his daughters Elisavet Prokopiou, Johanna Prokopiou, Marina Kalliope Prokopiou, and Maria Eleni Prokopiou, (who in addition to Mr. Prokopiou, own interests in our Sponsor), which provide us access to their long-standing relationships with major energy companies and shipbuilders and their technical, commercial and managerial expertise. As of September 30, 2013, our Sponsor s LNG carrier fleet consisted of three LNG carriers and four newbuildings on order, excluding the vessels in our Initial Fleet. While our Sponsor intends to utilize us as its primary growth vehicle to pursue the acquisition of LNG carriers employed on time charters of four or more years, we can provide no assurance that we will realize any benefits from our relationship with our Sponsor or the Prokopiou Family and there is no guarantee that their relationships with major energy companies and shipbuilders will continue. Our Sponsor, our Manager and other companies controlled by members of the Prokopiou Family are not prohibited from competing with us pursuant to the terms of the Omnibus Agreement which we will enter into with our Sponsor and our General Partner at the closing of this offering. Our General Partner, which is wholly-owned by our Sponsor, owns 100% of the 30,000 general partner units, representing a 0.1% general partner interest in us, or the General Partner Units, and 100% of the incentive distribution rights. Please see Summary of Conflicts of Interest and Fiduciary Duties below and the section entitled Conflicts of Interest and Fiduciary Duties which appears later in this prospectus.

Positive Industry Fundamentals

We believe that the following factors collectively present positive industry fundamental prospects for us to execute our business plan and grow our business:

Natural gas and LNG are vital and growing components of global energy sources. According to Drewry, global demand for LNG is forecasted to increase by approximately 146 million tonnes (7 trillion cubic feet), an increase of 44%, during the period from 2012 to 2018. We can provide no assurance that such growth will occur. Natural gas accounted for 24% of the world s primary energy consumption in 2012, and is expected to increase to 25% in 2013. Over the last two decades, natural gas has been one of the world s fastest growing energy sources, increasing at twice the rate of oil consumption over the same period. We believe that LNG, which accounted for 32% of overall cross-border trade of natural gas in 2012, according to Drewry, will continue to increase its share in the mid-term future. A cleaner burning fuel than both oil and coal, natural gas has become an increasingly attractive fuel source in the last decade.

Demand for LNG shipping is experiencing growth. The growing distances between the location of natural gas reserves and the nations that consume natural gas have caused an increase in the percentage of natural gas

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traded between countries. This has resulted in an increase in the portion of natural gas that is being transported in the form of LNG, which provides greater flexibility and generally lowers capital costs of shipping natural gas, as well as a reduction in the environmental impact compared to transportation by pipeline. Increases in planned capacity of liquefaction and regasification terminals are anticipated to increase export capacity significantly, requiring additional LNG carriers to facilitate transportation activity. According to Drewry, based on the current projections of liquefaction terminals that are planned or under construction, liquefaction capacity is expected to increase by approximately 29% by 2016. Approximately one million tonnes of LNG export capacity creates demand for approximately one to two LNG carriers with carrying capacity of 160,000 to 165,000 cbm each. According to Drewry, as of August 2013, global liquefaction capacity was 290.6 million tonnes, and an additional 84.0 million tonnes of liquefaction capacity was under construction and scheduled to be available by the end of 2016. Over the past three years, global LNG demand has continued to rise, but at a slower pace than previously predicted. Drewry estimates that LNG trade decreased by 1.2% in 2012 primarily due to delays at many liquefaction plants under construction and lower production as a result of planned and unplanned outages at various LNG facilities and weakness in the world economy. Based on current construction projects in Australia and the United States, LNG supply is expected to increase, and to have a beneficial impact on demand for shipping capacity, however, continued economic uncertainty and continued acceleration of unconventional natural gas production could have an adverse effect on our business.

A limited newbuilding orderbook and high barriers to entry should restrict the supply of new LNG carriers. According to Drewry, the current orderbook of LNG carriers represents 33.9% of current LNG carrier fleet carrying capacity. During the period from 2002 to 2012, the newbuilding orderbook of LNG carriers represented on average approximately 47.1% of the LNG carrier fleet carrying capacity. As of August 2013, 113 LNG carriers, with an aggregate carrying capacity of 18.3 million cbm, were on order for delivery for the period between 2013 to 2017, while the existing fleet consisted of 363 vessels with an aggregate capacity of 53.9 million cbm. We believe that the current orderbook is limited due to constrained construction capacity at high-quality shipyards and the long lead-time required for the construction of LNG carriers. While we believe this has restricted additional supply of new LNG carriers in the near-term, any increase in LNG carrier supply may place downward pressure on charter rates. In addition, we believe that there are significant barriers to entry in the LNG shipping sector, which also limit the current orderbook due to large capital requirements, limited availability of qualified vessel personnel, and the high degree of technical management required for LNG vessels.

Stringent customer certification standards favor established, high-quality operators. Major energy companies have developed stringent operational, safety and financial standards that LNG operators generally are required to meet in order to qualify for employment in their programs. Based on our Manager s track record and long established operational standards, we believe that these rigorous and comprehensive certification standards will be a barrier to entry for less qualified and less experienced vessel operators and will provide us with an opportunity to establish relationships with new customers.

Increasing ownership of the global LNG carrier fleet by independent owners. According to Drewry, as of August 2013, 64% of the LNG fleet was owned by independent shipping companies, 21% was owned by LNG producers and 8% was owned by energy majors and end-users, respectively. We believe that private and state-owned energy companies will continue to seek high-quality independent owners, such as ourselves, for their growing LNG shipping needs in the future, driven in part by large capital requirements, and level of expertise necessary, to own and operate LNG vessels.

We can provide no assurance that the industry dynamics described above will continue or that we will be able to capitalize on these opportunities. Please see Risk Factors and The International Liquefied Natural Gas (LNG) Shipping Industry.

Competitive Strengths

We combine a number of features that we believe distinguish us from other LNG shipping companies.

Management

Broad based Sponsor experience. Under the leadership of Mr. George Prokopiou, our founder and Chairman, we, through our Sponsor and Manager, have developed an extensive network of relationships with major energy companies, leading LNG shipyards, and other key participants throughout the shipping industry. Although we were formed in May 2013, we believe that these longstanding relationships with shipping industry participants, including chartering brokers, shipbuilders and financial institutions, should provide us with profitable vessel acquisition and employment opportunities in the LNG sector, as well as access to financing that we will need to grow our Company. Since entering the shipping business in 1974, Mr. Prokopiou has founded and controlled various companies, including Dynacom Tankers Management Ltd., or Dynacom Tankers Management, a Liberian company engaged in the management and operation of crude oil tankers and refined petroleum product tankers, Sea Traders S.A., or Sea Traders, a Panamanian company that manages and operates drybulk carriers and container vessels, and our Manager. Please see Business Our Relationship with our Sponsor and members of the Prokopiou Family.

Strong management experience in the LNG shipping sector. Our management has managed and operated LNG carriers since 2004, and we believe that, through our Sponsor and Manager, we have acquired significant experience in the operation and ownership of LNG carriers. Our senior executives and our Chairman have an average of 25 years of shipping experience, including experience in the LNG sector. Furthermore, one of the vessels in our Initial Fleet, the *Ob River*, while operated by our Manager, became the world s first LNG carrier to complete an LNG shipment via the Northern Sea Route, that is a shipping lane from the Atlantic Ocean to the Pacific Ocean entirely in Arctic waters, which demonstrated its extensive Ice Class capabilities. During this voyage, it achieved a significant reduction in navigation time, compared to the alternative route through the Suez Canal, and accordingly, generated significant cost savings for its charterer, Gazprom. We believe this expertise, together with our reputation and track record in LNG shipping, positions us favorably to capture additional commercial opportunities in the LNG industry.

Cost-competitive and efficient operations. Our Manager will provide the technical and commercial management of our Initial Fleet and any other vessels we may acquire in the future. We believe that our Manager, through comprehensive preventive maintenance programs and by retaining and training qualified crew members, will be able to manage our vessels efficiently, safely and at a competitive cost.

Demonstrated access to financing. Our Sponsor funded the construction of the Optional Vessels through debt financing as well as equity provided by entities owned and controlled by members of the Prokopiou Family. Should we exercise our right to purchase any of the seven Optional Vessels, our Sponsor may novate to us the loan agreements secured by the Optional Vessels, subject to each respective lender s consent. We believe that our access to financing will improve our ability to capture future market opportunities and make further acquisitions, which we expect will increase the minimum quarterly distribution to our unitholders. In addition, upon the completion of this offering, our Sponsor has agreed to provide us with a $30.0 million revolving credit facility to be used for general partnership purposes, including working capital. This revolving credit facility will have a term of five years and will bear interest at LIBOR plus a margin. As of October 28, 2013, we had outstanding borrowings under our secured loan facilities of $346.1 million.

Fleet

Modern and high specification fleet. Two of the three vessels in our Initial Fleet, the *Clean Force* and the *Ob River*, have been assigned with the Ice Class designation, or its equivalent, for hull and machinery and are fully winterized, which means that they are designed to call at ice-bound and harsh environment terminals and to withstand temperatures up to minus 30 degrees Celsius. In addition, all of the Optional Vessels are being and have been constructed with the same characteristics and all of the Optional Vessels have or are expected to have upon their delivery the Ice Class designation, or its equivalent. We believe that these attractive characteristics should provide us with a competitive advantage in securing future charters with customers and enhance our vessels earnings potential. According to Drewry, the *Clean Force* and the *Ob River* are two of only five LNG carriers in the global LNG fleet that are currently in operation which have been assigned an Ice Class designation, or its equivalent, and we are the only company in the world that is currently transiting the Northern Sea Route with LNG carriers. This means that only 1.4% of the LNG vessels in the global LNG fleet have this designation. We believe that these specifications enhance our trading capabilities and future employment opportunities because they provide greater flexibility in the trading routes available to our charterers. In addition, each of the Optional Vessels is being constructed with an efficient tri-fuel diesel electric propulsion system, which is expected to reduce both fuel costs and emissions. There is no guarantee that we will ever purchase the Optional Vessels and for so long as we do not own these vessels, we will be in competition with these vessels.

Sister vessel efficiencies. The seven Optional Vessels consist of two series of sister vessels, vessels of the same type and specification, and our Initial Fleet of three LNG carriers are also sister vessels, which we believe will enable us to benefit from more chartering opportunities, economies of scale and operating and cost efficiencies in ship construction, crew training, crew rotation and shared spare parts. We believe that more chartering opportunities will be available to us because many charterers prefer sister vessels due to their interchangeability and ease of cargo scheduling associated with the use of sister vessels.

Built-in opportunity for fleet growth. In addition to our Initial Fleet, we will have the right to purchase the Optional Vessels from our Sponsor. We believe the staggered delivery dates of the seven Optional Vessels will facilitate a smooth integration of these vessels into our fleet if we purchase and take delivery of the vessels. Additionally, we will have the right to acquire from our Sponsor any LNG carrier it owns and employs under a charter with an initial term of four or more years. We believe these acquisition opportunities will provide us with a way to grow our cash distributions per unit. However, we can make no assurances regarding our ability to acquire these vessels from our Sponsor or our ability to increase cash distributions per unit as a result of any such acquisition. As of the date of this prospectus, we have not secured any financing in connection with the potential acquisition of the Optional Vessels or other vessels, other than amounts that may be available under our New Senior Secured Revolving Credit Facility following the application of the proceeds from such facility as described in Use of Proceeds, since it is uncertain if and when such purchase options will be exercised. Please see Certain Relationships and Related Party Transactions Omnibus Agreement.

Commercial

Capitalize on growing demand for LNG shipping. We believe our Sponsor s and our Manager s industry reputation and relationships position us well to further expand our fleet to meet the growing demand for LNG shipping. We intend to leverage the relationships that we, our Sponsor and our Manager have with a number of major energy companies beyond our current customer base and explore relationships with other leading energy companies, with an aim to supporting their growth programs.

Pursue a multi-year chartering strategy. We currently focus on, and have entered into, multi-year time charters with international energy companies, which provide us with the benefits of stable cash flows and high utilization rates. All of the vessels in our Initial Fleet are currently time chartered on multi-year contracts, which should result in 100% of our calendar days being under charter coverage in 2013, 2014 and 2015 and as of October 28, 2013, are expected to provide us with total contracted revenue in excess of $297 million, excluding options to extend and assuming full utilization for the full term of the charter. The actual amount of revenues

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earned and the actual periods during which revenues are earned may differ from the amounts and periods described above due to, for example, off-hire for maintenance projects, downtime, scheduled or unscheduled dry-docking and other factors that result in lower revenues than our average contract backlog per day. In the LNG sector, shipowners generally tend to employ their vessels on multi-year charters for steady and secure returns. Charterers also want to have access to vessels for secured supply of cargoes at pre-determined charter rates which can meet their contractual sale and purchase commitments.

Strengthen relationships with customers. We, through our Sponsor and our Manager, have, over time, established relationships with several major LNG industry participants. The vessels in our Initial Fleet have, in the past, been chartered to numerous major international energy companies and conglomerates, in addition to our current charterers, BG Group and Gazprom. We expect that BG Group and Gazprom will further expand their LNG operations, and that their demand for additional LNG shipping capacity will also increase. While we cannot guarantee that BG Group and Gazprom will further expand their LNG operations or that they will use our services, we believe we are well positioned to support them in executing their growth plans if their demand for LNG carriers and services increases in the future. We intend to continue to adhere to the highest standards with regard to reliability, safety and operational excellence.

Borrowing Activities

For a complete description of our credit facilities and the financial and restrictive covenants contained therein, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Our Borrowing Activities.

On October 25, 2013, we entered into a binding commitment letter with one of our lenders, an affiliate of Credit Suisse Securities (USA) LLC, or Credit Suisse, for a new $262.13 million senior secured credit facility, which we refer to as the New Senior Secured Revolving Credit Facility. A portion of the proceeds of the New Senior Secured Revolving Credit Facility, together with the net proceeds of this offering, will be used to repay all of our outstanding indebtedness under our existing credit facilities, certain of which contain provisions that prohibit us from paying distributions to our unitholders, effective upon the closing of this offering. The material terms of this new credit facility will permit, among other things, distributions to our unitholders and the other transactions contemplated herein and are more fully set forth under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities New Senior Secured Revolving Credit Facility.

We have guaranteed three credit agreements of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean*, the *Clean Planet* and the *Arctic Aurora*. The guarantees have been provided through certain of our subsidiaries, including the subsidiaries that own the vessels comprising our Initial Fleet. On ,2013, our Sponsor entered into binding agreements with its lenders to amend these three credit agreements at or prior to the closing of this offering to, among other things, release us from our obligations as guarantor effective upon the closing of this offering. As a result of the amendment to these three credit agreements, effective as of the closing of this offering, we will be released from our obligations as guarantor under the loan agreements and will no longer guarantee any of our Sponsor s debt. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Sponsor s Credit Agreements.

The consummation of this offering is contingent upon our entry into the definitive facility agreement and related security documents for the New Senior Secured Revolving Credit Facility and the amendment of our Sponsor s three credit agreements to release us from the guarantees described above.

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As of June 30, 2013, we were in breach of the minimum liquidity requirement relating to our $193 Million Ob River Credit Facility, which requires us to maintain minimum liquidity of $30 million, while we maintained $2.8 million in cash and cash equivalents. We were in compliance with the remaining financial and liquidity covenants in our loan agreements but we were not in compliance with certain restrictive covenants relating to our credit agreements, which are described under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities Waivers, Consents and The Violation of Certain Covenants Under Our Credit Facilities.

On July 19, 2013, one of our lenders declared an event of default under one of our credit facilities. On October 29, 2013, our lenders (i) provided us with their consent to issue guarantees under three of our Sponsor s credit facilities and to repay the $140 Million Shareholder Loan, and (ii) waived their rights in respect of our non-compliance with the minimum liquidity requirement of $30.0 million contained in the $193 Million Ob River Facility until September 30, 2014, which are described in Note 7 of our audited consolidated financial statements included elsewhere in this prospectus. Following the receipt of the waivers and the consents described above, all of our debt was classified as current and non-current liabilities as of June 30, 2013 and December 31, 2012 and 2011, in accordance with its scheduled repayment as it was no longer considered callable by our lenders. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities Waivers, Consents and The Violation of Certain Covenants Under Our Credit Facilities.

Upon completion of this offering and the related transactions, we plan to fund the loan interest and scheduled loan repayments with cash expected to be generated from operations.

Formation Transactions

We were formed on May 30, 2013 as a Marshall Islands limited partnership to own, operate and acquire LNG carriers initially employed on multi-year charters. We own (i) a 100% limited partner interest in Dynagas Operating LP, (ii) the non-economic general partner interest in Dynagas Operating LP through our 100% ownership of its general partner, Dynagas Operating GP LLC and (iii) 100% of Dynagas Equity Holding Ltd. and its subsidiaries, which are the Sponsor Controlled Companies that own directly and indirectly the three vessels comprising our Initial Fleet.

On October 29, 2013, we acquired from our Sponsor the vessels in our Initial Fleet in exchange for 6,735,000 of our common units and 14,985,000 of our subordinated units, representing a 99.9% limited partner interest in us. On the same date, we issued to our General Partner, a company owned and controlled by our Sponsor, 30,000 General Partner Units representing a 0.1% General Partner interest in us and all of our incentive distribution rights, which will entitle our General Partner to increasing percentages of the cash we distribute in excess of $ per unit per quarter.

In addition, at or prior to the closing of this offering, the following transactions will occur:

- we will sell common units to the public in this offering, representing a % limited partner interest in us;

- our Sponsor will sell (i) common units to the public in this offering, representing a % limited partner interest in us and (ii) an additional common units if the underwriters exercise their over-allotment option; and

- we expect to receive net proceeds of approximately $ million from the sale of common units offered by this prospectus, assuming an initial public offering price of $ per common unit, which is the mid-point of the price range set forth on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and paying estimated offering expenses. We intend to use the net proceeds from this offering, as follows:

  - Approximately $ million to repay in full all of the outstanding indebtedness under our $193 million Ob River Credit Facility, which bears interest at LIBOR plus a margin and matures in July 2017; and

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Approximately $ million for general partnership purposes, including working capital.

We intend to use the proceeds from our New Senior Secured Revolving Credit Facility, as follows:

- Approximately $ million to repay in full all of the outstanding indebtedness under our $150 million Clean Energy Credit Facility, which bears interest at LIBOR plus a margin and matures in July 2017;
- Approximately $ million to repay in full all of the outstanding indebtedness under our $128 million Clean Force Credit Facility, which bears interest at LIBOR plus a margin and matures in April 2020; and
- Approximately $ million will remain undrawn and available for vessel acquisitions.

See Use of Proceeds.

In addition, at or prior to the closing of this offering:

- we will enter into the definitive facility agreement and related security documents for the New Senior Secured Revolving Credit Facility;
- we will enter into a $30 million revolving credit facility with our Sponsor;
- our Sponsor and its lenders will amend the three loan agreements secured by five of the Optional Vessels to release us from our obligations as guarantor; and
- we will enter into an Omnibus Agreement with our Sponsor and our General Partner, governing, among other things:
  - to what extent we and our Sponsor may compete with each other;
  - our options to purchase from our Sponsor the Optional Vessels within 24 months after their respective deliveries from the shipyard;
  - certain rights of first offer on LNG carriers operating under charters with an initial term of four or more years as described under Certain Relationships and Related Party Transactions Agreements Governing the Transactions Omnibus Agreement ; and
  - our Sponsor s provision of certain indemnities to us.

Our Corporate Structure

Dynagas LNG Partners LP was organized as a limited partnership in the Republic of the Marshall Islands on May 30, 2013, as a wholly-owned subsidiary of Dynagas Holding Ltd., our Sponsor. Upon the closing of this offering and the completion of the Formation Transactions described above, our Sponsor will own % of our outstanding common units and all of our outstanding subordinated units, assuming the underwriters do not exercise their over-allotment option.

Dynagas Operating LP, our wholly-owned subsidiary, owns a 100% interest in the *Clean Energy*, the *Ob River* and the *Clean Force* through intermediate holding companies.

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The following diagram provides a summary of our corporate and ownership structure after giving effect to this offering, assuming no exercise of the underwriters over-allotment option.

Vessel Management

Our Manager provides us with commercial and technical management services for our Initial Fleet and certain corporate governance and administrative and support services, pursuant to three identical agreements with our three wholly-owned vessel owning subsidiaries, or the Management Agreements. Our Manager is wholly-owned by Mr. George Prokopiou and has been providing these services for the vessels in our Initial Fleet for over eight years. In addition, our Manager performs the commercial and technical management of each of the Optional Vessels, which also includes the supervision of the construction of these vessels. Through our Manager, we have had a presence in LNG shipping for over eight years, and during that time we believe our Manager has established a track record for efficient, safe and reliable operation of LNG carriers.

We pay our Manager a technical management fee of $2,500 per day for each vessel, pro-rated for the calendar days we own each vessel, for providing the relevant vessel owning subsidiaries with services, including engaging and providing qualified crews, maintaining the vessel, arranging supply of stores and equipment, arranging and supervising periodic dry-docking, cleaning and painting and ensuring compliance with applicable regulations, including licensing and certification requirements.

In addition, we pay our Manager a commercial management fee equal to 1.25% of the gross charter hire, ballast bonus which is the amount paid to the ship owner as compensation for all or a part of the cost of positioning the vessel to the port where the vessel will be delivered to the charterer, or other income earned during the course of the employment of our vessels, during the term of the management agreements, for providing the relevant vessel-owning subsidiary with services, including chartering, managing freight payment, monitoring voyage performance, and carrying out other necessary communications with the shippers, charterers and others.

Under the terms of the Management Agreements, we may terminate the Management Agreements upon written notice if our Manager fails to fulfill its obligations to us under the Management Agreements. The Management Agreements terminate automatically following a change of control in us. If the Management Agreements are terminated as a result of a change of control in us, then we will have to pay our Manager a termination penalty. For this purpose a change of control means (i) the acquisition of fifty percent or more by any individual, entity or group of the beneficial ownership or voting power of the outstanding shares of us or our vessel owning subsidiaries, (ii) the consummation of a reorganization, merger or consolidation of us and/or our vessel owning subsidiaries or the sale or other disposition of all or substantially all of our assets or those of our vessel owning subsidiaries and (iii) the approval of a complete liquidation or dissolution of us and/or our vessel owning subsidiaries. Additionally, the Management Agreements may be terminated by our Manager with immediate effect if, among other things, (i) we fail to meet our obligations and/or make due payments within ten business days from receipt of invoices, (ii) upon a sale or total loss of a vessel (with respect to that vessel), or (iii) if we file for bankruptcy.

We expect to pay an aggregate of approximately $2.8 million to our Manager in connection with the management of our Initial Fleet under the Management Agreements for the twelve months ending December 31, 2014.

In addition to such fees, we expect to pay for any capital expenditures, financial costs, operating expenses and any general and administrative expenses, including payments to third parties, in accordance with the Management Agreements.

The term of the Management Agreements with our Manager will expire on December 31, 2020, and will renew automatically for successive eight-year terms thereafter unless earlier terminated. The technical management fee of $2,500 per day for each vessel is fixed until December 31, 2013 and will thereafter increase annually by 3%, subject to further annual increases to reflect material unforeseen costs of providing the management services, by an amount to be agreed between us and our Manager, which amount will be reviewed and approved by our conflicts committee.

Pursuant to the terms of the Management Agreements, liability of our Manager to us is limited to instances of negligence, gross negligence or willful default on the part of our Manager. Further, we are required to indemnify our Manager for liabilities incurred by our Manager in performance of the Management Agreements, except in instances of negligence, gross negligence or willful default on the part of our Manager.

Additional LNG carriers that we acquire in the future may be managed by our Manager or other unaffiliated management companies.

Implications of Being an Emerging Growth Company

We had less than $1.0 billion in revenue during our last fiscal year, which means that we qualify as an emerging growth company as defined in the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

- the ability to present only two years of audited financial statements and only two years of related Management s Discussion and Analysis of Financial Condition and Results of Operations in the registration statement for our initial public offering;
- exemption from the auditor attestation requirement in the assessment of the emerging growth company s internal controls over financial reporting, for so long as a company qualifies as an emerging growth company ;
- exemption from new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies; and
- exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to our auditor s report in which the auditor would be required to provide additional information about the audit and our financial statements.

We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if, among other things, we have more than $1.0 billion in total annual gross revenues during the most recently completed fiscal year, we become a large accelerated filer with market capitalization of more than $700 million, or as of any date on which we have issued more than $1.0 billion in non-convertible debt over the three year period to such date. We may choose to take advantage of some, but not all, of these reduced burdens. For as long as we take advantage of the reduced reporting obligations, the information that we provide to our unitholders may be different from information provided by other public companies.

Summary of Conflicts of Interest and Fiduciary Duties

Our General Partner and our directors will have a legal duty to manage us in a manner beneficial to our unitholders, subject to the limitations described under Conflicts of Interest and Fiduciary Duties. This legal duty is commonly referred to as a fiduciary duty. Our directors also will have fiduciary duties to manage us in a manner beneficial to us, our General Partner and our limited partners. As a result of these relationships,

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conflicts of interest may arise between us and our unaffiliated limited partners on the one hand, and our Sponsor and its affiliates, including our General Partner, on the other hand. The resolution of these conflicts may not be in the best interest of us or our unitholders. In particular:

- certain of our directors and officers may also serve as officers of our Sponsor or its affiliates and as such will have fiduciary duties to our Sponsor or its affiliates that may cause them to pursue business strategies that disproportionately benefit our Sponsor or its affiliates or which otherwise are not in the best interests of us or our unitholders;

- our Partnership Agreement permits our General Partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our General Partner, which entitles our General Partner to consider only the interests and factors that it desires, and it has no duty or obligations to give any consideration to any interest of or factors affecting us, our affiliates or any unitholder; when acting in its individual capacity, our General Partner may act without any fiduciary obligation to us or the unitholders whatsoever;

- our Sponsor and its affiliates may compete with us, subject to the restrictions contained in the Omnibus Agreement, which we will enter into with our Sponsor and our General Partner, and could own and operate LNG carriers under time charters that may compete with our vessels, including charters with an initial term of four or more years if we do not acquire such vessels when they are offered to us pursuant to the terms and conditions of the Omnibus Agreement;

- any agreement between us, on the one hand, and our General Partner and its affiliates, on the other, will not grant to the unitholders, separate and apart from us, the right to enforce the obligations of our General Partner and its affiliates in our favor;

- borrowings by us and our affiliates may constitute a breach of any duty owed by our General Partner or our directors to our unitholders, including borrowings that have the purpose or effect of: (i) enabling our General Partner or its affiliates to receive distributions on any subordinated units held by them or the incentive distribution rights or (ii) hastening the expiration of the subordination period;

- our General Partner, as the holder of the incentive distribution rights, will have the right to reset the minimum quarterly distribution and the cash target distribution levels, upon which the incentive distributions payable to our General Partner would be based without the approval of unitholders or the conflicts committee of our board of directors at any time when there are no subordinated units outstanding and we have made cash distributions to the holders of the incentive distribution rights at the highest level of incentive distribution for each of the prior four consecutive fiscal quarters, and in connection with such resetting and the corresponding relinquishment by our General Partner of incentive distribution payments based on the cash target distribution levels prior to the reset, our General Partner would be entitled to receive a number of newly issued common units and General Partner Units based on a predetermined formula described under How We Make Cash Distributions General Partner s Right to Reset Incentive Distribution Levels ; and

- in connection with this offering, we will enter into agreements, and may enter into additional agreements, with our General Partner and our Sponsor and certain of its subsidiaries, relating to the purchase of additional vessels, the provision of certain services to us by our Manager and its affiliates and other matters. In the performance of their obligations under these agreements, our Sponsor and its subsidiaries, other than our General Partner, are not held to a fiduciary duty standard of care to us, our General Partner or our limited partners, but rather to the standard of care specified in these agreements.

For a more detailed description of our management structure, please see Management Directors and Senior Management and Certain Relationships and Related Party Transactions.

Although a majority of our directors will over time be elected by our common unitholders, our General Partner will have influence on decisions made by our board of directors. Our board of directors will have a conflicts committee comprised of certain of our independent directors. Our board of directors may, but is not obligated to, seek approval of

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the conflicts committee for resolutions of conflicts of interest that may arise as a result of the relationships between our Sponsor and its affiliates, including our General Partner, on the one hand, and us and our unaffiliated limited partners, on the other. There can be no assurance that a conflict of interest will be resolved in favor of us.

Company Information

The address of our principal executive offices is 97 Poseidonos Avenue & 2 Foivis Street, Glyfada, 16674 Greece. Our telephone number at that address is 011 30 210 89 17 260. After the completion of this offering, we will maintain a website at www.dynagaspartners.com. Information contained on our website does not constitute part of this prospectus.

We own our vessels through separate wholly-owned subsidiaries that are incorporated in the Republic of the Marshall Islands, Republic of Liberia and the Island of Nevis.

Recent Developments

On October 29, 2013, we acquired from our Sponsor the vessels in our Initial Fleet in exchange for 6,735,000 of our common units and 14,985,000 of our subordinated units, representing a 99.9% limited partner interest in us. On the same date we issued to our General Partner, a company owned and controlled by our Sponsor, 30,000 General Partner Units representing a 0.1% General Partner interest in us and all of our incentive distribution rights, which will entitle our General Partner to increasing percentages of the cash we distribute in excess of $ per unit per quarter.

On October 25, 2013, we entered into a binding commitment letter with one of our lenders, an affiliate of Credit Suisse, for a new $262.13 million senior secured credit facility, which we refer to as the New Senior Secured Revolving Credit Facility. A portion of the proceeds of the New Senior Secured Revolving Credit Facility, together with the net proceeds of this offering, will be used to repay all of our existing outstanding indebtedness effective upon the closing of this offering. The material terms of this new credit facility will permit, among other things, distributions to our unitholders and the other transactions contemplated herein and are more fully set forth under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities New Senior Secured Revolving Credit Facility.

We have guaranteed three credit agreements of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean*, the *Clean Planet* and the *Arctic Aurora*. The guarantees have been provided through certain of our subsidiaries, including the subsidiaries that own the vessels comprising our Initial Fleet. On , 2013, our Sponsor entered into binding agreements with its lenders to amend these three credit agreements at or prior to the closing of this offering to, among other things, release us from our obligations as guarantor effective upon the closing of this offering. As a result of the amendment to these three credit agreements, effective as of the closing of this offering, we will be released from our obligations as guarantor under the loan agreements and will no longer guarantee any of our Sponsor s debt. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Sponsor s Credit Agreements.

The consummation of this offering is contingent upon our entry into the definitive facility agreement and related security documents for the New Senior Secured Revolving Credit Facility and the amendment of our Sponsor s three credit agreements to release us from the guarantees described above.

On October 29, 2013, our lenders (i) provided us with their consent to issue guarantees under three of our Sponsor s credit facilities and to repay the $140 Million Shareholder Loan, and (ii) waived their rights in respect of our non-compliance with the minimum liquidity requirement of $30.0 million contained in the $193 Million Ob River Facility until September 30, 2014, which are described in Note 7 of our audited consolidated financial statements included elsewhere in this prospectus. Following the receipt of the waivers and the consents described above, all of our debt was classified as current and non-current liabilities as of June 30, 2013 and December 31, 2012 and 2011, in accordance with its scheduled repayment, as it was no longer considered callable by our lenders. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities Waivers, Consents and The Violation of Certain Covenants Under Our Credit Facilities.

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THE OFFERING

Common units offered to the public by us	common units.
Common units offered to the public by the Sponsor	common units.
	common units if the underwriters exercise their over-allotment option in full.
Common units and subordinated units outstanding immediately after this offering	common units and subordinated units, representing a % and % limited partner interest in us, respectively.
	common units if the underwriters exercise their over-allotment option in full.
Over-allotment option	Our Sponsor will grant the underwriters a 30-day option to purchase up to additional common units to cover over-allotments, if any. The exercise of the underwriters option will not affect the total number of units outstanding or the amount of cash needed to pay the minimum quarterly distribution.
Sponsor	Dynagas Holding Ltd., our Sponsor, owned 100% of our common and subordinated units as of the date of this prospectus. Following the completion of this offering, our Sponsor will own approximately % of our outstanding common units and 100% of our outstanding subordinated units.
Use of proceeds from sale of common units offered to the public by us	We expect to receive net proceeds of approximately $ million from the sale of common units offered by this prospectus, assuming an initial public offering price of $ per common unit, which is the mid-point of the price range set forth on the cover of this prospectus and after deducting estimated underwriting discounts and commissions and paying estimated offering expenses. We intend to use the net proceeds from this offering, as follows:
	Approximately $ million to repay in full all of the outstanding indebtedness under our $193 million Ob River Credit Facility, which bears interest at LIBOR plus a margin and matures in July 2017; and
	Approximately $ million for general partnership purposes, including working capital.

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	We intend to use the proceeds from our New Senior Secured Revolving Credit Facility, as follows: Approximately $ million to repay in full all of the outstanding indebtedness under our $150 million Clean Energy Credit Facility, which bears interest at LIBOR plus a margin and matures in July 2017; Approximately $ million to repay in full all of the outstanding indebtedness under our $128 million Clean Force Credit Facility, which bears interest at LIBOR plus a margin and matures in April 2020; and Approximately $ million will remain undrawn and available for vessel acquisitions.
See Use of Proceeds.	
Conflicts of Interest	Affiliates of certain of the underwriters are lenders under our $193 Million Ob River Credit Facility and, accordingly, will receive a portion of the proceeds from this offering in the form of repayment of the outstanding amounts under such credit facility. See Underwriting (Conflicts of Interest).
Use of proceeds from sale of common units offered to the public by our Sponsor	Our Sponsor will receive $ million in net proceeds from the sale of common units offered by this prospectus to the public and if the underwriters exercise their over-allotment option in full, our Sponsor will receive an aggregate of $ million in net proceeds. and we will not receive any proceeds from the sale of these common units. See Use of Proceeds.
Cash distributions	Following this offering, we intend to make minimum quarterly distributions of $ per unit, or $ per unit on an annualized basis, to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to our General Partner. In general, we will pay any cash distributions we make each quarter in the following manner: first, 99.9% to the holders of common units and 0.1% to our General Partner, until each common unit has received a minimum quarterly distribution of $ plus any arrearages from prior quarters; second, 99.9% to the holders of subordinated units and 0.1% to our General Partner, until each subordinated unit has received a minimum quarterly distribution of $; and third, 99.9% to all unitholders, pro rata, and 0.1% to our General Partner, until each unit has received an aggregate distribution of $.

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Within 45 days after the end of each fiscal quarter (beginning with the quarter ending December 31, 2013), we will distribute all of our available cash to unitholders of record on the applicable record date. We will adjust the minimum quarterly distribution for the period from the closing of the offering through December 31, 2013 based on the actual length of the period. Our ability to pay our minimum quarterly distribution is subject to various restrictions and other factors described in more detail under the caption Our Cash Distribution Policy and Restrictions on Distributions. If cash distributions to our unitholders exceed $ per unit in a quarter, holders of our incentive distribution rights (initially, our General Partner) will receive increasing percentages, up to 49.9%, of the cash we distribute in excess of that amount. We refer to these distributions as incentive distributions. We must distribute all of our cash on hand at the end of each quarter, less, among other things, reserves established by our board of directors to provide for the proper conduct of our business, to comply with any applicable debt instruments or to provide funds for future distributions. We refer to this cash as available cash, which is defined in our Partnership Agreement attached hereto as Appendix A. The amount of available cash may be greater than or less than the aggregate amount of the minimum quarterly distribution to be distributed on all units.

We believe, based on the estimates contained in and the assumptions listed under Our Cash Distribution Policy and Restrictions on Distributions Forecasted Cash Available for Distribution, that we will have sufficient cash available for distribution to enable us to pay the minimum quarterly distribution of $ on all of our common and subordinated units for each quarter through December 31, 2014. However, unanticipated events may occur which could adversely affect the actual results we achieve during the forecast period. Consequently, our actual results of operations, cash flows and financial condition during the forecast period may vary from the forecast, and such variations may be material. Prospective investors are cautioned to not place undue reliance on the forecast and should make their own independent assessment of our future results of operations, cash flows and financial condition.

Dynagas LNG Partners LP is a holding company, and its ability to make cash distributions to its unitholders is limited by the distribution of funds from its subsidiaries and the covenants contained in its credit facilities. In addition, all of our credit agreements, other than the $150 Million Clean Energy Credit Facility, contain provisions that restrict our ability to declare and make distributions to our unitholders. On October 25, 2013, we entered into a binding commitment letter with one of our lenders, an affiliate of Credit Suisse, for a new $262.13 million senior secured credit facility to be entered at or prior to the closing of this offering to permit, among other things, distributions to the Company s unitholders and the other transactions contemplated herein. A portion of the proceeds of this credit facility, together with the

	net proceeds of this offering, will be used to repay all of our existing outstanding indebtedness effective as of the closing of this offering. The material terms of the New Senior Secured Revolving Credit Facility are set forth under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities New Senior Secured Revolving Credit Facility.
	See Our Cash Distribution Policy and Restrictions on Distributions Forecasted Cash Available for Distribution.
Subordinated units	Our Sponsor will initially own all of our subordinated units. The principal difference between our common units and subordinated units is that in any quarter during the subordination period the subordinated units are entitled to receive the minimum quarterly distribution of $ per unit only after the common units have received the minimum quarterly distribution and arrearages in the payment of the minimum quarterly distribution from prior quarters. Subordinated units will not accrue arrearages. The subordination period will end on the first business day after we have earned and paid in the applicable period at least $ (the minimum quarterly distribution on an annualized basis) on each outstanding common and subordinated unit and the corresponding distribution on the General Partner s 0.1% interest for any three consecutive four-quarter periods ending on or after . For purposes of determining whether the subordination period will end, the three consecutive four-quarter periods for which the determination is being made may include one or more quarters with respect to which arrearages in the payment of the minimum quarterly distribution on the common units have accrued, provided that all such arrearages have been repaid prior to the end of each such four-quarter period. If the subordination period ends as a result of us having met the tests described above, all subordinated units will convert into common units on a one-for-one basis, and the common units will no longer be entitled to arrearages. The subordination period will also end upon the removal of our General Partner other than for cause if the units held by our General Partner and its affiliates are not voted in favor of such removal. When the subordination period ends, all subordinated units will convert into common units on a one-for-one basis and the common units will no longer be entitled to arrearages.
General Partner s right to reset the target distribution levels	Our General Partner has the right, at a time when there are no subordinated units outstanding and it has received incentive distributions at the highest level to which it is entitled (49.9%) for each of the prior four consecutive fiscal quarters, to reset the initial cash target distribution levels at higher levels based on the distribution at the time of the exercise of the reset election. If our General Partner transfers all or a portion of the incentive distribution rights it holds in the future, then the holder or holders of a majority of our incentive distribution rights will be entitled to exercise this right. Following a

	reset election by our General Partner, the minimum quarterly distribution amount will be reset to an amount equal to the average cash distribution amount per common unit for the two fiscal quarters immediately preceding the reset election (we refer to such amount as the reset minimum quarterly distribution amount), and the target distribution levels will be reset to correspondingly higher levels based on the same percentage increases above the reset minimum quarterly distribution amount as our current target distribution levels.
	In connection with resetting these target distribution levels, our General Partner will be entitled to receive a number of common units equal to that number of common units whose aggregate quarterly cash distributions equaled the average of the distributions to it on the incentive distribution rights in the prior two quarters. See How We Make Cash Distributions General Partner s Right to Reset Incentive Distribution Levels.
Issuance of additional units	We can issue an unlimited number of additional units, including units that are senior to the common units in rights of distribution, liquidation and voting, on the terms and conditions determined by our board of directors, without the consent of our unitholders.
	See Units Eligible for Future Sale and The Partnership Agreement Issuance of Additional Securities.
Board of Directors	Upon the closing of this offering, our board of directors will consist of five members appointed by our General Partner. We will hold a meeting of the limited partners every year to elect one or more members of our board of directors and to vote on any other matters that are properly brought before the meeting. Our General Partner has the right to appoint two of the five members of our board of directors who will serve as directors for terms determined by our General Partner. At our first annual meeting in 2014, the common unitholders will elect three of our directors. The three directors will be nominated by our General Partner. The three directors elected by our common unitholders at our 2014 annual meeting will be divided into three classes to be elected by our common unitholders annually on a staggered basis to serve for three-year terms. Initially, the majority of our directors will be non-United States citizens or residents. Directors elected by our common unitholders will be nominated by the board of directors or by any limited partner or group of limited partners that holds at least 15% of the outstanding common units. See Management Management of Dynagas LNG Partners LP.
Voting Rights	Each outstanding common unit is entitled to one vote on matters subject to a vote of common unitholders. However, to preserve our ability to be exempt from U.S. federal income tax under Section 883 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, if at any time, any person or group owns beneficially more than 4.9% of any class of units then outstanding, any such units owned by that person or

	group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to our board of directors), determining the presence of a quorum or for other similar purposes under our Partnership Agreement, unless otherwise required by law. The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed *pro rata* among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote. Our General Partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.
	You will have no right to elect our General Partner on an annual or other continuing basis. Our General Partner may not be removed except by a vote of the holders of at least 66 2/3% of the outstanding common and subordinated units, including any common and subordinated units owned by our General Partner and its affiliates, voting together as a single class. Upon consummation of this offering, our Sponsor will own % of our common units and all of our subordinated units, representing % of the outstanding common and subordinated units. If the underwriters over-allotment option is exercised in full, our Sponsor will own of our common units and all of our subordinated units, representing % of the outstanding common and subordinated units. As a result, you will initially be unable to remove our General Partner without our Sponsor s consent because it will own sufficient units upon completion of this offering to be able to prevent the General Partner s removal.
	See The Partnership Agreement Voting Rights.
Limited call right	If at any time our General Partner and its affiliates own more than 80% of the outstanding common units, our General Partner has the right, but not the obligation, to purchase all, but not less than all, of the remaining common units at a price equal to the greater of (x) the average of the daily closing prices of the common units over the 20 trading days preceding the date three days before the notice of exercise of the call right is first mailed and (y) the highest price paid by our General Partner or any of its affiliates for common units during the 90-day period preceding the date such notice is first mailed. Our Sponsor is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon the exercise of this limited call right.
Material U.S. Federal Income Tax Considerations	Although we are organized as a partnership, we have elected to be treated as a corporation solely for U.S. federal income tax purposes. Consequently, all or a portion of the distributions you receive from us will constitute dividends for such purposes. The remaining portion of such distributions will be treated first as a non-taxable return of

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	capital to the extent of your tax basis in your common units and, thereafter, as capital gain. We estimate that if you hold the common units that you purchase in this offering through the period ending , the distributions you receive, on a cumulative basis, that will constitute dividends for U.S. federal income tax purposes will be approximately % of the total cash distributions received during that period. See Material U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of U.S. Holders Ratio of Dividend Income to Distributions for the basis for this estimate. For a discussion of material U.S. federal income tax consequences that may be relevant to prospective unitholders who are individual citizens or residents of the United States, see Material U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of U.S. Holders and for a discussion of material U.S. federal income tax consequences that may be relevant to prospective unitholders who are non-U.S. citizens or residents, see Material U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of Non-U.S. Holders. Please also see Risk Factors Tax Risks.
Exchange listing	We have applied to have our common units approved for listing on the Nasdaq Global Select Market under the symbol DLNG.
Risk factors	Investing in our common units involves substantial risks. You should carefully consider all the information in this prospectus prior to investing in our common units. In particular, we urge you to consider carefully the factors set forth in the section of this prospectus entitled Risk Factors beginning on page 28.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

We were formed on May 30, 2013 by our Sponsor as a new LNG carrier subsidiary focused on owning and operating LNG carriers that are employed on multi-year time charters with international energy companies. On October 29, 2013, we acquired from our Sponsor its subsidiaries that have interests in the LNG carriers in our Initial Fleet, or the Sponsor Controlled Companies. In addition, prior to the completion of this offering, we will complete a series of formation transactions that are described in the section of the prospectus entitled Summary Formation Transactions. Our business will be a direct continuation of the Sponsor Controlled Companies. We do not intend to engage in any business or other activities prior to the closing of the offering, except in connection with our formation. The Sponsor Controlled Companies are limited to entities that are under the control of our Sponsor and its affiliates, and, as such, this acquisition was accounted for as a transaction between entities under common control. As a result, the financial statements of the Sponsor Controlled Companies and us from May 30, 2013 (the date of our inception) have been presented using combined historical carrying costs of the assets and liabilities of the Sponsor Controlled Companies, and present the consolidated financial position and results of operations as if Dynagas Partners and the Sponsor Controlled Companies were consolidated for all periods presented.

The following table summarizes our summary historical consolidated financial and other operating data at the dates and for the periods indicated. The summary historical consolidated financial data in the table as of December 31, 2012 and 2011 and for the years then ended is derived from our audited consolidated financial statements for 2012 and 2011 included elsewhere in this prospectus, which have been prepared in accordance with U.S. GAAP. Our summary historical consolidated financial data presented below as of and for the six months ended June 30, 2013 and 2012 has been prepared on the same basis as our audited consolidated financial statements, are derived from our unaudited interim condensed consolidated financial statements included herein and, in the opinion of management, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation thereof. Our interim results are not necessarily indicative of our results for the entire year or for any future periods. The following financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and related notes included elsewhere in this prospectus.

Our financial position, results of operations and cash flows could differ from those that would have resulted if we operated autonomously or as an entity independent of our Sponsor in the periods for which historical financial data are presented below, and such data may not be indicative of our future operating results or financial performance.

	Six Months Ended June 30,		Year Ended December 31,	
	2013	2012	2012	2011
	(dollars in thousands)			
Income Statement Data				
Voyage revenues	$ 42,444	$ 37,105	$ 77,498	$ 52,547
Voyage expenses(1)	(832)	(1,928)	(3,468)	(1,353)
Vessel operating expenses	(6,232)	(7,376)	(15,722)	(11,350)
General and administrative expenses	(21)		(278)	(54)
Management fees	(1,358)	(1,328)	(2,638)	(2,529)
Depreciation	(6,733)	(6,771)	(13,616)	(13,579)
Dry-docking and special survey costs		(719)	(2,109)	
Operating income	27,268	18,983	39,667	23,682
Interest income		1	1	4
Interest and finance costs	(4,591)	(4,452)	(9,576)	(3,977)
Loss on derivative financial instruments		(138)	(196)	(824)
Other, net	51	(1)	(60)	(65)
Net Income	$ 22,728	$ 14,393	$ 29,836	$ 18,820

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	Six Months Ended June 30, 2013	2012	Year Ended December 31, 2012	2011
	(dollars in thousands except fleet data and average daily data)			
Balance Sheet Data:				
Total current assets	$ 4,092		$ 7,773	$ 3,194
Vessels, net	460,021		466,754	480,370
Total assets	468,332		476,275	484,363
Total current liabilities	47,154		55,849	175,959
Total Long Term Debt and stockholders loan, including current portion	359,045		380,715	402,189
Total partners equity	97,903		75,175	45,339
Cash Flow Data:				
Net cash provided by operating activities	$ 17,728	$ 2,988	$ 27,902	$ 28,974
Net cash used in financing activities	(21,670)	(5,279)	(23,449)	(45,956)
Fleet Data:				
Number of vessels at the end of the year	3	3	3	3
Average number of vessels in operation(2)	3	3	3	3
Average age of vessels in operation at end of period (years)	5.9	4.9	5.4	4.4
Available days(3)	543	530	1,056	1,095
Time Charter Equivalent(4)	$ 76,633	$ 66,372	$ 70,104	$ 46,753
Fleet utilization(5)	100.0%	99.0%	99.5%	99.5%
Other Financial Data:				
Adjusted EBITDA(6)	$ 34,052	$ 25,753	$ 53,223	$ 37,196

(1) Voyage expenses include commissions of 1.25% paid to our Manager and third party ship brokers.

(2) Represents the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.

(3) Available days are the total number of calendar days our vessels were in our possession during a period, less the total number of scheduled off-hire days during the period associated with major repairs, or dry-dockings.

(4) Time charter equivalent rates, or TCE rates, is a measure of the average daily revenue performance of a vessel. For time charters, this is calculated by dividing total voyage revenues, less any voyage expenses, by the number of Available days during that period. Under a time charter, the charterer pays substantially all of the vessel voyage related expenses. However, we may incur voyage related expenses when positioning or repositioning vessels before or after the period of a time charter, during periods of commercial waiting time or while off-hire during dry-docking or due to other unforeseen circumstances. The TCE rate is not a measure of financial performance under U.S. GAAP (non-GAAP measure), and should not be considered as an alternative to voyage revenues, the most directly comparable GAAP measure, or any other measure of financial performance presented in accordance with U.S. GAAP. However, TCE rate is a standard shipping industry performance measure used primarily to compare period-to-period changes in a company s performance and assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance. Our calculation of TCE rates may not be comparable to that reported by other companies. The following table reflects the calculation of our TCE rates for the

six month periods ended June 30, 2013 and 2012 and the years ended December 31, 2012 and 2011 (amounts in thousands of U.S. dollars, except for TCE rates, which are expressed in U.S. dollars and Available days):

	Six Months Ended June 30,		Year Ended December 31,	
	2013	2012	2012	2011
	(dollars in thousands, except average daily TCE)			
Voyage revenues	$ 42,444	37,105	$ 77,498	$ 52,547
Voyage expenses	(832)	(1,928)	(3,468)	(1,353)
Time charter equivalent revenues	$ 41,612	$ 35,177	$ 74,030	$ 51,194
Total Available days	543	530	1,056	1,095
Time charter equivalent (TCE) rate	76,633	66,372	70,104	46,753

(5) We calculate fleet utilization by dividing the number of our revenue earning days, which are the total number of Available Days of our vessels net of unscheduled off-hire days, during a period, by the number of our Available days during that period. The shipping industry uses fleet utilization to measure a company s efficiency in finding employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons such as unscheduled repairs but excluding scheduled off-hires for vessel upgrades, dry-dockings or special or intermediate surveys.

(6) Adjusted EBITDA is defined as earnings before interest and finance costs, net of interest income, gains/losses on derivative financial instruments, taxes (when incurred), depreciation and amortization (when incurred). Adjusted EBITDA is used as a supplemental financial measure by management and external users of financial statements, such as our investors, to assess our liquidity and our operating performance. We believe that Adjusted EBITDA assists our management and investors by providing useful information that increases the comparability of our performance operating from period to period and against the operating performance of other companies in our industry that provide Adjusted EBITDA information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest, other financial items, depreciation and amortization and taxes, which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including Adjusted EBITDA as a measure of operating performance benefits investors in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength in assessing whether to continue to hold common units.

Adjusted EBITDA is not a measure of financial performance under U.S. GAAP, does not represent and should not be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance presented in accordance with U.S. GAAP. Adjusted EBITDA excludes some, but not all, items that affect net income and these measures may vary among other companies. Therefore, Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies. The following table reconciles Adjusted EBITDA to net income (loss), the most directly comparable U.S. GAAP financial measures, for the periods presented:

	Six Months Ended June 30,		Year Ended December 31,	
	2013	2012	2012	2011
	(dollars in thousands)			
Reconciliation to Net Income				
Net Income	$ 22,728	$ 14,393	$ 29,836	$ 18,820
Net interest expense (including loss from derivative instruments)	4,591	4,589	9,771	4,797
Depreciation	6,733	6,771	13,616	13,579
Adjusted EBITDA	$ 34,052	$ 25,753	$ 53,223	$ 37,196

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FORWARD-LOOKING STATEMENTS

Statements included in this prospectus which are not historical facts (including our financial forecast and any other statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto) are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements which are also forward-looking statements. Our disclosure and analysis in this prospectus pertaining to our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates, projects, forecasts, may, should and similar expressions are forward-looking statements.

All statements in this prospectus that are not statements of either historical or current facts are forward-looking statements.

Forward-looking statements appear in a number of places and include statements with respect to, among other things:

- statements about LNG market trends, including charter rates, factors affecting supply and demand, and opportunities for the profitable operations of LNG carriers;
- the effect of the worldwide economic slowdown;
- turmoil in the global financial markets;
- fluctuations in currencies and interest rates;
- general market conditions, including fluctuations in charter hire rates and vessel values;
- changes in our operating expenses, including dry-docking and insurance costs and bunker prices;
- forecasts of our ability to make cash distributions on our units and the amount of any borrowings that may be necessary to make such distributions;
- our future financial condition or results of operations and our future revenues and expenses;
- the repayment of debt;
- the anticipated taxation of our Company and distributions to our unitholders;
- our anticipated growth strategies;
- our ability to make additional borrowings and to access public equity and debt capital markets;

our ability to compete successfully for future chartering and newbuild opportunities;

planned capital expenditures and availability of capital resources to fund capital expenditures;

our ability to maintain long-term relationships with major LNG traders;

our ability to leverage our Sponsor s and our Manager s relationships and reputation in the shipping industry;

our ability to purchase vessels from our Sponsor in the future, including the seven newbuilding LNG carriers for which we have rights to purchase;

our continued ability to enter into multi-year time charters;

our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under time charter; and

timely purchases and deliveries of newbuilding vessels.

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RISK FACTORS

Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. You should consider carefully the following risk factors, as well as the other information contained in this prospectus, before making an investment in our common units. Any of the risk factors described below could significantly and negatively affect our business, financial condition or operating results, which may reduce our ability to pay dividends and lower the trading price of our common units. You may lose part or all of your investment.

Risks Relating to Our Company

Our Initial Fleet consists of only three LNG carriers. Any limitation in the availability or operation of these vessels could have a material adverse effect on our business, results of operations and financial condition and could significantly reduce or eliminate our ability to pay the minimum quarterly distribution on our common units and subordinated units.

Our Initial Fleet consists of only three LNG carriers. If any of our vessels are unable to generate revenues as a result of off-hire time, early termination of the applicable time charter or otherwise, our business, results of operations financial condition and ability to make minimum quarterly distributions to unitholders could be materially adversely affected.

We currently derive all our revenue and cash flow from two charterers and the loss of either of these charterers could cause us to suffer losses or otherwise adversely affect our business.

We currently derive all of our revenue and cash flow from two charterers, BG Group and Gazprom. For the year ended December 31, 2012, BG Group accounted for 58%, Qatar Gas accounted for 26% and Gazprom accounted for 16% of our total revenue. For the year ended December 31, 2011, BG Group accounted for 33%, Qatar Gas accounted for 37% and Gazprom accounted for 30% of our total revenue. All of the charters for our Initial Fleet have fixed terms, but may be terminated early due to certain events, such as a charterer s failure to make charter payments to us because of financial inability, disagreements with us or otherwise. The ability of each of our counterparties to perform its obligations under a charter with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the LNG shipping industry, prevailing prices for natural gas and the overall financial condition of the counterparty. Should a counterparty fail to honor its obligations under an agreement with us, we may be unable to realize revenue under that charter and could sustain losses, which could have a material adverse effect on our business, financial condition, results of operations and ability to pay minimum quarterly distribution to our unitholders.

In addition, a charterer may exercise its right to terminate the charter if, among other things:

- the vessel suffers a total loss or is damaged beyond repair;
- we default on our obligations under the charter, including prolonged periods of vessel off-hire;
- war or hostilities significantly disrupt the free trade of the vessel;
- the vessel is requisitioned by any governmental authority; or
- a prolonged force majeure event occurs, such as war or political unrest, which prevents the chartering of the vessel.

In addition, the charter payments we receive may be reduced if the vessel does not perform according to certain contractual specifications. For example, charter hire may be reduced if the average vessel speed falls below the speed we have guaranteed or if the amount of fuel consumed to power the vessel exceeds the guaranteed amount.

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If any of our charters are terminated, we may be unable to re-deploy the related vessel on terms as favorable to us as our current charters, or at all. If we are unable to re-deploy a vessel for which the charter has been terminated, we will not receive any revenues from that vessel, and we may be required to pay ongoing expenses necessary to maintain the vessel in proper operating condition. Any of these factors may decrease our revenue and cash flows. Further, the loss of any of our charterers, charters or vessels, or a decline in charter hire under any of our charters, could have a material adverse effect on our business, results of operations, financial condition and ability to make minimum quarterly distributions to our unitholders.

We are subject to certain risks with respect to our contractual counterparties, and failure of such counterparties to perform their obligations under such contracts could cause us to sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We have entered into, and may enter in the future, contracts, charters, conversion contracts with shipyards, credit facilities with banks, interest rate swaps, foreign currency swaps and equity swaps. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions and the overall financial condition of the counterparty. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be unable to pay the minimum quarterly distribution on our common units and subordinated units.

Our initial policy is to make minimum quarterly distributions to our unitholders of $ per unit in February, May, August, and November, or $ per unit per year. The amount of cash available for distribution, if any, will principally depend upon the amount of cash we generate from our operations, which may fluctuate from quarter to quarter based on the risks described in this section, including, among other things:

- the rates we obtain from our charters; and

- the level of our operating and other costs and expenses, such as the cost of crews and insurance.

In addition, the actual amount of cash we will have available for distribution to our unitholders will depend on other factors, including:

- the level of capital expenditures we make, including for maintaining or replacing vessels, constructing new vessels, acquiring existing vessels and complying with regulations;

- the number of unscheduled off-hire days for our fleet and the timing of, and number of days required for, scheduled dry-docking of our vessels;

- our debt service requirements and restrictions on distributions contained in our debt instruments;

- the level of debt we will incur if we exercise our right to purchase each of the Optional Vessels from our Sponsor;

- fluctuations in interest rates;

- fluctuations in our working capital needs;

variable tax rates; and

currency exchange rate fluctuations.

In addition, each quarter we will be required to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available to unitholders than if actual maintenance and replacement capital expenditures were deducted. Our ability to pay distributions will also be limited to the extent that we have sufficient cash after establishment of cash reserves and payments to our General Partner.

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

Dynagas LNG Partners LP is a holding company, and its ability to make cash distributions to its unitholders is limited by the distribution of funds from its subsidiaries and the covenants contained in its credit facilities. In addition, all of our credit agreements, other than the $150 Million Clean Energy Credit Facility, also contain provisions that restrict our ability to declare and make distributions to our unitholders. On October 25, 2013, we entered into a binding committment letter with one of our lenders, an affiliate of Credit Suisse, for a new $262.13 million senior secured credit facility to be entered at or prior to the closing of this offering to permit, among other things, distributions to the Company s unitholders and the other transactions contemplated herein. A portion of the proceeds of this credit facility, together with the net proceeds of this offering, will be used to repay all of our existing outstanding indebtedness effective as of the closing of this offering. The material terms of the New Senior Secured Revolving Credit Facility are set forth under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities New Senior Secured Revolving Credit Facility.

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

The process of obtaining new time charters is highly competitive and generally involves intensive screening and competitive bidding, and often extends for several months. LNG carrier time charters are generally awarded based upon a variety of factors relating to the vessel operator, including but not limited to:

- LNG shipping experience and quality of vessels;
- shipping industry relationships and reputation for customer service and safety;
- technical ability and reputation for operating highly specialized vessels;
- quality and experience of seafaring crew;
- the ability to finance LNG carriers at competitive rates, and financial stability generally;
- construction management experience, including, (i) relationships with shipyards and the ability to obtain suitable berths; and (ii) the ability to obtain on-time delivery of new LNG carriers according to customer specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

We expect substantial competition for providing marine transportation services for potential LNG projects from a number of experienced companies, including state-sponsored entities and major energy companies. Many of these competitors have significantly greater financial resources and larger and more versatile fleets than we do. We anticipate that an increasing number of marine transportation companies, including many with strong reputations and extensive resources and experience, will enter the LNG transportation market. This increased competition may cause greater price competition for time charters. As a result of these factors, we may be unable to expand our relationships with existing customers or obtain new customers on a profitable basis, if at all, which could have a material adverse effect on our business, results of operations, financial condition and ability to make minimum quarterly distributions to our unitholders.

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The amount of our debt could limit our liquidity and flexibility in obtaining additional financing and in pursuing other business opportunities.

As of October 28, 2013 and December 31, 2012, we had $346.1 million and $380.7 million, respectively, in gross principal amount of interest bearing debt. In connection with this offering we will enter into the New Senior Secured Revolving Credit Facility for $262.13 million, of which $204.6 million will be used to repay our existing indebtedness. In addition, prior to the closing of this offering we plan to enter into a $30.0 million revolving credit facility with our Sponsor. We expect that a large portion of our cash flow from operations will be used to repay the principal and interest on our debt.

Our current indebtedness and future indebtedness that we may incur could affect our future operations, as a portion of our cash flow from operations will be dedicated to the payment of interest and principal on such debt and will not be available for other purposes. Covenants contained in our debt agreements may affect our flexibility in planning for, and reacting to, changes in our business or economic conditions, limit our ability to dispose of assets or place restrictions on the use of proceeds from such dispositions, withstand current or future economic or industry downturns and compete with others in our industry for strategic opportunities, and limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes and our ability to make minimum quarterly distributions to our unitholders.

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

We may be unable to comply with covenants in our credit facilities or any future financial obligations that impose operating and financial restrictions on us.

Certain of our existing and future credit facilities, which are secured by mortgages on our vessels, impose and will impose certain operating and financial restrictions on us, mainly to ensure that the market value of the mortgaged vessel under the applicable credit facility does not fall below a certain percentage of the outstanding amount of the loan, which we refer to as the asset coverage ratio and interest coverage ratio. In addition, certain of our credit facilities require us to satisfy certain other financial covenants, including maintenance of minimum cash liquidity levels.

The operating and financial restrictions contained in our credit facilities prohibit or otherwise limit our ability to, among other things:

- obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes on favorable terms, or at all;
- make distributions to unitholders or pay dividends to shareholders, as applicable;
- incur additional indebtedness, create liens or issue guarantees;
- charter our vessels or change the terms of our existing charter agreements;
- sell, transfer or lease our assets or vessels or the shares of our vessel-owning subsidiaries;
- make investments and capital expenditures;

reduce our share capital; and

undergo a change in ownership or Manager.

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In addition, one of our credit facilities contains a cross-default provision that may be triggered by a default under one of our other credit facilities. A cross-default provision means that a default on one loan would result in a default on certain other loans.

We were not in compliance with the following restrictive and financial covenants in our credit facilities as of June 30, 2013 and December 31, 2012. On October 29, 2013, our lenders (i) provided us with their consent to issue guarantees under three of our Sponsor s credit facilities and to repay the $140 Million Shareholder Loan, and (ii) waived their rights in respect of our non-compliance with the minimum liquidity requirement of $30.0 million contained in the $193 Million Ob River Facility until September 30, 2014, which are described in Note 7 of our audited consolidated financial statements included elsewhere in this prospectus. Following the receipt of the waivers and the consents described above, all of our debt was classified as current and non-current liabilities as of June 30, 2013 and December 31, 2012 and 2011, in accordance with its scheduled repayment as it was no longer considered callable by our lenders. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities Waiver Agreements and The Violation of Certain Covenants Under Certain of Our Credit Facilities.

$128 Million Clean Force Credit Facility

Restriction on the Provision of Guarantees. We are prohibited from issuing any guarantees for the obligations of any person without the prior written consent of our lender. In September 2012 and June 2013 without obtaining the required lender consent, we, through certain of our subsidiaries, provided guarantees on three loans of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean*, the *Clean Planet* and the *Arctic Aurora*.

Restriction on Repayment of Shareholder Loans. We are prohibited from repaying any shareholder loans without the prior written consent of our lender. In April 2012, without obtaining the necessary lender consent, we repaid in full the then outstanding balance of our $140 Million Shareholder Loan using a portion of the proceeds we received from refinancing the *Clean Energy* and the *Ob River*, which resulted in a breach of this covenant as of December 31, 2012.

$150 Million Clean Energy Credit Facility

Restriction on the Provision of Guarantees. We are prohibited from issuing any guarantees for the obligations of any person without the prior written consent of our lender. In September 2012 and June 2013 without obtaining the required lender consent, we, through certain of our subsidiaries, provided guarantees on three loans of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean*, the *Clean Planet* and the *Arctic Aurora*.

$193 Million Ob River Credit Facility

Minimum Liquidity. We are required to maintain minimum liquidity of $30 million. As of June 30, 2013 and December 31, 2012, we had $2.8 million and $6.8 million in cash and cash equivalents, respectively.

Restriction on Repayment of Shareholder Loans. We are prohibited from repaying any shareholder loans without the prior written consent of our lender. In April 2012, without obtaining the necessary lender consent, we repaid in full the then outstanding balance of our $140 Million Shareholder Loan using a portion of the proceeds we received from refinancing the *Clean Energy* and the *Ob River*, which resulted in a breach of this covenant as of December 31, 2012.

Restriction on the Provision of Guarantees. We are prohibited from issuing any guarantees for the obligations of any person without the prior written consent of our lender. In September 2012 and June 2013 without obtaining the necessary lender consent, we, through certain of our subsidiaries, provided

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guarantees on three loans of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean*, the *Clean Planet* and the *Arctic Aurora*.

See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

On October 25, 2013, we entered into a binding commitment letter with one of our lenders, an affiliate of Credit Suisse, for a new $262.13 million senior secured credit facility, which we refer to as the New Senior Secured Revolving Credit Facility. A portion of the proceeds of the New Senior Secured Revolving Credit Facility, together with the net proceeds of this offering, will be used to repay all of our existing outstanding indebtedness effective upon the closing of this offering. The material terms of this new credit facility will permit, among other things, distributions to our unitholders and the other transactions contemplated herein and are more fully set forth under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities New Senior Secured Revolving Credit Facility.

As described above, we have guaranteed three credit agreements of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean*, the *Clean Planet* and the *Arctic Aurora*. The guarantees have been provided through certain of our subsidiaries, including the subsidiaries that own the vessels comprising our Initial Fleet. On , 2013, our Sponsor entered into binding agreements with its lenders to amend these three credit agreements at or prior to the closing of this offering to, among other things, release us from our obligations as guarantor effective upon the closing of this offering. As a result of the amendment to these three credit agreements, effective as of the closing of this offering, we will be released from our obligations as guarantor under the loan agreements and will no longer guarantee any of our Sponsor s debt. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Sponsor s Credit Agreements.

The consummation of this offering is contingent upon our entry into the definitive facility agreement and related security documents for the New Senior Secured Revolving Credit Facility and the amendment of our Sponsor s three credit agreements to release us from the guarantees described above.

As described above, as of June 30, 2013, we were in breach of the minimum liquidity requirement relating to our $193 Million Ob River Credit Facility, which requires us to maintain minimum liquidity of $30 million, while we maintained $2.8 million in cash and cash equivalents. We were in compliance with the remaining financial and liquidity covenants in our loan agreements but we were not in compliance with certain restrictive covenants relating to our credit agreements. On July 19, 2013, one of our lenders declared an event of default under one of our credit facilities. On October 29, 2013, our lenders (i) provided us with their consent to issue guarantees under three of our Sponsor s credit facilities and to repay the $140 Million Shareholder Loan, and (ii) waived their rights in respect of our non-compliance with the minimum liquidity requirement of $30.0 million contained in the $193 Million Ob River Facility until September 30, 2014, which are described in Note 7 of our audited consolidated financial statements included elsewhere in this prospectus. Following the receipt of the waivers and the consents described above, all of our debt was classified as current and non-current liabilities as of June 30, 2013 and December 31, 2012 and 2011, in accordance with its scheduled repayment as it was no longer considered callable by our lenders. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities Waivers, Consents and The Violation of Certain Covenants Under Our Credit Facilities.

A violation of any of the financial covenants contained in our credit facilities described above constitutes an event of default under our credit facilities, which, unless cured under the applicable credit facility, if applicable, or waived or modified by our lenders, provides our lenders with the right to, among other things, require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our

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indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet, reclassify our indebtedness as current liabilities and accelerate our indebtedness and foreclose their liens on our vessels and the other assets securing the credit facilities, which would impair our ability to continue to conduct our business.

In addition, under the terms of our credit facilities, we may be prohibited from making cash distributions to our unitholders. See Our Cash Distribution Policy and Restrictions on Distributions.

For more information, please see Prospectus Summary Recent Developments and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

We were in breach of certain financial and other covenants in our loan agreements, and as a result, our independent registered public accounting firm expressed substantial doubt about our ability to continue as a going concern.

As of June 30, 2013 and December 31, 2012, we were not in compliance with certain restrictive and financial covenants contained in our credit facilities. As a result, our independent registered public accounting firm in its initial report expressed substantial doubt about our ability to continue as a going concern and included an explanatory paragraph in its report relating to our audited financial statements for the year ended December 31, 2012. On October 29, 2013, our lenders waived and consented to our non-compliance with these covenants, and as a result, our independent registered public accounting firm re-issued their report, which is included in this prospectus, that states that the conditions that existed at the time of their initial report, which raised substantial doubt as to whether we will continue as a going concern, no longer exist. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Waivers, Consents and the Violation of Certain Covenants under our Credit Facilities.

Our Sponsor may be unable to service its debt requirements and comply with the provisions contained in the credit agreements secured by the Optional Vessels. If our Sponsor fails to perform its obligations under its loan agreements, our business and expected plans for growth may be materially affected.

Our Sponsor may be unable to service its debt requirements and comply with the provisions contained in the credit agreements secured by the Optional Vessels. Failure on behalf of our Sponsor to perform its obligations under its credit agreements, including paying scheduled installments and complying with certain covenants, may constitute an event of default under these secured loan agreements. If an event of default occurs under these loan agreements, our Sponsor s lenders could accelerate the outstanding loans and declare all amounts borrowed due and payable. In this case, if our Sponsor is unable to obtain a waiver or amendment or does not otherwise have enough cash on hand to repay the outstanding borrowings, its lenders may, among other things, foreclose their liens on the Optional Vessels. In this case, we may not be able to exercise our rights under the Omnibus Agreement to acquire the Optional Vessels, which would likely have a material adverse effect on our business and our expected plans for growth.

In addition, since our Sponsor is a private company and there is little or no publicly available information about it, we or an investor could have little advance warning of potential financial or other problems that might affect our Sponsor that could have a material adverse effect on us.

We are dependent on our affiliated Manager for the management of our fleet.

We have entered into Management Agreements with our affiliated Manager for the commercial and technical management of our fleet, including crewing, maintenance and repair. The loss of our Manager s services or its failure to perform its obligations to us could materially and adversely affect the results of our operations. In addition, our Manager provides us with significant management, administrative, financial and

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other support services. Our operational success and ability to execute our growth strategy will depend significantly upon the satisfactory performance of these services. Our business will be harmed if our Manager fails to perform these services satisfactorily, if they cancel their agreements with us or if they stop providing these services to us.

Our Sponsor, our General Partner and their respective affiliates own a controlling interest in us and have conflicts of interest and limited duties to us and our common unitholders, which may permit them to favor their own interests to your detriment.

Members of the Prokopiou Family control our Sponsor, our Manager and our General Partner. Upon completion of this offering, our Sponsor will own of our common units and all of our subordinated units, representing % of the outstanding common and subordinated units in aggregate, and our General Partner will own a 0.1% General Partner interest in us and 100% of our incentive distribution rights, assuming the underwriters over-allotment option is not exercised, and therefore may have considerable influence over our actions. The interests of our Sponsor and the members of the Prokopiou family may be different from your interests and the relationships described above could create conflicts of interest. We cannot assure you that any conflicts of interest will be resolved in your favor.

Conflicts of interest may arise between our Sponsor and its affiliates on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our Sponsor and its affiliates may favor their own interests over the interests of our unitholders. Although a majority of our directors will over time be elected by our common unitholders, our General Partner will have influence on decisions made by our board of directors. Our board of directors will have a conflicts committee comprised of independent directors. Our board of directors may, but is not obligated to, seek approval of the conflicts committee for resolutions of conflicts of interest that may arise as a result of the relationships between our Sponsor and its affiliates, on the one hand, and us and our unaffiliated limited partners, on the other. There can be no assurance that a conflict of interest will be resolved in favor of us.

These conflicts include, among others, the following situations:

- neither our Partnership Agreement nor any other agreement requires our Sponsor or our General Partner or their respective affiliates to pursue a business strategy that favors us or utilizes our assets, and their officers and directors have a fiduciary duty to make decisions in the best interests of their respective shareholders, which may be contrary to our interests;

- our Partnership Agreement provides that our General Partner may make determinations or take or decline to take actions without regard to our or our unitholders interests. Specifically, our General Partner may exercise its call right, pre-emptive rights, registration rights or right to make a determination to receive common units in exchange for resetting the target distribution levels related to the incentive distribution rights, consent or withhold consent to any merger or consolidation of the company, appoint any directors or vote for the election of any director, vote or refrain from voting on amendments to our Partnership Agreement that require a vote of the outstanding units, voluntarily withdraw from the company, transfer (to the extent permitted under our Partnership Agreement) or refrain from transferring its units, the General Partner interest or incentive distribution rights or vote upon the dissolution of the company;

- our General Partner and our directors and officers have limited their liabilities and any fiduciary duties they may have under the laws of the Marshall Islands, while also restricting the remedies available to our unitholders, and, as a result of purchasing common units, unitholders are treated as having agreed to the modified standard of fiduciary duties and to certain actions that may be taken by the General Partner and our directors and officers, all as set forth in the Partnership Agreement;

- our General Partner and our Manager are entitled to reimbursement of all reasonable costs incurred by them and their respective affiliates for our benefit; our Partnership Agreement does not restrict us from paying our General Partner and our Manager or their respective affiliates for any services rendered to us on terms that are fair and reasonable or entering into additional contractual arrangements with any of these entities on our behalf;

our General Partner may exercise its right to call and purchase our common units if it and its affiliates own more than 80% of our common units; and is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon the exercise of its limited call right. Although a majority of our directors will over time be elected by common unitholders, our General Partner will likely have substantial influence on decisions made by our board of directors. See Certain Relationships and Related Party Transactions, Conflicts of Interest and Fiduciary Duties and The Partnership Agreement.

Our Sponsor and its affiliates may compete with us.

Pursuant to the Omnibus Agreement that we will enter into with our Sponsor and our General Partner, our Sponsor and its affiliates (other than us, and our subsidiaries) generally have agreed not to acquire, own, operate or contract for any LNG carriers acquired or placed under contracts with an initial term of four or more years after the closing date of this offering. The Omnibus Agreement, however, contains significant exceptions that may allow our Sponsor or any of its affiliates to compete with us, which could harm our business. Our Sponsor and its affiliates may compete with us, subject to the restrictions will be contained in the Omnibus Agreement, and could own and operate LNG carriers under charters of four years or more that may compete with our vessels if we do not acquire such vessels when they are offered to us pursuant to the terms of the Omnibus Agreement. See Certain Relationships and Related Party Transactions Agreements Governing the Transactions Omnibus Agreement Noncompetition.

Mr. Tony Lauritzen, our Chief Executive Officer, Mr. Michael Gregos, our Chief Financial Officer, and certain other officers will not devote all of their time to our business, which may hinder our ability to operate successfully.

Mr. Tony Lauritzen, our Chief Executive Officer, Mr. Michael Gregos, our Chief Financial Officer and certain other officers, will be involved in other business activities with our Sponsor and its affiliates, which may result in their spending less time than is appropriate or necessary to manage our business successfully. Based solely on the anticipated relative sizes of our Initial Fleet and the fleet owned by our Sponsor and its affiliates over the next twelve months, we estimate that Mr. Lauritzen, Mr. Gregos, and certain other officers may spend a substantial portion of their monthly business time on our business activities and their remaining time on the business of our Sponsor and its affiliates. However, the actual allocation of time could vary significantly from time to time depending on various circumstances and needs of the businesses, such as the relative levels of strategic activities of the businesses. This could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Unitholders have limited voting rights, and our Partnership Agreement restricts the voting rights of our unitholders that own more than 4.9% of our common units.

Unlike the holders of common stock in a corporation, holders of common units have only limited voting rights on matters affecting our business. We will hold a meeting of the limited partners every year to elect one or more members of our board of directors that are eligible for reelection and to vote on any other matters that are properly brought before the meeting. Common unitholders will be entitled to elect only three of the five members of our board of directors. The elected directors will be elected on a staggered basis and will serve for three year terms. Our General Partner will have the right to appoint the remaining two directors and set the terms for which those directors will serve. The Partnership Agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders ability to influence the manner or direction of management. Unitholders will have no right to elect our General Partner, and our General Partner may not be removed except by a vote of the holders of at least 66 2/3% of the outstanding common units and subordinated units, including any units owned by our General Partner, our Sponsor and their respective affiliates, voting together as a single class.

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Our Partnership Agreement further restricts unitholders voting rights by providing that if any person or group owns beneficially more than 4.9% of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to our board), determining the presence of a quorum or for other similar purposes under our Partnership Agreement, unless required by law. The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed *pro rata* among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote. Our General Partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.

Our Partnership Agreement limits the duties our General Partner and our directors and officers may have to our unitholders and restricts the remedies available to unitholders for actions taken by our General Partner or our directors and officers.

Our Partnership Agreement provides that our board of directors will have the authority to oversee and direct our operations, management and policies on an exclusive basis. The Marshall Islands Revised Limited Partnership Act, or the Partnership Act, states that a member or manager s duties and liabilities may be expanded or restricted by provisions in the partnership agreement . As permitted by the Partnership Act, our Partnership Agreement contains provisions that reduce the standards to which our General Partner and our directors and our officers may otherwise be held by Marshall Islands law. For example, our Partnership Agreement:

- provides that our General Partner may make determinations or take or decline to take actions without regard to our or our unitholders interests. Our General Partner may consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting us, our affiliates or our unitholders. Decisions made by our General Partner will be made by its sole owner. Specifically, our General Partner may decide to exercise its right to make a determination to receive common units in exchange for resetting the target distribution levels related to the incentive distribution rights, call right, pre-emptive rights or registration rights, consent or withhold consent to any merger or consolidation of the company, appoint any directors or vote for the election of any director, vote or refrain from voting on amendments to our Partnership Agreement that require a vote of the outstanding units, voluntarily withdraw from the company, transfer (to the extent permitted under our Partnership Agreement) or refrain from transferring its units, the general partner interest or incentive distribution rights or vote upon the dissolution of the company;

- provides that our directors and officers are entitled to make other decisions in good faith, meaning they reasonably believe that the decision is in our best interests;

- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by our conflicts committee of our board of directors and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be fair and reasonable to us and that, in determining whether a transaction or resolution is fair and reasonable, our board of directors may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and

- provides that neither our General Partner nor our officers or our directors will be liable for monetary damages to us, our members or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our General Partner, our directors or officers or those other persons engaged in actual fraud or willful misconduct.

In order to become a member of our company, a common unitholder is required to agree to be bound by the provisions in the Partnership Agreement, including the provisions discussed above. See Conflicts of Interest and Fiduciary Duties Fiduciary Duties.

Fees and cost reimbursements, which our Manager will determine for services provided to us, will be substantial, will be payable regardless of our profitability and will reduce our cash available for distribution to you.

Our Manager which is wholly-owned by Mr. George Prokopiou, is responsible for the commercial and technical management of the vessels in our fleet pursuant to the Management Agreements. We pay our Manager a fee of $2,500 per day for each vessel for providing our ship owning subsidiaries with technical, commercial, insurance, accounting, financing, provisions, crewing, bunkering services and general administrative services. We expect to pay an aggregate of approximately $2.8 million to our Manager in connection with the management of our Initial Fleet for the twelve months ending December 31, 2014. Pursuant to the Management Agreement, our Manager also provides us with certain administrative and support services.

The management fee is fixed until December 31, 2013 and will thereafter increase by 3% annually unless otherwise agreed, between us, with approval of our conflicts committee, and our Manager. In addition we will pay Dynagas Ltd. a commercial management fee equal to 1.25% of the gross freight, demurrage and charter hire collected from the employment of our vessels. The management fees payable for the vessels may be further increased if our Manager has incurred material unforeseen costs of providing the management services, by an amount to be agreed between us and our Manager, which amount will be reviewed and approved by our conflicts committee.

For a description of our Management Agreement, see Certain Relationships and Related Party Transactions Vessel Management Agreements. The fees and expenses payable pursuant to the management agreement will be payable without regard to our financial condition or results of operations. The payment of fees to could adversely affect our ability to pay cash distributions to you.

Our Partnership Agreement contains provisions that may have the effect of discouraging a person or group from attempting to remove our current management or our General Partner and even if public unitholders are dissatisfied, they will be unable to remove our General Partner without our Sponsor s consent, unless our Sponsor s ownership interest in us is decreased; all of which could diminish the trading price of our common units.

Our Partnership Agreement contains provisions that may have the effect of discouraging a person or group from attempting to remove our current management or our General Partner.

The unitholders will be unable initially to remove our General Partner without its consent because our General Partner and its affiliates, including our Sponsor, will own sufficient units upon completion of this offering to be able to prevent its removal. The vote of the holders of at least 66 2/3% of all outstanding common and subordinated units voting together as a single class is required to remove our General Partner. Upon consummation of this offering, our Sponsor will own of our common units and all of our subordinated units, representing % of the outstanding common and subordinated units. If the underwriters over-allotment option is exercised in full, our Sponsor will own of our common units and all of our subordinated units, representing of the outstanding common and subordinated units in aggregate.

If our General Partner is removed without cause during the subordination period and units held by our General Partner and our Sponsor are not voted in favor of that removal, all remaining subordinated units will automatically convert into common units, any existing arrearages on the common units will be extinguished, and our General Partner will have the right to convert its incentive distribution rights into common units or to receive cash in exchange for those interests based on the fair market value of those interests at the time. A removal of our General Partner under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until we had met certain distribution and performance tests. Any conversion of our General Partner s interest or incentive distribution rights would be dilutive to existing unitholders. Furthermore, any cash payment in lieu of such conversion could be prohibitively expensive. Cause is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding our General Partner liable for actual fraud or willful or

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wanton misconduct. Cause does not include most cases of charges of poor business decisions, such as charges of poor management of our business by the directors appointed by our General Partner, so the removal of our General Partner because of the unitholders dissatisfaction with our General Partner s decisions in this regard would most likely result in the termination of the subordination period.

Common unitholders will be entitled to elect only three of the five members of our board of directors. Our General Partner in its sole discretion will appoint the remaining two directors.

Election of the three directors elected by unitholders is staggered, meaning that the members of only one of three classes of our elected directors will be selected each year. In addition, the directors appointed by our General Partner will serve for terms determined by our General Partner.

Our Partnership Agreement contains provisions limiting the ability of unitholders to call meetings of unitholders, to nominate directors and to acquire information about our operations as well as other provisions limiting the unitholders ability to influence the manner or direction of management.

Unitholders voting rights are further restricted by the Partnership Agreement provision providing that if any person or group owns beneficially more than 4.9% of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to our board), determining the presence of a quorum or for other similar purposes under our Partnership Agreement, unless required by law. The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed *pro rata* among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote. Our General Partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.

There are no restrictions in our Partnership Agreement on our ability to issue additional equity securities.

The effect of these provisions may be to diminish the price at which the common units will trade.

You may not have limited liability if a court finds that unitholder action constitutes control of our business.

As a limited partner in a partnership organized under the laws of the Marshall Islands, you could be held liable for our obligations to the same extent as a General Partner if you participate in the control of our business. Our General Partner generally has unlimited liability for the obligations of the partnership, such as its debts and environmental liabilities, except for those contractual obligations of the partnership that are expressly made without recourse to our General Partner. In addition, the limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some jurisdictions in which we do business. See The Partnership Agreement Limited Liability for a discussion of the implications of the limitations on liability of a unitholder.

We can borrow money to pay distributions, which would reduce the amount of credit available to operate our business.

Our Partnership Agreement allows us to make working capital borrowings to pay distributions. Accordingly, if we have available borrowing capacity, we can make distributions on all our units even though cash generated by our operations may not be sufficient to pay such distributions. Any working capital borrowings by us to make distributions will reduce the amount of working capital borrowings we can make for operating our business. For more information, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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We depend on our Manager to assist us in operating and expanding our business.

We subcontract the commercial and technical management of our fleet, including crewing, maintenance and repair, to our Manager; the loss of our Manager s services or its failure to perform its obligations to us could materially and adversely affect the results of our operations.

Our operational success and ability to execute our growth strategy will depend significantly upon the satisfactory performance of these services. Our business will be harmed if our service providers fail to perform these services satisfactorily, if they cancel their agreements with us or if they stop providing these services to us.

Our ability to enter into new charters and expand our customer relationships will depend largely on our ability to leverage our relationship with our Manager and its reputation and relationships in the shipping industry. If our Manager suffers material damage to its reputation or relationships, it may harm our ability to:

- renew existing charters upon their expiration;
- obtain new charters;
- successfully interact with shipyards;
- obtain financing on commercially acceptable terms;
- maintain access to capital under the Sponsor credit facility; or
- maintain satisfactory relationships with suppliers and other third parties.

Our current time charter contracts prevent us from changing our Manager, without the written consent of our charterers.

Our ability to change our Manager, with another affiliated or third-party Manager, is prohibited by provisions in our current time charter contracts with BG Group and Gazprom which prohibit us to change the vessel management company, without the written prior consent from BG Group and Gazprom. In addition, we are not in a position to guarantee you that future time charter contracts with our existing or new charterers will not contain similar provisions.

Since our Manager is a privately held company and there is little or no publicly available information about it, an investor could have little advance warning of potential financial and other problems that might affect our Manager that could have a material adverse effect on us.

The ability of our Manager to continue providing services for our benefit will depend in part on its own financial strength. Circumstances beyond our control could impair our Manager s financial strength, and because it is privately held, it is unlikely that information about its financial strength would become public unless our Manager began to default on its obligations. As a result, an investor in our common units might have little advance warning of problems affecting our Manager, even though these problems could have a material adverse effect on us.

We may be unable to attract and retain key management personnel in the LNG industry, which may negatively impact the effectiveness of our management and our results of operation.

Our success depends to a significant extent upon the abilities and the efforts of our senior executives. While we believe that we have an experienced management team, the loss or unavailability of one or more of our senior executives for any extended period of time could have an adverse effect on our business and results of operations.

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A shortage of qualified officers and crew could have an adverse effect on our business and financial condition.

LNG carriers require a technically skilled officer staff with specialized training. As the world LNG carrier fleet continues to grow, the demand for technically skilled officers and crew has been increasing, which has led to a shortfall of such personnel. Increases in our historical vessel operating expenses have been attributable primarily to the rising costs of recruiting and retaining officers for our fleet. If we or our third-party ship Managers are unable to employ technically skilled staff and crew, we will not be able to adequately staff our vessels. A material decrease in the supply of technically skilled officers or an inability of our Manager to attract and retain such qualified officers could impair our ability to operate, or increase the cost of crewing our vessels, which would materially adversely affect our business, financial condition and results of operations and significantly reduce our ability to pay minimum quarterly distributions to our unitholders.

The derivative contracts we may enter into, in the future, to hedge our exposure to fluctuations in interest rates could result in higher than market interest rates and charges against our income.

As of October 28, 2013 and December 31, 2012, we had total outstanding long-term debt of $346.1 million and $380.7 million, respectively, which in its entirety was exposed to a floating interest rate. In order to manage our current or future exposure to interest rate fluctuations, we may use interest rate swaps to effectively fix a part of our floating rate debt obligations. As of December 31, 2012, we have not entered into interest rate swap agreements to fix the interest rate on our floating rate bank debt. Any future hedging strategies, however, may not be effective and we may incur substantial losses if interest rates move materially differently from our expectations.

We are a holding company, and our ability to make cash distributions to our unitholders will be limited by the value of investments we currently hold and by the distribution of funds from our subsidiaries.

We are a holding company whose assets mainly comprise of equity interests in our subsidiaries and other quoted and non-quoted companies. As a result, our ability to make cash distributions to our unitholders will depend on the performance of our operating subsidiaries and other investments. If we are not able to receive sufficient funds from our subsidiaries and other investments, including from the sale of our investment interests, we will not be able to pay distributions unless we obtain funds from other sources. We may not be able to obtain the necessary funds from other sources on terms acceptable to us.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common units less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies as described under Summary Implications of Being an Emerging Growth Company. We have elected to take advantage of the reduced reporting obligations, including the extended transition period for complying with new or revised accounting standards under Section 102 of the JOBS Act, and as a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates. We cannot predict if investors will find our common units less attractive because we may rely on these exemptions. If some investors find our common units less attractive as a result, there may be a less active trading market for our common units and our share price may be more volatile.

The assumptions underlying our forecast of cash available for distribution are inherently uncertain and are subject to risks and uncertainties that could cause actual results to differ materially from those forecasted.

The forecast of cash available for distribution set forth in Our Cash Distribution Policy and Restrictions on Distributions includes our (i) forecasted results of operations for the twelve months ending December 31, 2014;

(ii) our estimated results of operations for the year ended December 31, 2013; (iii) our estimated results of operations for the six months ended December 31, 2013; and (iv) our historical results of operations for the six months ended June 30, 2013. Our estimated results of operations for the year ended December 31, 2013, which were calculated by combining actual results of operations for the six months ended June 30, 2013 (as included in the interim financial statements, which appear elsewhere in this prospectus) with estimated results of operations for the six months ended December 31, 2013. We are providing estimated results of operations for the year ended December 31, 2013 in order to provide a comparative period to our forecast for the year ended December 31, 2014. The financial forecast has been prepared by management and we have not received an opinion or report on it from our or any other independent auditor. The assumptions underlying the forecast are inherently uncertain and are subject to significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those forecasted. If we do not achieve the forecasted results, we may not be able to pay the full minimum quarterly distribution or any amount on our common units or subordinated units, in which event the market price of the common units may decline materially.

Our ability to grow and to meet our financial needs may be adversely affected by our cash distribution policy.

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

In determining the amount of cash available for distribution, our board of directors approves the amount of cash reserves to set aside, including reserves for future maintenance and replacement capital expenditures, working capital and other matters. We also rely upon external financing sources, including commercial borrowings, to fund our capital expenditures. Accordingly, to the extent we do not have sufficient cash reserves or are unable to obtain financing, our cash distribution policy may significantly impair our ability to meet our financial needs or to grow.

If capital expenditures are financed through cash from operations or by issuing debt or equity securities, our ability to make cash distributions may be diminished, our financial leverage could increase or our unitholders may be diluted.

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

Due to our lack of diversification, adverse developments in our LNG shipping business could reduce our ability to make distributions to our unitholders.

We rely exclusively on the cash flow generated from our LNG carriers. Due to our lack of diversification, an adverse development in the LNG shipping industry could have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets or lines of businesses.

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We may experience operational problems with vessels that reduce revenue and increase costs.

LNG carriers are complex and their operation technically challenging. Marine transportation operations are subject to mechanical risks and problems. Operational problems may lead to loss of revenue or higher than anticipated operating expenses or require additional capital expenditures. Any of these results could harm our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

Upon the expiration of the subordination period, the subordinated units will convert into common units and will then participate pro rata with other common units in distributions of available cash.

During the subordination period, which we define elsewhere in this prospectus, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $ per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units. The purpose of the subordinated units is to increase the likelihood that during the subordination period there will be available cash from operating surplus to be distributed on the common units. Upon the expiration of the subordination period, the subordinated units will convert into common units and will then participate pro rata with other common units in distributions of available cash. See How We Make Cash Distributions Subordination Period, Distributions of Available Cash From Operating Surplus During the Subordination Period and Distributions of Available Cash From Operating Surplus After the Subordination Period.

Risks Relating to Our Industry

Our future growth and performance depends on continued growth in LNG production and demand for LNG and LNG shipping.

A complete LNG project includes production, liquefaction, storage, regasification and distribution facilities, in addition to the marine transportation of LNG. Increased infrastructure investment has led to an expansion of LNG production capacity in recent years, but material delays in the construction of new liquefaction facilities could constrain the amount of LNG available for shipping, reducing ship utilization. While global LNG demand has continued to rise, it has risen at a slower pace than previously predicted and the rate of its growth has fluctuated due to several factors, including the global economic crisis and continued economic uncertainty, fluctuations in the price of natural gas and other sources of energy, the continued acceleration in natural gas production from unconventional sources in regions such as North America and the highly complex and capital intensive nature of new or expanded LNG projects, including liquefaction projects. Continued growth in LNG production and demand for LNG and LNG shipping could be negatively affected by a number of factors, including:

- increases in interest rates or other events that may affect the availability of sufficient financing for LNG projects on commercially reasonable terms;

- increases in the cost of natural gas derived from LNG relative to the cost of natural gas generally;

- increases in the production levels of low-cost natural gas in domestic natural gas consuming markets, which could further depress prices for natural gas in those markets and make LNG uneconomical;

- increases in the production of natural gas in areas linked by pipelines to consuming areas, the extension of existing, or the development of new pipeline systems in markets we may serve, or the conversion of existing non-natural gas pipelines to natural gas pipelines in those markets;

- decreases in the consumption of natural gas due to increases in its price, decreases in the price of alternative energy sources or other factors making consumption of natural gas less attractive;

any significant explosion, spill or other incident involving an LNG facility or carrier;

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infrastructure constraints such as delays in the construction of liquefaction facilities, the inability of project owners or operators to obtain governmental approvals to construct or operate LNG facilities, as well as community or political action group resistance to new LNG infrastructure due to concerns about the environment, safety and terrorism;

labor or political unrest or military conflicts affecting existing or proposed areas of LNG production or regasification;

decreases in the price of LNG, which might decrease the expected returns relating to investments in LNG projects;

new taxes or regulations affecting LNG production or liquefaction that make LNG production less attractive; or

negative global or regional economic or political conditions, particularly in LNG consuming regions, which could reduce energy consumption or its growth.

Reduced demand for LNG and LNG shipping or any reduction or limitation in LNG production capacity, could have a material adverse effect on our ability to secure future multi-year time charters upon expiration or early termination of our current charter arrangements, or for any new ships we acquire, which could harm our business, financial condition, results of operations and cash flows, including cash available for distribution to our unitholders.

Fluctuations in overall LNG demand growth could adversely affect our ability to secure future time charters.

Over the past three years, global LNG demand has continued to rise, but at a slower pace than previously predicted. Drewry estimates that LNG trade decreased by 1.2% in 2012 primarily due to lower production as a result of planned and unplanned outages at various liquefaction sites and the weakness in the world economy. Continued economic uncertainty and the continued acceleration of unconventional natural gas production could have an adverse effect on our ability to secure future term charters.

Demand for LNG shipping could be significantly affected by volatile natural gas prices and the overall demand for natural gas.

Gas prices are volatile and are affected by numerous factors beyond our control, including but not limited to the following:

worldwide demand for natural gas;

the cost of exploration, development, production, transportation and distribution of natural gas;

expectations regarding future energy prices for both natural gas and other sources of energy;

the level of worldwide LNG production and exports;

government laws and regulations, including but not limited to environmental protection laws and regulations;

local and international political, economic and weather conditions;

- political and military conflicts; and

- the availability and cost of alternative energy sources, including alternate sources of natural gas in gas importing and consuming countries.

Seasonality in demand, peak-load demand, and other short-term factors such as pipeline gas disruptions and maintenance schedules of utilities affect charters of less than two years and rates. In general, reduced demand for LNG, LNG carriers or LNG shipping would have a material adverse effect on our future growth and could harm our business, results of operations and financial condition.

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Our future growth depends on our ability to expand relationships with existing customers, establish relationships with new customers and obtain new time charter contracts, for which we will face substantial competition from established companies with significant resources and potential new entrants.

We will seek to enter into additional multi-year time charter contracts upon the expiration or early termination of our existing charter arrangements, and we may also seek to enter into additional multi-year time charter contracts in connection with an expansion of our fleet. The process of obtaining multi-year charters for LNG carriers is highly competitive and generally involves an intensive screening procedure and competitive bids, which often extends for several months. We believe LNG carrier time charters are awarded based upon a variety of factors relating to the ship and the ship operator, including:

- size, age, technical specifications and condition of the ship;
- efficiency of ship operation;
- LNG shipping experience and quality of ship operations;
- shipping industry relationships and reputation for customer service;
- technical ability and reputation for operation of highly specialized ships;
- quality and experience of officers and crew;
- safety record;
- the ability to finance ships at competitive rates and financial stability generally;
- relationships with shipyards and the ability to get suitable berths;
- construction management experience, including the ability to obtain on-time delivery of new ships according to customer specifications; and
- competitiveness of the bid in terms of overall price.

We expect substantial competition for providing marine transportation services for potential LNG projects from a number of experienced companies, including other independent ship owners as well as state-sponsored entities and major energy companies that own and operate LNG carriers and may compete with independent owners by using their fleets to carry LNG for third parties. Some of these competitors have significantly greater financial resources and larger fleets than we have. A number of marine transportation companies including companies with strong reputations and extensive resources and experience have entered the LNG transportation market in recent years, and there are other ship owners and managers who may also attempt to participate in the LNG market in the future. This increased competition may cause greater price competition for time charters. As a result of these factors, we may be unable to expand our relationships with existing customers or to obtain new customers on a profitable basis, if at all, which could have a material adverse effect on our business, financial condition, results of operations and cash flows, including cash available for distributions to you.

Hire rates for LNG carriers are not generally publicly available and may fluctuate substantially. If rates are lower when we are seeking a new charter, our revenues and cash flows may decline.

Our ability from time to time to charter or re-charter any ship at attractive rates will depend on, among other things, the prevailing economic conditions in the LNG industry. Hire rates for LNG carriers are not generally publicly available and may fluctuate over time as a result of changes in the supply-demand balance relating to current and future ship capacity. This supply-demand relationship largely depends on a number of factors outside our control. The LNG charter market is connected to world natural gas prices and energy markets, which we cannot predict. A substantial or extended decline in demand for natural gas or LNG could adversely affect our ability to re-charter our vessels at acceptable rates or to acquire and profitably operate new ships. Hire rates for newbuildings are correlated with the price of newbuildings. Hire rates at a time when we may be seeking new charters may be lower than the hire rates at which our vessels are currently chartered. If hire rates are lower when we are seeking a new charter, our revenues and cash flows, including cash available for distributions to our unitholders, may decline, as we may only be able to enter into new charters at reduced or unprofitable rates or we may have to secure a charter in the spot market, where hire rates are more volatile. Prolonged periods of low charter hire rates or low ship utilization could also have a material adverse effect on the value of our assets.

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

Factors that influence vessel values include:

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

As our vessels age, the expenses associated with maintaining and operating them are expected to increase, which could have an adverse effect on our business and operations if we do not maintain sufficient cash reserves for maintenance and replacement capital expenditures. Moreover, the cost of a replacement vessel would be significant. If a charter terminates, we may be unable to re-deploy the affected vessels at attractive rates and, rather than continue to incur costs to maintain and finance them, we may seek to dispose of them. Our inability to dispose of vessels at a reasonable value could result in a loss on their sale and adversely affect our ability to purchase a replacement vessel, results of operations and financial condition and ability to pay minimum quarterly distributions to our unitholders.

An oversupply of ships or delays or abandonment of planned projects may lead to a reduction in the charter hire rates we are able to obtain when seeking charters in the future.

Due to an increase in LNG production capacity, the market supply of LNG carriers has been increasing as a result of the construction of new ships. According to Drewry, during the period from 2007 to 2012, the global fleet of LNG carriers grew from 250 vessels to 359 vessels due to the construction and delivery of new LNG carriers and low levels of vessel demolition. Although the global newbuilding orderbook dropped steeply in 2009 and 2010, according to Drewry, orders for 88 newbuilding LNG carriers were placed during 2011 and 2012. According to Drewry, as of August 31, 2013, the newbuilding orderbook consisted of 113 ships, or 33.9% of the current global LNG carrier fleet capacity, with the majority of the newbuildings scheduled for delivery in 2013, 2014 and 2015.

If charter hire rates are lower when we are seeking new time charters upon expiration or early termination of our current charter arrangements, or for any new vessels we acquire beyond our contracted newbuildings, our revenues and cash flows, including cash available for distributions to our unitholders, may decline.

We may have more difficulty entering into multi-year time charters in the future if an active spot LNG shipping market continues to develop.

One of our principal strategies is to enter into additional LNG carrier time charters of four years or more. Most shipping requirements for new LNG projects continue to be provided on a multi-year basis, though the level of spot voyages and time charters of less than 24 months in duration has grown in the past few years. If an active spot market continues to develop, we may have increased difficulty entering into multi-year time charters

upon expiration or early termination of our current charters or for any vessels that we acquire in the future, and, as a result, our cash flow may be less stable. In addition, an active spot LNG market may require us to enter into charters based on changing market prices, as opposed to contracts based on a fixed rate, which could result in a decrease in our cash flow in periods when the market price for shipping LNG is depressed or insufficient funds are available to cover our financing costs for related vessels.

Further technological advancements and other innovations affecting LNG carriers could reduce the charter hire rates we are able to obtain when seeking new employment and this could adversely impact the value of our assets.

The charter rates, asset value and operational life of an LNG carrier are determined by a number of factors, including the ship s efficiency, operational flexibility and physical life. Efficiency includes speed and fuel economy. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. Physical life is related to the original design and construction, the ongoing maintenance and the impact of operational stresses on the asset. If more advanced ship designs are developed in the future and new ships are built that are more efficient or more flexible or have longer physical lives than ours, competition from these more technologically advanced LNG carriers could adversely affect the charter hire rates we will be able to secure when we seek to re-charter our vessels upon expiration or early termination of our current charter arrangements and could also reduce the resale value of our vessels. This could adversely affect our revenues and cash flows, including cash available for distributions to you.

Operating costs and capital expenses will increase as our vessels age.

In general, capital expenditures and other costs necessary for maintaining a ship in good operating condition increase as the age of the ship increases. Accordingly, it is likely that the operating costs of our vessels will increase in the future.

Reliability of suppliers may limit our ability to obtain supplies and services when needed.

We rely, and will in the future rely, on a significant supply of consumables, spare parts and equipment to operate, maintain, repair and upgrade our fleet of ships. Delays in delivery or unavailability of supplies could result in off-hire days due to consequent delays in the repair and maintenance of our fleet. This would negatively impact our revenues and cash flows. Cost increases could also negatively impact our future operations.

Exposure to currency exchange rate fluctuations will result in fluctuations in our cash flows and operating results.

Historically our revenue has been generated in U.S. Dollars, but we incur capital, operating and administrative expenses in multiple currencies, including, among others, the Euro. If the U.S. Dollar weakens significantly, we would be required to convert more U.S. Dollars to other currencies to satisfy our obligations, which would cause us to have less cash available for distribution. Because we report our operating results in U.S. Dollars, changes in the value of the U.S. Dollar also result in fluctuations in our reported revenues and earnings. In addition, under U.S. GAAP, all foreign currency-denominated monetary assets and liabilities such as cash and cash equivalents, accounts receivable, restricted cash and accounts payable are revalued and reported based on the prevailing exchange rate at the end of the reporting period. This revaluation may cause us to report significant non-monetary foreign currency exchange gains and losses in certain periods.

An increase in operating expenses or dry-docking costs could materially and adversely affect our financial performance.

Our operating expenses and dry-dock capital expenditures depend on a variety of factors including crew costs, provisions, deck and engine stores and spares, lubricating oil, insurance, maintenance and repairs and

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shipyard costs, many of which are beyond our control and affect the entire shipping industry. Also, while we do not bear the cost of fuel (bunkers) under our time charters, fuel is a significant expense in our operations when our vessels are, for example, moving to or from dry-dock or when off-hire. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil-producing countries and regions, regional production patterns and environmental concerns. These may increase vessel operating and dry-docking costs further. If costs continue to rise, they could materially and adversely affect our results of operations.

The operation of LNG carriers is inherently risky, and an incident involving significant loss of or environmental consequences involving any of our vessels could harm our reputation and business.

Our vessels and their cargoes are at risk of being damaged or lost because of events such as:

- marine disasters;
- piracy;
- environmental accidents
- bad weather;
- mechanical failures;
- grounding, fire, explosions and collisions;
- human error; and
- war and terrorism.

An accident involving any of our vessels could result in any of the following:

- death or injury to persons, loss of property or environmental damage;
- delays or failure in the delivery of cargo;
- loss of revenues from or termination of charter contracts;
- governmental fines, penalties or restrictions on conducting business;

- spills, pollution and the liability associated with the same;

- higher insurance rates; and

- damage to our reputation and customer relationships generally.

Any of these events could result in a material adverse effect on our business, financial condition and operating results. If our vessels suffer damage, they may need to be repaired. The costs of vessel repairs are unpredictable and can be substantial. We may have to pay repair costs that our insurance policies do not cover. The loss of earnings while these vessels are being repaired, as well as the actual cost of these repairs, would decrease our results of operations. If any of our vessels is involved in an accident with the potential risk of environmental consequences, the resulting media coverage could have a material adverse effect on our business, our results of operations and cash flows weaken our financial condition and negatively affect our ability to pay minimum quarterly distributions to our unitholders.

Our insurance may be insufficient to cover losses that may occur to our property or result from our operations.

The operation of LNG carriers is inherently risky. Although we carry protection and indemnity insurance consistent with industry standards, all risks may not be adequately insured against, and any particular claim may

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not be paid. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. Certain of our insurance coverage is maintained through mutual protection and indemnity associations, and as a member of such associations we may be required to make additional payments over and above budgeted premiums if member claims exceed association reserves. We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A marine disaster could exceed our insurance coverage, which could harm our business, financial condition and operating results. Any uninsured or underinsured loss could harm our business and financial condition. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our vessels failing to maintain certification with applicable maritime self-regulatory organizations.

Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain. In addition, upon renewal or expiration of our current policies, the insurance that may be available to us may be significantly more expensive than our existing coverage.

Our vessels may suffer damage and we may face unexpected costs and off-hire days.

In the event of damage to our owned vessels, the damaged ship would be off-hire while it is being repaired, which would decrease our revenues and cash flows, including cash available for distributions to our unitholders. In addition, the costs of ship repairs are unpredictable and can be substantial. In the event of repair costs that are not covered by our insurance policies, we may have to pay such repair costs, which would decrease our earnings and cash flows.

The current state of global financial markets and current economic conditions may adversely impact our ability to obtain financing or refinance our future credit facilities on acceptable terms, which may hinder or prevent us from operating or expanding our business.

Global financial markets and economic conditions have been, and continue to be, volatile. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing. The current state of global financial markets and current economic conditions might adversely impact our ability to issue additional equity at prices which will not be dilutive to our existing unitholders or preclude us from issuing equity at all.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, we cannot be certain that financing will be available to the extent required, or that we will be able to refinance our future credit facilities, on acceptable terms or at all. If financing or refinancing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete the acquisition of our newbuildings and additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

As of the date of this prospectus, we have not secured any financing in connection with the potential acquisition of the Optional Vessels, other than amounts that may be available under our New Senior Secured Revolving Credit Facility following the application of the proceeds from such facility as described in Use of Proceeds, since it is uncertain if and when such purchase options will be exercised. Our Sponsor has entered into loan agreements in connection with the seven Optional Vessels. In the event we acquire the Optional Vessels in the future, we may enter into agreements with our Sponsor to novate these loan agreements to us. Any such novation would be subject to each respective lender s consent.

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In addition, volatility and uncertainty concerning current global economic conditions may cause our customers to defer projects in response to tighter credit, decreased capital availability and declining customer confidence, which may negatively impact the demand for our vessels and services and could also result in defaults under our current charters. A tightening of the credit markets may further negatively impact our operations by affecting the solvency of our suppliers or customers which could lead to disruptions in delivery of supplies such as equipment for conversions, cost increases for supplies, accelerated payments to suppliers, customer bad debts or reduced revenues.

Compliance with safety and other requirements imposed by classification societies may be very costly and may adversely affect our business.

The hull and machinery of every commercial LNG carrier must be classed by a classification society. The classification society certifies that the ship has been built and maintained in accordance with the applicable rules and regulations of that classification society. Moreover, every ship must comply with all applicable international conventions and the regulations of the ship s flag state as verified by a classification society. Finally, each ship must successfully undergo periodic surveys, including annual, intermediate and special surveys performed under the classification society s rules.

If any ship does not maintain its class, it will lose its insurance coverage and be unable to trade, and the ship s owner will be in breach of relevant covenants under its financing arrangements. Failure to maintain the class of one or more of our vessels could have a material adverse effect on our business, financial condition, results of operations and cash flows, including cash available for distributions to our unitholders.

The LNG shipping industry is subject to substantial environmental and other regulations, which may significantly limit our operations or increase our expenses.

Our operations are materially affected by extensive and changing international, national, state and local environmental laws, regulations, treaties, conventions and standards which are in force in international waters, or in the jurisdictional waters of the countries in which our vessels operate and in the countries in which our vessels are registered. These requirements include those relating to equipping and operating ships, providing security and to minimizing or addressing impacts on the environment from ship operations. We have incurred, and expect to continue to incur, substantial expenses in complying with these requirements, including expenses for ship modifications and changes in operating procedures. We also could incur substantial costs, including cleanup costs, civil and criminal penalties and sanctions, the suspension or termination of operations and third-party claims as a result of violations of, or liabilities under, such laws and regulations.

In addition, these requirements can affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, necessitate ship modifications or operational changes or restrictions or lead to decreased availability of insurance coverage for environmental matters. They could further result in the denial of access to certain jurisdictional waters or ports or detention in certain ports. We are required to obtain governmental approvals and permits to operate our vessels. Delays in obtaining such governmental approvals may increase our expenses, and the terms and conditions of such approvals could materially and adversely affect our operations.

Additional laws and regulations may be adopted that could limit our ability to do business or increase our operating costs, which could materially and adversely affect our business. For example, new or amended legislation relating to ship recycling, sewage systems, emission control (including emissions of greenhouse gases) as well as ballast water treatment and ballast water handling may be adopted. The United States has enacted legislation and regulations that require more stringent controls of air and water emissions from ocean-going ships. Such legislation or regulations may require additional capital expenditures or operating expenses (such as increased costs for low-sulfur fuel) in order for us to maintain our vessels compliance with international and/or national regulations. We also may become subject to additional laws and regulations if we enter new markets or trades.

We also believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will generally lead to additional regulatory requirements, including enhanced risk assessment and security requirements as well as greater inspection and safety requirements on all LNG carriers in the marine transportation market. These requirements are likely to add incremental costs to our operations, and the failure to comply with these requirements may affect the ability of our vessels to obtain and, possibly, collect on, insurance or to obtain the required certificates for entry into the different ports where we operate.

Some environmental laws and regulations, such as the U.S. Oil Pollution Act of 1990, or OPA , provide for potentially unlimited joint, several, and/or strict liability for owners, operators and demise or bareboat charterers for oil pollution and related damages. OPA applies to discharges of any oil from a ship in U.S. waters, including discharges of fuel and lubricants from an LNG carrier, even if the ships do not carry oil as cargo. In addition, many states in the United States bordering on a navigable waterway have enacted legislation providing for potentially unlimited strict liability without regard to fault for the discharge of pollutants within their waters. We also are subject to other laws and conventions outside the United States that provide for an owner or operator of LNG carriers to bear strict liability for pollution, such as the Convention on Limitation of Liability for Maritime Claims of 1976, or the London Convention.

Some of these laws and conventions, including OPA and the London Convention, may include limitations on liability. However, the limitations may not be applicable in certain circumstances, such as where a spill is caused by a ship owner s or operators intentional or reckless conduct. In addition, in response to the Deepwater Horizon oil spill, the U.S. Congress is currently considering a number of bills that could potentially modify or eliminate the limits of liability under OPA.

Compliance with OPA and other environmental laws and regulations also may result in ship owners and operators incurring increased costs for additional maintenance and inspection requirements, the development of contingency arrangements for potential spills, obtaining mandated insurance coverage and meeting financial responsibility requirements.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

Due to concern over the risks of climate change, a number of countries and the International Maritime Organization, or IMO , have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emission from ships. These regulatory measures may include adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. Although emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or the Kyoto Protocol , a new treaty may be adopted in the future that includes additional restrictions on shipping emissions to those already adopted under the International Convention for the Prevention of Marine Pollution from Ships (MARPOL), and some countries have made voluntary pledges to control the emissions of greenhouse gasses. The IMO has approved two new sets of mandatory requirements to address greenhouse gases from ships: the Energy Efficiency Design Index and the Ship Energy Efficiency Management plan, discussed in detail in Business Regulation of Greenhouse Gases. Compliance with future changes in laws and regulations relating to climate change could increase the costs of operating and maintaining our vessels and could require us to install new emission controls, as well as acquire allowances, pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

Adverse effects upon the oil and gas production industry relating to climate change, including growing public concern about the environmental impact of climate change, may also have an effect on demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil and gas production industry could have significant financial and operational adverse impacts on our business that we cannot predict with certainty at this time.

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We operate our vessels worldwide, which could expose us to political, governmental and economic instability that could harm our business.

Because we operate our vessels worldwide in the geographic areas where our customers do business, our operations may be affected by economic, political and governmental conditions in the countries where our vessels operate or where they are registered. Any disruption caused by these factors could harm our business, financial condition, results of operations and cash flows. In particular, our vessels frequent LNG terminals in countries including Egypt, Equatorial Guinea and Trinidad as well as transit through the Gulf of Aden and the Strait of Malacca. Economic, political and governmental conditions in these and other regions have from time to time resulted in military conflicts, terrorism, attacks on ships, mining of waterways, piracy and other efforts to disrupt shipping. Future hostilities or other political instability in the geographic regions where we operate or may operate could have a material adverse effect on our business, financial condition, results of operations and cash flows, including cash available for distributions to our unitholders. In addition, our business could also be harmed by tariffs, trade embargoes and other economic sanctions by the United States or other countries against countries in the Middle East, Southeast Asia or elsewhere as a result of terrorist attacks, hostilities or diplomatic or political pressures that limit trading activities with those countries.

Failure to comply with the U.S. Foreign Corrupt Practices Act and other anti-bribery legislation in other jurisdictions could result in fines, criminal penalties, contract terminations and an adverse effect on our business.

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the U.S. Foreign Corrupt Practices Act. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

Terrorist attacks, international hostilities and piracy could adversely affect our business, financial condition, results of operations and cash flows.

Terrorist attacks such as the attacks on the United States on September 11, 2001 and more recent attacks in other parts of the world, as well as the continuing response of the United States and other countries to these attacks and the threat of future terrorist attacks, continue to cause uncertainty in the world financial markets and may affect our business, financial condition, results of operations and cash flows, including cash available for distributions to our unitholders. The current turmoil in Iran and the uncertainty surrounding the Strait of Hormuz case, as well as tension in Afghanistan and North Korea, and the continuing hostilities in the Middle East, may lead to additional acts of terrorism, further regional conflicts and other armed actions around the world, which may contribute to further instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us, or at all or impact the shipyards constructing our Sponsor s seven LNG carrier newbuildings.

In the past, political conflicts have also resulted in attacks on ships, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected ships trading in regions such as the South China Sea and the Gulf of Aden. Since 2008, the frequency of piracy incidents against commercial shipping vessels has increased significantly, particularly in the Gulf of Aden and off the coast of Somalia. In 2012 M/T Smyrni , a vessel managed by an affiliated company, was hijacked by pirates and was released after almost one year in captivity. Any terrorist attacks targeted at our ships may in the future negatively materially affect our business, financial condition, results of operations and cash flows and could directly impact our vessels or our customers. We may not be adequately insured to cover losses from these incidents. In addition, crew costs, including those due to employing onboard security guards, could increase in such circumstances.

In addition, LNG facilities, shipyards, ships, pipelines and gas fields could be targets of future terrorist attacks or piracy. Any such attacks could lead to, among other things, bodily injury or loss of life, as well as damage to the ships or other property, increased ship operating costs, including insurance costs, reductions in the supply of LNG and the inability to transport LNG to or from certain locations. Terrorist attacks, war or other events beyond our control that adversely affect the production, storage or transportation of LNG to be shipped by us could entitle our customers to terminate our charter contracts in certain circumstances, which would harm our cash flows and our business.

Terrorist attacks, or the perception that LNG facilities and LNG carriers are potential terrorist targets, could materially and adversely affect expansion of LNG infrastructure and the continued supply of LNG. Concern that LNG facilities may be targeted for attack by terrorists has contributed significantly to local community and environmental group resistance to the construction of a number of LNG facilities, primarily in North America. If a terrorist incident involving an LNG facility or LNG carrier did occur, in addition to the possible effects identified in the previous paragraph, the incident may adversely affect the construction of additional LNG facilities and could lead to the temporary or permanent closing of various LNG facilities currently in operation.

The vessels we own or manage could be required by our charterers instructions to call on ports located in countries that are subject to restrictions imposed by the United States and other governments.

Although no vessels operated by us have called on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and countries identified by the U.S. government as state sponsors of terrorism, including Cuba, Iran, Sudan and Syria, in the future our vessels may call on ports in these countries from time to time on our charterers instructions. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to companies such as ours and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In addition, in 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran s petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person s vessels from U.S. ports for up to two years.

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Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our common units may adversely affect the price at which our common units trade. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of our common units may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings.

The government of a jurisdiction where one or more of our vessels are registered could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a ship and becomes its owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a ship and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency, although governments may elect to requisition ships in other circumstances. Although we would expect to be entitled to government compensation in the event of a requisition of one or more of our vessels, the amount and timing of payments, if any, would be uncertain. A government requisition of one or more of our vessels would result in off-hire days under our time charters and may cause us to breach covenants in certain of our credit facilities, and could have a material adverse effect on our business, financial condition, results of operations and cash flows, including cash available for distribution to our unitholders.

Maritime claimants could arrest our vessels, which could interrupt our cash flows.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a claimant may seek to obtain security for its claim by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of money to have the arrest or attachment lifted. In addition, in some jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest both the vessel which is subject to the claimant s maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. Claimants could attempt to assert sister ship liability against a vessel in our fleet for claims relating to another of our vessels.

We may be subject to litigation that could have an adverse effect on us.

We may in the future be involved from time to time in litigation matters. These matters may include, among other things, contract disputes, personal injury claims, environmental claims or proceedings, toxic tort claims, employment matters and governmental claims for taxes or duties as well as other litigation that arises in the ordinary course of our business. We cannot predict with certainty the outcome of any claim or other litigation matter. The ultimate outcome of any litigation matter and the potential costs associated with prosecuting or defending such lawsuits, including the diversion of management s attention to these matters, could have an adverse effect on us and, in the event of litigation that could reasonably be expected to have a material adverse effect on us, could lead to an event of default under certain of our credit facilities.

Risks Relating to the Offering

There is no existing market for our common units, and a trading market that will provide you with adequate liquidity may not develop. The price of our common units may fluctuate significantly, and you could lose all or part of your investment.

Prior to this offering, there has been no public market for the common units. After this offering, there will be only publicly traded common units, assuming no exercise of the underwriters over-allotment option. We do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be. You may not be able to resell your common units at or above the initial public offering price. Additionally, the lack of liquidity may result in wide bid-ask spreads, contribute to significant fluctuations in the market price of the common units and limit the number of investors who are able to buy the common units.

The price of our common units after this offering may be volatile.

The price of our common units after this offering may be volatile and may fluctuate due to factors including:

- our payment of cash distributions to our unitholders;
- actual or anticipated fluctuations in quarterly and annual results;
- fluctuations in the seaborne transportation industry, including fluctuations in the LNG carrier market;
- mergers and strategic alliances in the shipping industry;
- changes in governmental regulations or maritime self-regulatory organization standards;
- shortfalls in our operating results from levels forecasted by securities analysts; announcements concerning us or our competitors;
- the failure of securities analysts to publish research about us after this offering, or analysts making changes in their financial estimates;
- general economic conditions;
- terrorist acts;
- future sales of our units or other securities;
- investors perception of us and the LNG shipping industry;

- the general state of the securities market; and

- other developments affecting us, our industry or our competitors.

Securities markets worldwide are experiencing significant price and volume fluctuations. The market price for our common units may also be volatile. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our common units in spite of our operating performance. Consequently, you may not be able to sell our common units at prices equal to or greater than those that you pay in this offering.

Increases in interest rates may cause the market price of our common units to decline.

An increase in interest rates may cause a corresponding decline in demand for equity investments in general. Any such increase in interest rates or reduction in demand for our common units resulting from other relatively more attractive investment opportunities may cause the trading price of our common units to decline.

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Our costs will increase as a result of operating as a public company, and our management will be required to devote substantial time to complying with public company regulations.

We have never operated as a public company. As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley , as well as rules subsequently adopted by the U.S. Securities and Exchange Commission, or SEC , and Nasdaq Global Select Market, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or Dodd-Frank , have imposed various requirements on public companies, including changes in corporate governance practices. Our directors, management and other personnel will need to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations relating to public companies will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Sarbanes-Oxley requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting as well as disclosure controls and procedures. In particular, we will have to perform systems and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of Sarbanes-Oxley. Compliance with Section 404 will require substantial accounting expense and significant management efforts, and we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to satisfy ongoing compliance requirements. We may have significant difficulties in making such hires given the shortage of available experienced personnel.

Unitholders may have liability to repay distributions.

Under some circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under the Marshall Islands Limited Partnership Act, or the Marshall Islands Act, we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets. Marshall Islands law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Marshall Islands law will be liable to the limited partnership for the distribution amount. Assignees who become substituted limited partners are liable for the obligations of the assignor to make contributions to the partnership that are known to the assignee at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement. Liabilities to partners on account of their partnership interest and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

We have been organized as a limited partnership under the laws of the Marshall Islands, which does not have a well-developed body of partnership law.

We are organized in the Republic of the Marshall Islands, which does not have a well-developed body of case law or bankruptcy law and, as a result, unitholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States. Our partnership affairs are governed by our partnership agreement and by the Marshall Islands Act. The provisions of the Marshall Islands Act resemble the limited partnership laws of a number of states in the United States, most notably Delaware. The Marshall Islands Act also provides that it is to be applied and construed to make it uniform with the Delaware Revised Uniform Partnership Act and, so long as it does not conflict with the Marshall Islands Act or decisions of the Marshall Islands courts, interpreted according to the non-statutory law (or case law) of the State of Delaware. There have been, however, few, if any, court cases in the Marshall Islands interpreting the Marshall Islands Act, in contrast to Delaware, which has a fairly well-developed body of case law interpreting its limited partnership statute. Accordingly, we cannot predict whether Marshall Islands courts would reach the same conclusions as the courts in Delaware. For example, the rights of our unitholders and the fiduciary responsibilities of our General Partner under Marshall Islands law are not as clearly established as under judicial precedent in existence in Delaware. As a result, unitholders may have more difficulty in protecting their interests in the face of actions by our General Partner and its officers and directors than would unitholders of a similarly organized limited partnership in the United States. Further, the Republic of the Marshall Islands does not have a well-developed body of bankruptcy law. As such, in the case of a bankruptcy of our Company, there may be a delay of bankruptcy proceedings and the ability of unitholders and creditors to receive recovery after a bankruptcy proceeding. Please see Service of Process and Enforceability of Civil Liabilities.

If we do not implement all required accounting practices and policies, we may be unable to provide the required financial information in a timely and reliable manner.

Prior to this offering, as a privately held company, we did not adopt the financial reporting practices and policies required of a publicly traded company. Implementation of these practices and policies could disrupt our business, distract our management and employees and increase our costs. If we fail to develop and maintain effective controls and procedures, we may be unable to provide the financial information that a publicly traded company is required to provide in a timely and reliable fashion. Any such delays or deficiencies could limit our ability to obtain financing, either in the public capital markets or from private sources, and could thereby impede our ability to implement our growth strategies. In addition, any such delays or deficiencies could result in failure to meet the requirements for continued listing of our common units on Nasdaq Global Select Market, which would adversely affect the liquidity of our common units.

Under Section 404 of Sarbanes-Oxley, we will be required to include in each of our future annual reports on Form 20-F a report containing our management s assessment of the effectiveness of our internal control over financial reporting, and after the end of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company, our independent auditors will be required to provide a related attestation containing its assessment of the effectiveness of our internal control over financial reporting. After the completion of this offering, we will undertake a comprehensive effort in preparation for compliance with Section 404. This effort will include the documentation, testing and review of our internal controls under the direction of our management. We cannot be certain at this time that all our controls will be considered effective. As such, our internal control over financial reporting may not satisfy the regulatory requirements when they become applicable to us.

We will be a foreign private issuer and a controlled company under Nasdaq Global Select Market rules, and as such we are entitled to exemption from certain corporate governance standards of the Nasdaq Global Select Market applicable to domestic companies, and you may not have the same protections afforded to shareholders of companies that are subject to all of Nasdaq Global Select Market corporate governance requirements.

After the consummation of this offering, we will be a foreign private issuer under the securities laws of the United States and the rules of Nasdaq Global Select Market. Under the securities laws of the United States, foreign private issuers are subject to different disclosure requirements than U.S. domiciled registrants, as well as different financial reporting requirements. Under Nasdaq Global Select Market rules, a foreign private issuer is subject to less stringent corporate governance requirements. Subject to certain exceptions, the rules of Nasdaq Global Select Market permit a foreign private issuer to follow its home country practice in lieu of the listing requirements of Nasdaq Global Select Market. In addition, after the consummation of this offering, our current unitholders will continue to control a majority of our issued and outstanding common units. As a result, we will be a controlled company within the meaning of Nasdaq Global Select Market corporate governance standards. Under Nasdaq Global Select Market rules, a company of which more than 50% of the voting power is held by an individual, a group or another company is a controlled company and may elect not to comply with certain NASDAQ corporate governance requirements, including (i) the requirement that a majority of the board of directors consist of independent directors, (ii) the requirement that the nominating/corporate governance committee be composed entirely of independent directors and have a written charter addressing the committee s purpose and responsibilities, (iii) the requirement that the compensation committee be composed entirely of independent directors and have a written charter addressing the committee s purpose and responsibilities and (iv) the requirement of an annual performance evaluation of the nominating/corporate governance and compensation committees.

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A majority of our directors will qualify as independent under the independence requirement of Nasdaq Listing Rule 5605(C)(2)(A)(ii). However, we cannot assure you that we will continue to maintain an independent board in the future. In addition, we may have one or more non-independent directors serving as committee members on our compensation committee and our corporate governance and nominating committee. As a result, non-independent directors may among other things, participate in fixing the compensation of our management, making share and option awards and resolving governance issues regarding our Company.

Accordingly, in the future you may not have the same protections afforded to shareholders of companies that are subject to all of Nasdaq Global Select Market corporate governance requirements.

For a description of our expected corporate governance practices, please see Management Corporate Governance Practices.

Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

We are organized under the laws of the Marshall Islands, and substantially all of our assets are located outside of the United States. In addition, our directors and officers generally are or will be non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against our assets or the assets of our directors or officers. For more information regarding the relevant laws of the Marshall Islands, see Service of Process and Enforcement of Civil Liabilities.

Our Partnership Agreement designates the Court of Chancery of the State of Delaware as the sole and exclusive forum, unless otherwise provided for by Marshall Islands law, for certain litigation that may be initiated by our unitholders, which could limit our unitholders ability to obtain a favorable judicial forum for disputes with the Company.

Our Partnership Agreement provides that, unless otherwise provided for by Marshall Islands law, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any claims that:

- arise out of or relate in any way to the Partnership Agreement (including any claims, suits or actions to interpret, apply or enforce the provisions of the Partnership Agreement or the duties, obligations or liabilities among limited partners or of limited partners to us, or the rights or powers of, or restrictions on, the limited partners or us);
- are brought in a derivative manner on our behalf;
- assert a claim of breach of a fiduciary duty owed by any director, officer or other employee of us or our General Partner, or owed by our General Partner, to us or the limited partners;
- assert a claim arising pursuant to any provision of the Partnership Act; or
- assert a claim governed by the internal affairs doctrine

regardless of whether such claims, suits, actions or proceedings sound in contract, tort, fraud or otherwise, are based on common law, statutory, equitable, legal or other grounds, or are derivative or direct claims. Any person or entity purchasing or otherwise acquiring any interest in our common units shall be deemed to have notice of and to have consented to the provisions described above. This forum selection provision may limit our unitholders ability to obtain a judicial forum that they find favorable for disputes with us or our directors, officers or other employees or unitholders.

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You will incur immediate and substantial dilution.

We expect the initial public offering price per units of our common units to be substantially higher than the pro forma net tangible book value per unit of our issued and outstanding common units. As a result, you would incur immediate and substantial dilution of $ per unit, representing the difference between the assumed initial public offering price of $ per unit and our pro forma net tangible book value per unit on December 31, 2012. In addition, purchasers of our common units in this offering will have contributed approximately % of the aggregate price paid by all purchasers of our common units, but will own only approximately % of the units outstanding after this offering and the concurrent private placement. Please refer to the Dilution section of this prospectus.

Substantial future sales of our common units could cause the market price of our common units to decline.

Sales of a substantial number of our common units in the public market following this offering, or the perception that these sales could occur, may depress the market price for our common units. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

Although we do not currently have any plans to sell additional common units, subject to the rules of Nasdaq Global Select Market, in the future we may issue additional common units, without unitholder approval, in a number of circumstances. The issuance by us of additional common units or other equity securities would have the following effects:

- our existing unitholders proportionate ownership interest in us will decrease;
- the dividend amount payable per unit on our common units may be lower;
- the relative voting strength of each previously outstanding common share may be diminished; and
- the market price of our common units may decline.

Our unitholders also may elect to sell large numbers of common units held by them from time to time. The number of our common units available for sale in the public market will be limited by restrictions applicable under securities laws and under agreements that we and our executive officers, directors and existing unitholders have entered into with the underwriters of this offering. Subject to certain exceptions, the agreements entered into with the underwriters of this offering generally restrict us and our executive officers, directors and existing unitholders from directly or indirectly offering, selling, pledging, hedging or otherwise disposing of our equity securities, including common units that will be issued and outstanding.

Provisions in our organizational documents may have anti-takeover effects.

Our Partnership Agreement contains provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors. These provisions require approval of our board of directors and prior consent of our General Partner. Please see The Partnership Agreement Merger, Sale, Conversion or Other Disposition of Assets.

These provisions could also make it difficult for our unitholders to replace or remove our current board of directors or could have the effect of discouraging, delaying or preventing an offer by a third party to acquire us, even if the third party s offer may be considered beneficial by many unitholders. As a result, unitholders may be limited in their ability to obtain a premium for their common units.

Tax Risks

In addition to the following risk factors, you should read Material United States. Federal Income Tax Considerations and Non-United States Tax Considerations for a more complete discussion of the material Marshall Islands and United States federal income tax consequences of owning and disposing of our common units.

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We will be subject to taxes, which will reduce our cash available for distribution to you.

We and our subsidiaries may be subject to tax in the jurisdictions in which we are organized or operate, reducing the amount of cash available for distribution. In computing our tax obligation in these jurisdictions, we are required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which we have not received rulings from the governing authorities. We cannot assure you that upon review of these positions the applicable authorities will agree with our positions. A successful challenge by a tax authority could result in additional tax imposed on us or our subsidiaries, further reducing the cash available for distribution. In addition, changes in our operations or ownership could result in additional tax being imposed on us or our subsidiaries in jurisdictions in which operations are conducted. Please see Material United States Federal Income Tax Considerations United States Federal Income Taxation of Our Company.

We may have to pay tax on United States-source income, which would reduce our earnings and cash flow.

Under the Code, the United States source gross transportation income of a ship-owning or chartering corporation, such as ourselves, generally is subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under a tax treaty or Section 883 of the Code and the Treasury Regulations promulgated thereunder. U.S. source gross transportation income consists of 50% of the gross shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States.

Based on advice we received from Seward & Kissel LLP, our United States counsel, we expect to qualify for this statutory tax exemption after this offering, and we intend to take this position for United States federal income tax purposes if we do so qualify. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to the 4% United States federal income tax described above. For example, if our holders of 5% or more of our common units, or 5% Unitholders, were to come to own 50% or more of our common units, then we would not qualify for exemption under Section 883 unless we could establish that among the closely-held group of 5% Unitholders, there are sufficient 5% Unitholders that are qualified stockholders for purposes of Section 883 to preclude non-qualified 5% Unitholders in the closely-held group from owning 50% or more of our common units for more than half the number of days during the taxable year. In order to establish this, sufficient 5% Unitholders that are qualified stockholders would have to comply with certain documentation and certification requirements designed to substantiate their identity as qualified stockholders. These requirements are onerous and there can be no assurance that we would be able to satisfy them. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings available for distribution payments to our unitholders. For a more detailed discussion, see the section entitled Material United States Federal Income Tax Considerations.

United States tax authorities could treat us as a passive foreign investment company, which would have adverse United States federal income tax consequences to United States unitholders.

A non-U.S. entity treated as a corporation for United States federal income tax purposes will be treated as a passive foreign investment company (or PFIC) for U.S. federal income tax purposes if at least 75% of its gross income for any taxable year consists of passive income or at least 50% of the average value of its assets 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. For purposes of these tests, income derived from the performance of services does not constitute passive income. U.S. shareholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their interests in the PFIC. Based on our current and projected method of operation, and on an opinion of our United States counsel, Seward & Kissel LLP, we believe that we will not be a PFIC for any taxable year. We will receive an opinion of our United States counsel in support of this position that concludes that the income our subsidiaries earn from certain of our present

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time-chartering activities should not constitute passive income for purposes of determining whether we are a PFIC. In addition, we have represented to our United States counsel that we expect that more than 25% of our gross income for our current taxable year and each future year will arise from such time-chartering activities or other income which does not constitute passive income, and more than 50% of the average value of our assets for each such year will be held for the production of such nonpassive income. Assuming the composition of our income and assets is consistent with these expectations, and assuming the accuracy of other representations we have made to our United States counsel for purposes of their opinion, our United States counsel is of the opinion that we should not be a PFIC for our current taxable year or any future year. This opinion is based and its accuracy is conditioned on representations, valuations and projections provided by us regarding our assets, income and charters to our United States counsel. While we believe these representations, valuations and projections to be accurate, the shipping market is volatile and no assurance can be given that they will continue to be accurate at any time in the future.

While Seward & Kissel LLP, our United States counsel, will provide us with an opinion in support of our position, the conclusions reached are not free from doubt, and it is possible that the United States Internal Revenue Service, or the IRS, or a court could disagree with this position. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to each taxable year, we cannot assure you that the nature of our operations will not change in the future and that we will not become a PFIC in any taxable year. If the IRS were to find that we are or have been a PFIC for any taxable year (and regardless of whether we remain a PFIC for subsequent taxable years), our U.S. unitholders would face adverse United States federal income tax consequences. See Material United States Federal Income Tax Considerations United States Federal Income Taxation of United States Holders PFIC Status and Significant Tax Consequences for a more detailed discussion of the United States federal income tax consequences to United States unitholders if we are treated as a PFIC.

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USE OF PROCEEDS

We expect to receive net proceeds of approximately $ million from the sale of common units offered by this prospectus, assuming an initial public offering price of $ per common unit, which is the mid-point of the price range set forth on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and paying estimated offering expenses. We intend to use the net proceeds from this offering, as follows:

- Approximately $ million to repay in full all of the outstanding indebtedness under our $193 million Ob River Credit Facility, which bears interest at LIBOR plus a margin and matures in July 2017; and

- Approximately $ million for general partnership purposes, including working capital.

We intend to use the proceeds from our New Senior Secured Revolving Credit Facility, as follows:

- Approximately $ million to repay in full all of the outstanding indebtedness under our $150 million Clean Energy Credit Facility, which bears interest at LIBOR plus a margin and matures in July 2017;

- Approximately $ million to repay in full all of the outstanding indebtedness under our $128 million Clean Force Credit Facility, which bears interest at LIBOR plus a margin and matures in April 2020; and

- Approximately $ million will remain undrawn and available for vessel acquisitions.

Our Sponsor has granted the underwriters a 30-day option to purchase up to additional common units to cover over-allotments, if any. If the underwriters exercise their over-allotment option, we will not receive any proceeds from the sale of additional common units by our Sponsor.

A $1.00 increase or decrease in the assumed initial public offering price of $ per common unit would cause the net proceeds from this offering, after deducting the estimated underwriting discount and commissions and offering expenses payable by us, to increase or decrease, respectively, by approximately $ million. In addition, we may also increase or decrease the number of common units we are offering. Each increase of 1.0 million common units offered by us, together with a concomitant $1.00 increase in the assumed public offering price to $ per common unit, would increase net proceeds to us from this offering by approximately $ million. Similarly, each decrease of 1.0 million common units offered by us, together with a concomitant $1.00 decrease in the assumed initial offering price to $ per common unit, would decrease the net proceeds to us from this offering by approximately $ million.

In addition, our Sponsor, will also receive the following:

- Net proceeds of approximately $ million from the sale of common units offered by this prospectus, assuming an initial public offering price of $ per unit;

- common units; and

- subordinated units.

We will not receive any proceeds from the sale of common units by our Sponsor.

Affiliates of certain of the underwriters are lenders under our $193 Million Ob River Credit Facility and, accordingly, will receive a portion of the proceeds from this offering in the form of repayment of the outstanding amounts under such credit facility. See Underwriting (Conflicts of Interest).

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of June 30, 2013:

- On an actual basis;
- On an as adjusted basis as of October 28, 2013 to give effect to our scheduled debt repayments of $13.0 million;
- On an as further adjusted basis to give effect to (i) the issuance and sale of common units in this offering at an assumed initial public offering price of $ per unit (representing the mid-point of the price range shown on the cover of this prospectus); and (ii) the application of the net proceeds of this offering as described under Use of Proceeds . On October 25, 2013, we entered into a binding commitment letter with one of our lenders, an affiliate of Credit Suisse, for a new $262.13 million senior secured credit facility, referred to as the New Senior Secured Revolving Credit Facility, which we expect will have an initial interest rate of LIBOR plus a margin. $204.6 million of the proceeds of the New Senior Secured Revolving Credit Facility, together with $ million of the proceeds of this offering, will be used to repay all of our existing outstanding indebtedness effective upon the closing of this offering. The material terms of the New Senior Secured Revolving Credit Facility, which will permit, among other things, distributions to our unitholders and the other transactions contemplated herein, and our existing credit facilities are more fully set forth under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities.

There have been no significant adjustments to our capitalization since June 30, 2013, as so adjusted.

You should read this table in conjunction with the consolidated financial statements and the related notes, Management s Discussion and Analysis of Financial Condition and Results of Operations and Use of Proceeds included elsewhere in this prospectus.

	As of June 30, 2013		
	Historical	As Adjusted	As further Adjusted
	(in thousands of U.S. dollars)		
Cash and Cash Equivalents:	$ 2,831	$ 2,831	$
Debt:			
$128 Million Clean Force Credit Facility[(1)]	$ 83,375	$ 79,125	$
$150 Million Clean Energy Credit Facility[(1)]	132,500	129,000	
$193 Million Ob River Credit Facility	143,170	137,960	
New Senior Secured Revolving Credit Facility[(1)]			
Total Long-term secured debt obligations (including current portion):	$ 359,045	$ 346,085	$
Equity:			
Partners equity	$ 97,903	$ 97,903	$
Held by public:			
Common units:			
Held by General Partner			
Common units			
Subordinated units			
General Partner units			
Equity attributable to Dynagas Partners	97,903	97,903	
Total capitalization	$ 456,948	$ 443,988	$

(1) At or prior to the completion of this offering, we will enter into the New Senior Secured Revolving Credit Facility for $262.13 million of which $204.6 million will be drawn to repay part of our existing indebtedness.

* The above capitalization table does not include the $30 million revolving credit facility to be entered into with our Sponsor, which we do not intend to draw at the time of the closing of this offering.

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DILUTION

Dilution is the amount by which the offering price will exceed the net tangible book value per common unit after this offering. On a pro forma basis as of June 30, 2013, our pro forma net tangible book value would have been $ million, or $ per common unit. This remains unchanged when adjusted for the sale by our Sponsor of common units in this offering at an assumed initial public offering price of $ per common unit. Purchasers of common units in this offering will experience substantial and immediate dilution in net tangible book value per common unit for financial accounting purposes, as illustrated in the following table.

Assumed initial public offering price per common unit	$
Less: Pro forma net tangible book value per common unit before and after this offering	
Immediate dilution in net tangible book value per common unit to purchasers in this offering	$

A $1.00 increase or decrease in the assumed initial public offering price of $ per common unit would cause the adjusted net tangible book value to increase or decrease, respectively, by approximately $ million, or $ per common unit.

The following table sets forth the number of units that we will issue and the total consideration contributed to us by our Sponsor and by the purchasers of common units in this offering upon consummation of the transactions contemplated by this prospectus.

	Units Acquired		Total Consideration	
	Number	Percent	Amount	Percent
Our Sponsor(1)(2)		%	$	%
New investors				
Total		%	$	%

(1) Upon consummation of the transactions contemplated by this prospectus, our Sponsor will own an aggregate of common units and subordinated units, assuming no exercise of the underwriters over-allotment option.

(2) The assets contributed by the and its affiliates were recorded at historical book value, rather than fair value, in accordance with U.S. GAAP. Book value of the consideration provided by our Sponsor, as of June 30, 2013, was $ million.

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OUR CASH DISTRIBUTION POLICY AND RESTRICTIONS ON DISTRIBUTIONS

You should read the following discussion of our cash distribution policy and restrictions on distributions in conjunction with specific assumptions included in this section. In addition, you should read Forward-Looking Statements and Risk Factors for information regarding statements that do not relate strictly to historical or current facts and certain risks inherent in our business.

Following this offering, we intend to declare minimum quarterly distributions of $ per unit, or $ per unit on an annualized basis. As our fleet expands, our board of directors will evaluate future increases to the minimum quarterly distribution based on our cash flow and liquidity position. Our policy is to make cash distributions to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to our General Partner. Our board of directors will determine the timing and amount of all cash distributions, based on various factors, including our financial performance, cash requirements and contractual and legal restrictions. Accordingly, we cannot guarantee that we will be able to make cash distributions. See Risk Factors.

General

Rationale for Our Cash Distribution Policy

Our cash distribution policy reflects a judgment that our unitholders will be better served by our distributing our available cash rather than retaining it because, in general, we plan to finance any expansion capital expenditures from external financing sources. Our cash distribution policy is consistent with the terms of our Partnership Agreement, which requires that we distribute all of our available cash quarterly. Available cash is generally defined to mean, for each quarter cash generated from our business less the amount of cash reserves established by our board of directors at the date of determination of available cash for the quarter to provide for the proper conduct of our business (including reserves for our future capital expenditures and anticipated future credit needs subsequent to that quarter), comply with applicable law, any of our debt instruments or other agreements; and provide funds for distributions to our unitholders and to our General Partner for any one or more of the next four quarters, plus, if our board of directors so determines, all or any portion of the cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made subsequent to the end of such quarter.

Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy

There is no guarantee that unitholders will receive quarterly distributions from us. Our cash distribution policy is subject to certain restrictions and may be changed at any time. Set forth below are certain factors that influence our cash distribution policy:

- Our unitholders have no contractual or other legal right to receive distributions other than the obligation under our Partnership Agreement to distribute available cash on a quarterly basis, which is subject to the broad discretion of our board of directors to establish reserves and other limitations.

- We will be subject to restrictions on distributions under our existing financing arrangements as well as under any new financing arrangements that we may enter into in the future. Our financing arrangements contain financial and other covenants that must be satisfied prior to paying distributions in order to declare and pay such distributions. If we are unable to satisfy the requirements contained in any of our financing arrangements or are otherwise in default under any of those agreements, it could have a material adverse effect on our financial condition and our ability to make cash distributions to you notwithstanding our cash distribution policy. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for a discussion of the financial and other covenants contained in our debt agreements.

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We are required to make substantial capital expenditures to maintain and replace our fleet. These expenditures may fluctuate significantly over time, particularly as our vessels near the end of their useful lives. In order to minimize these fluctuations, our Partnership Agreement requires us to deduct estimated, as opposed to actual, maintenance and replacement capital expenditures from the amount of cash that we would otherwise have available for distribution to our unitholders. In years when estimated maintenance and replacement capital expenditures are higher than actual maintenance and replacement capital expenditures, the amount of cash available for distribution to unitholders will be lower than if actual maintenance and replacement capital expenditures were deducted.

Although our Partnership Agreement requires us to distribute all of our available cash, our Partnership Agreement, including provisions contained therein requiring us to make cash distributions may be amended. During the subordination period, with certain exceptions, our Partnership Agreement may not be amended without the approval of non-affiliated common unitholders. After the subordination period has ended, our Partnership Agreement may be amended with the approval of a majority of the outstanding common units. Upon the closing of this offering, our Sponsor will own approximately % of our common units and all of our subordinated units. See The Partnership Agreement Amendment of the Partnership Agreement.

Even if our cash distribution policy is not modified or revoked, the amount of distributions we pay under our cash distribution policy and the decision to make any distribution is determined by our board of directors, taking into consideration the terms of our Partnership Agreement.

Under Section 57 of the Marshall Islands Act, we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets.

We may lack sufficient cash to pay distributions to our unitholders due to decreases in total operating revenues, decreases in hire rates, the loss of a vessel or increases in operating or general and administrative expenses, principal and interest payments on outstanding debt, taxes, working capital requirements, maintenance and replacement capital expenditures or anticipated cash needs. See Risk Factors for a discussion of these factors.

Our ability to make distributions to our unitholders depends on the performance of our subsidiaries and their ability to distribute cash to us. The ability of our subsidiaries to make distributions to us may be restricted by, among other things, the provisions of existing and future indebtedness, applicable limited partnership and limited liability company laws in the Marshall Islands and other laws and regulations.

Our Ability to Grow Depends on Our Ability to Access External Expansion Capital

Because we distribute all of our available cash on a quarterly basis, we may not grow as quickly as businesses that reinvest their available cash to expand ongoing operations. We plan to rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund any future expansion capital expenditures, including any acquisitions through the exercise of our purchase options with our Sponsor. If we are unable to finance growth externally, our cash distribution policy will significantly impair our ability to grow. To the extent we issue additional units in connection with any acquisitions or other capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level, which in turn may affect the available cash that we have to distribute on each unit. There are no limitations in our Partnership Agreement on our ability to issue additional units, including units ranking senior to the common units. The incurrence of additional borrowings or other debt by us to finance our growth would result in increased interest expense, which in turn may affect the available cash that we have to distribute to our unitholders.

Initial Distribution Rate

Upon the completion of this offering, our board of directors intends to adopt a cash distribution policy pursuant to which we will declare an initial quarterly distribution of $ per unit for each complete quarter, or

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$ per unit on an annualized basis, to be paid no later than 45 days after the end of each fiscal quarter (beginning with the quarter ending December 31, 2013). This equates to an aggregate cash distribution of $ million per quarter, or $ million per year, in each case based on the number of common units, subordinated units and General Partner Units outstanding immediately after completion of this offering. Our ability to make cash distributions at the initial distribution rate pursuant to this policy will be subject to the factors described above under General Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy.

The table below sets forth the number of outstanding common units, subordinated units and General Partner Units upon the closing of this offering and the aggregate distribution amounts payable on such units during the year following the closing of this offering at our initial distribution rate of $ per unit per quarter, or $ per unit on an annualized basis.

		Distributions	
	Number of Units	One Quarter(2)	Four Quarters
Common units		$	$
Subordinated units			
General Partner Units(1)			
Total		$	$

(1) The number of General Partner Units is determined by multiplying the total number of units deemed to be outstanding (i.e., the total number of common and subordinated units outstanding divided by 99.9%) by the General Partner s 0.1% General Partner interest.

(2) Actual payments of distributions on the common units, subordinated units and the General Partner Units are expected to be approximately $ million for the period between the estimated closing date of this offering and December 31, 2013.

During the subordination period, before we make any quarterly distributions to subordinated unitholders, our common unitholders are entitled to receive payment of the full minimum quarterly distribution plus any arrearages in distributions from prior quarters. See How We Make Cash Distributions Subordination Period. We cannot guarantee, however, that we will pay the minimum quarterly distribution or any amount on the common units in any quarter.

As of the closing date of this offering, our General Partner will be entitled to 0.1% of all distributions that we make prior to our liquidation. Our General Partner s initial 0.1% interest in these distributions may be reduced if we issue additional units in the future and our General Partner does not contribute a proportionate amount of capital to us to maintain its initial 0.1% General Partner interest. Our General Partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current General Partner interest.

Forecasted Results of Operations for the Twelve Months Ending December 31, 2014

In this section, we present in detail the basis for our belief that we will be able to pay our minimum quarterly distribution on all of our outstanding units for the twelve months ending December 31, 2014. We outline the significant assumptions upon which the forecast is based and present two tables, consisting of:

- Forecasted Results of Operations for the twelve months ending December 31, 2014; and
- Forecasted Cash Available for Distribution for the twelve months ending December 31, 2014.

We present below a forecast of expected results of our operations for the twelve months ending December 31, 2014 on the basis of our Initial Fleet. Our forecast presents, to the best of our knowledge and belief, the expected results of operations for the forecast period. Although we anticipate exercising our options to purchase each of the Optional Vessels from our Sponsor, the timing of such purchases is uncertain and each such

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transaction is subject to reaching an agreement with our Sponsor regarding the price of the vessel and raising the requisite equity and debt capital to fund the acquisition.

The forecast reflects our judgment, as of the date of this prospectus, of conditions we expect to exist and the course of action we expect to take during the twelve months ending December 31, 2014. The assumptions and estimates used in the forecast are inherently uncertain and represent those that we believe are significant to our financial forecast. We believe that we have a reasonable objective basis for those assumptions. To the extent that there is a shortfall during any quarter in the forecast period, we believe we would be able to make working capital borrowings to pay distributions in such quarter and would be able to repay such borrowings in a subsequent quarter, because we believe the total cash available for distribution for the forecast period will be more than sufficient to pay the aggregate minimum quarterly distribution to all unitholders. We believe our actual results of operations will approximate those reflected in our forecast, but we can give no assurance that our forecasted results will be achieved. There will likely be differences between our forecast and the actual results and those differences could be material. Our operations are subject to numerous risks that are beyond our control. If the forecast is not achieved, we may not be able to pay cash distributions on our units at the initial distribution rate stated in our cash distribution policy or at all.

Our forecast of our results of operations is a forward-looking statement and should be read together with our historical consolidated financial statements and the accompanying notes included elsewhere in this prospectus and Management s Discussion and Analysis of Financial Condition and Results of Operations. We do not, as a matter of course, make public projections as to future revenues, earnings or other results. The forecast has been prepared by and is the responsibility of our management. However, our management has prepared the financial forecast set forth below in support of our belief that we will have sufficient cash available to allow us to pay the minimum quarterly distribution of $ per unit on all of our outstanding units during the forecast period. The accompanying financial forecast was not prepared in accordance with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. In addition, in the view of our management, the accompanying financial forecast was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of our knowledge and belief, our expected course of action and the expected future financial performance. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this prospectus are cautioned not to place undue reliance on the financial forecast.

When considering our financial forecast you should keep in mind the risk factors and other cautionary statements included under the heading Risk Factors elsewhere in this prospectus. Any of the risks discussed in this prospectus could cause our actual results of operations to vary significantly from the financial forecast and such variations could be material. Prospective investors are cautioned to not place undue reliance on the financial forecast and should make their own independent assessment of our future results of operations, cash flows and financial condition.

We are providing the financial forecast to supplement our historical consolidated financial statements in support of our belief that we will have sufficient cash available to allow us to pay cash distributions on all of our units for each quarter in the twelve-month period ending December 31, 2014 at our stated initial distribution rate. See Forecast Assumptions and Considerations Summary of Significant Forecast Assumptions for further information as to the assumptions we have made for the financial forecast.

Unanticipated events may occur which could adversely affect the actual results we achieve during the forecast period. Consequently, our actual results of operations, cash flows and financial condition during the forecast period may vary from the forecast and such variations may be material. Prospective investors are cautioned to not place undue reliance on the forecast and should make their own independent assessment of our future results of operations, cash flows and financial condition.

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We do not undertake any obligation to release publicly the results of any future revisions we may make to the financial forecast or to update the financial forecast to reflect events or circumstances after the date of this prospectus, even in the event that any or all of the underlying assumptions are shown to be in error. Therefore, we caution you not to place undue reliance on this information.

Neither our independent registered public accounting firm, nor any other independent registered public accounting firm have compiled, examined or performed any procedures with respect to the forecasted financial information contained herein, nor have they expressed any opinion or given any other form of assurance on such information or its achievability, and they assume no responsibility for such forecasted financial information. Our independent registered accounting firm s report included in this prospectus relates to our historical financial information. That report does not extend to the tables and the related forecasted financial information contained in this section and should not be read to do so.

DYNAGAS LNG PARTNERS LP

FORECASTED RESULTS OF OPERATIONS

The following table presents (1) our forecasted results of operations for the twelve months ending December 31, 2014, (2) our estimated results of operations for the year ended December 31, 2013, (3) our estimated results of operations for the six months ended December 31, 2013 and (4) our historical results of operations for the six months ended June 30, 2013. The amounts presented as estimated results of operations for the year ended December 31, 2013 were calculated by combining actual results of operations for the six months ended June 30, 2013 (as included in the interim financial statements, which appear elsewhere in this prospectus) with estimated results of operations for the six months ended December 31, 2013. We are providing estimated results of operations for the year ended December 31, 2013 in order to provide a comparative period to our forecast for the year ended December 31, 2014. The assumptions used to forecast operations for the six months ended December 31, 2013 are discussed below. Forecasted net income and net income per unit are not extracted from our audited Combined Financial Statements and the notes thereto for the year ended December 31, 2012 that are included elsewhere in this prospectus.

	Year Ending December 31, 2014[(1)] (forecast)	Year Ending December 31, 2013 (estimated)	Six Months Ending December 31, 2013 (estimated)	Six Months Ending June 30, 2013 (unaudited)
		(in thousands of U.S. dollars)		
Total voyage revenues	$ 84,529	$ 85,056	$ 42,612	$ 42,444
Operating expenses:				
Voyage expenses	(1,742)	(1,669)	(837)	(832)
Vessel operating expenses	(13,140)	(12,567)	(6,335)	(6,232)
General and administrative expenses	(2,250)	(171)	(150)	(21)
Management fees	(2,820)	(2,738)	(1,380)	(1,358)
Depreciation and amortization	(13,579)	(13,578)	(6,845)	(6,733)
Dry-docking and special survey costs	0	0	0	0
Total operating expenses	(33,531)	(30,723)	(15,547)	(15,176)
Operating income	$ 50,998	$ 54,333	$ 27,065	$ 27,268
Financial income (expenses):				
Interest income	$	$	$	$
Interest expense	(7,604)	(8,218)	(3,946)	(4,272)
Loss on derivative financial instruments				
Other financial items, net	(265)	(1,770)	(1,502)	(268)
Net financial expenses	$ (7,869)	$ (9,988)	$ (5,448)	$ (4,540)

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	Year Ending December 31, 2014[1] (forecast)	Year Ending December 31, 2013 (estimated)	Six Months Ending December 31, 2013 (estimated)	Six Months Ending June 30, 2013 (unaudited)
	(in thousands of U.S. dollars)			
Income before income taxes	43,129	44,345	21,617	22,728
Income taxes				
Net income attributable to Dynagas LNG Partners LP owners	43,129	44,345	21,617	22,728
General Partner s interest in net income	$ 43	$ 44	$ 22	$ 23
Limited Partners interest in net income	$ 43,086	$ 44,301	$ 21,595	$ 22,705
Net income per:				
Common unit (basic and diluted)	$	$	$	$
Subordinated unit (basic and diluted)	$	$	$	$
General Partner Unit (basic and diluted)	$	$	$	$

(1) The forecast is based on the assumptions set forth in Forecast Assumptions and Considerations Summary of Significant Forecast Assumptions.

Forecast Assumptions and Considerations

Basis of Presentation

The accompanying financial forecast and related notes of Dynagas LNG Partners LP present the forecasted results of operations of Dynagas LNG Partners LP for the twelve months ending December 31, 2014, based on the following:

On October 29, 2013, we acquired from our Sponsor the vessels in our Initial Fleet in exchange for 6,735,000 of our common units and 14,985,000 of our subordinated units, representing a 99.9% limited partner interest in us. On the same date, we issued to our General Partner, a company owned and controlled by our Sponsor, 30,000 General Partner Units representing a 0.1% General Partner interest in us and all of our incentive distribution rights, which will entitle our General Partner to increasing percentages of the cash we distribute in excess of $ per unit per quarter.

In addition, at or prior to the closing of this offering, the following transactions will occur:

- we will sell common units to the public in this offering, representing a % limited partner interest in us;
- our Sponsor will sell (i) common units to the public in this offering, representing a % limited partner interest in us and (ii) an additional common units if the underwriters exercise their over-allotment option; and
- we expect to receive net proceeds of approximately $ million from the sale of common units offered by this prospectus, assuming an initial public offering price of $ per common unit, which is the mid-point of the price range set forth on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and paying estimated offering expenses. We intend to use the net proceeds from this offering, as follows:
  - Approximately $ million to repay in full all of the outstanding indebtedness under our $193 million Ob River Credit Facility, which bears interest at LIBOR plus a margin and matures in July 2017; and
  - Approximately $ million for general partnership purposes, including working capital.

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We intend to use the proceeds from our New Senior Secured Revolving Credit Facility, as follows:

- Approximately $ million to repay in full all of the outstanding indebtedness under our $150 million Clean Energy Credit Facility, which bears interest at LIBOR plus a margin and matures in July 2017;
- Approximately $ million to repay in full all of the outstanding indebtedness under our $128 million Clean Force Credit Facility, which bears interest at LIBOR plus a margin and matures in April 2020; and
- Approximately $ million will remain undrawn and available for vessel acquisitions.

See Use of Proceeds.

In addition, at or prior to the closing of this offering:

- we will enter into the definitive facility agreement and related security documentation for the New Senior Secured Revolving Credit Facility;
- we will enter into a $30 million revolving credit facility with our Sponsor;
- our Sponsor and its lenders will amend the three loan agreements secured by five of the Optional Vessels to release us from our obligations as guarantor; and
- we will enter into an Omnibus Agreement with our Sponsor and our General Partner, governing, among other things:
  - to what extent we and our Sponsor may compete with each other;
  - our options to purchase from our Sponsor the Optional Vessels within 24 months after their respective deliveries from the shipyard;
  - certain rights of first offer on LNG carriers operating under charters with an initial term of four or more years as described under Certain Relationships and Related Party Transactions Agreements Governing the Transactions Omnibus Agreement ; and
  - our Sponsor s provision of certain indemnities to us.

Summary of Significant Accounting Policies

Organization. We are a Marshall Islands limited partnership formed on May 30, 2013 that owns and operates LNG carriers under multi-year contracts.

Principles of Consolidation. This financial forecast includes our accounts and those of our wholly-owned subsidiaries. All intercompany transactions have been eliminated upon consolidation.

Use of Estimates. We prepare our financial statements in accordance with U.S. GAAP, which 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.

Reporting Currency. Our financial forecast is stated in U.S. Dollars because we operate in international shipping markets that typically utilize the U.S. Dollar as the functional currency. Transactions involving other currencies during a period are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities that are denominated in currencies other than the U.S. Dollar are translated to reflect the period-end exchange rates. Resulting gains or losses are reflected in our consolidated statements of income.

Revenue Recognition. We generate our revenues from the chartering of our vessels. All of our vessels are chartered under time charters, where a contract is entered into for the use of a vessel for a specific period of time and at a specified daily charter hire rate. If a charter agreement exists and collection of the related revenue is

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reasonably assured, revenue is recognized, as it is earned, ratably over the duration of the period of the time charter. Furthermore, revenues from time chartering of vessels are accounted for as operating leases and are thus recognized on a straight line basis as the average lease revenue over the rental periods of such charter agreements, as service is performed. The difference from actually collected hire based on the time charter agreement and reported total voyage revenues for each period is being classified as deferred revenue in the consolidated balance sheets.

Voyage Expenses. Voyage expenses are primarily bunker fuel expenses, LNG boil-off, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. Voyage expenses are paid by the customer under the time charter. However, we may incur voyage related expenses during an off-hire when positioning or repositioning vessels before or after the period of a time charter or before or after dry-docking, the cost of which will be payable by us. We also incur some voyage expenses, principally fuel costs, when our vessels are in periods of commercial waiting time.

Vessel Operating Expenses. Vessel operating expenses include direct vessel operating costs associated with operating a vessel, such as crew wages, which are the most significant component, vessel supplies, routine repairs, maintenance, lubricating oils and insurance. Vessel operating expenses also include peripheral expenses incurred while vessels undergo special survey and dry-docking such as spare parts, port dues, tugs and service engineer attendance.

Cash and Cash Equivalents. We consider all demand and time deposits and highly liquid investments with original maturities of three months or less to be equivalent to cash.

Vessels. Vessels are stated at cost less accumulated depreciation. The cost of vessels less the estimated residual value is depreciated on a straight-line basis over the assets remaining useful economic lives.

Accounting for Dry-docking and Special Survey Costs**:** Dry-docking and special survey costs are expensed in the period incurred. The vessels undergo dry-dock or special survey approximately every five years during the first fifteen years of their life and every two and a half years within their following useful life. Costs relating to routine repairs and maintenance are also expensed as incurred. All three vessels in our Initial Fleet completed their initial scheduled special survey repairs in 2012.

Loan Costs. Loan costs, including fees, commissions and legal expenses associated with the loans, are presented as deferred charges and amortized with the effective interest method over the term of the relevant loan. Amortization of loan costs is included in interest and finance costs.

Derivative Instruments. We may enter into interest rate swap transactions from time to time to hedge a portion of our exposure to floating interest rates. These transactions involve the conversion of floating rates into fixed rates over the life of the transactions without an exchange of underlying principal. Guidance on accounting for derivatives and hedging activities requires an entity to recognize all derivatives as either assets or liabilities on the balance sheet and measure these instruments at fair value. Derivatives that are not hedges are adjusted to fair value through the income statement

Income Taxes. We are not subject to income taxes.

Net Income Per Unit. The calculation of the forecasted basic and diluted earnings for the twelve months ending December 31, 2014 is set forth below:

	Common Unitholders	**Subordinated Unitholders**	**General Partner**
Partners interests in forecasted net income (*in thousands of U.S. dollars*)	$	$	$
Forecast weighted average number of units outstanding			
Forecast net income per unit	$	$	$

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Summary of Significant Forecast Assumptions

Forecast assumptions for the twelve months ended December 31, 2014

Vessels. The forecast reflects or assumes the following about our fleet:

- 363 revenue earning days for the *Clean Energy*
- 363 revenue earning days for the *Ob River*
- 363 revenue earning days for the *Clean Force*

The above revenue earning days reflect a fleet utilization rate of 99.5%, which is consistent with our historical fleet utilization rate for the year ended December 31, 2012 which was also 99.5%.

Total Voyage Revenues. Our forecasted total voyage revenues are based on estimated average minimum daily lease revenue under each vessel s charter agreement multiplied by the total number of days each of our vessels is expected to be on-hire during the twelve months ending December 31, 2014. The forecasted total voyage revenues are presented using the accounting principles for operating leases, and thus are recognized on a straight line basis as the average lease revenue over the rental periods of such charter agreements. In addition, we have assumed two days of off-hire for each of the vessels in our fleet. The amount of actual off-hire time depends upon, among other things, the time a vessel spends in dry-docking for repairs, maintenance or inspection, equipment breakdowns or delays due to accidents, crewing strikes, certain vessel detentions or similar problems as well as failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew.

Our forecasted total voyage revenues during the twelve months ending December 31, 2014 is $84.5 million compared to forecasted revenues of $85.1 million for the same period in 2013, representing a decrease of 0.6%. This decrease is mainly attributable to the utilization rate of 99.5% assumed for the twelve months ending December 31, 2014 versus the actual utilization of 100.0% during the six months ended June 30, 2013. This forecast assumes that the average time charter rate of our fleet, calculated by dividing the total voyage revenue less commissions by the total revenue earning days, during the twelve months ending December 31, 2014 is $76,020 per day per vessel.

Vessel Operating Expenses. Our forecasted vessel operating expenses for the twelve months ending December 31, 2014 are $13.1 million, compared to forecasted expenses of $12.6 million for the same period in 2013, representing an increase of 4.0%. This forecast assumes that all of our vessels are operational during the twelve months ending December 31, 2014 and that average daily operating expenses will be $12,000 per vessel, compared to $11,477 for the same period in 2013.

Voyage Expenses. Our forecasted voyage expenses for the twelve months ending December 31, 2014 are $1.7 million, compared to forecasted expenses of $1.7 million for the same period in 2013. Our forecast assumes that all of our vessels are operational during the twelve months ending December 31, 2014 and that they will not incur any voyage expenses other than commissions of 1.25% paid to our Manager as well as commissions of 1.25% paid to third parties under the time charters for the *Clean Energy* and *Clean Force*.

General and Administrative Expenses. Our forecasted general and administrative expenses for the twelve months ending December 31, 2014 are approximately $2.3 million, compared to forecasted expenses of $0.2 million for the same period in 2013. Our forecast is based on the assumption that we will incur approximately $2.1 million in incremental expenses as result of being a publicly traded limited partnership, including without limitation, executive officer salaries, board of directors salaries, costs related to director and officer insurance, auditor, legal and consulting fees, NASDAQ listing fees, transfer agent fees, investor relations fees, marketing expenses, travel expenses and various other miscellaneous expenses. The forecasted incremental expenses of being a public company were based on the expenses incurred by other public companies, as reported in such companies public filings, for similar services.

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***Management Fees and Expenses*.** Forecasted management fees and expenses for the twelve months ending December 31, 2014 are $2.8 million, compared to forecasted expenses of $2.7 million for the same period in 2013. The forecast is based on a technical management fee of $2,575 per day payable to our Manager under our vessel management agreements. See Certain Relationships and Related Party Transactions Agreements Governing the Transactions Vessel Management Agreements.

Depreciation and Amortization. Our forecasted depreciation and amortization expense for the twelve months ending December 31, 2014 is $13.6 million, compared to forecasted depreciation and amortization of $13.6 million for the same period in 2013. Our forecast assumes that no vessels are purchased or sold during the twelve months ending December 31, 2014. Vessels are stated at cost less accumulated depreciation. The cost of vessels less the estimated residual value is depreciated on a straight-line basis over the assets remaining economic useful lives, which we estimate at the start of 2014 to be approximately 28 years, 28 years, and 29 years for the *Clean Energy*, the *Ob River* and the *Clean Force*, respectively. The economic life for LNG carriers operated worldwide has generally been estimated to be 35 years.

Dry-docking and Special Survey Costs. We do not expect to incur any dry-docking and special survey costs for the twelve months ending December 31, 2014.

Interest Income. We have assumed that any cash surplus balances will not earn any interest during the twelve months ending December 31, 2014.

Interest Expense. Our forecasted interest expense, which includes commitment fees, for the twelve months ending December 31, 2014 is $7.6 million, compared to forecasted interest expense of $8.2 million for the same period in 2013. The forecast assumes that we will have an average outstanding loan balance of approximately $204.6 million with an estimated weighted average interest rate of approximately 3.3% per annum during the twelve months ending December 31, 2014, as compared to an average outstanding loan balance of approximately $338.3 million during the same period in 2013 with a weighted average interest rate of approximately 2.4%. The rates we have assumed are based on the relevant period s LIBOR forecast and the applicable margin under our New Senior Secured Revolving Credit Facility.

Income Taxes. Forecasted income tax expense for the twelve months ending December 31, 2014 of $0. We do not expect to be subject to income tax expenses.

Deferred Revenues. Forecasted deferred revenues for the twelve months ending December 31, 2014 is based on the net difference between forecasted total voyage revenues, and forecasted actual voyage revenues to be received during the twelve months ending December 31, 2014. Forecasted actual voyage revenues are based on contracted daily hire rate under each vessel s charter agreement multiplied by the total number of days each of our vessels is expected to be on-hire during the twelve months ending December 31, 2014. In addition, we have assumed two days of off-hire for each of the vessels in our fleet. The amount of actual off-hire time depends upon, among other things, the time a vessel spends in dry-docking for repairs, maintenance or inspection, equipment breakdowns or delays due to accidents, crewing strikes, certain vessel detentions or similar problems as well as failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew.

Maintenance and Replacement Capital Expenditures. Our Partnership Agreement requires our board of directors to deduct from operating surplus each quarter estimated maintenance and replacement capital expenditures, as opposed to actual maintenance and replacement capital expenditures, in order to reduce disparities in operating surplus caused by fluctuating maintenance and replacement capital expenditures, such as dry-docking and vessel replacement. The actual cost of replacing the vessels in our fleet will depend on a number of factors, including prevailing market conditions, charter hire rates and the availability and cost of financing at the time of replacement. Our board of directors, with the approval of the conflicts committee, may determine that one or more of our assumptions should be revised, which could cause our board of directors to increase the

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amount of estimated maintenance and replacement capital expenditures. We may elect to finance some or all of our maintenance and replacement capital expenditures through the issuance of additional common units which could be dilutive to our existing unitholders.

Maintenance Capital Expenditures. Because of the substantial capital expenditures we are required to make to maintain our fleet, our initial annual estimated maintenance capital expenditures for our vessels for purposes of calculating operating surplus will be $2.1 million per year for dry-docking and special survey costs. In calculating these maintenance capital expenditure reserves, we assume $1.6 million of dry-docking and special survey costs for each vessel (as opposed to costs of approximately $1.0 million per vessel in 2012, including peripheral expenses) and we also take into account the anticipated loss of revenues while our vessels are out of service during these surveys. We estimate that each vessel will be out of service for 22 days during these surveys (as opposed to actual down time of 15 days per vessel in 2012). We calculated the lost revenues by multiplying 22 days by $79,983, representing the average time charter rate for our fleet at the time of the dry-docking in 2017, 2017, and 2018 for the *Clean Energy*, *Ob River* and *Clean Force*, respectively.

Replacement Capital Expenditures. Because of the substantial capital expenditures we are required to make to replace our fleet, our initial annual estimated replacement capital expenditures for purposes of calculating operating surplus will be $7.5 million per year, including estimated financing costs, for replacing our LNG carriers at the end of their useful lives. The $7.5 million for future vessel replacement is based on assumptions regarding the remaining useful lives of the vessels, a net investment rate, vessel replacement values based on current market conditions and scrap value of the vessels.

Regulatory, Industry and Economic Factors. Our forecast for the twelve months ending December 31, 2014 is based on the following assumptions related to regulatory, industry and economic factors:

- no material nonperformance or credit-related defaults by suppliers, customers or vendors;
- no new regulation or any interpretation of existing regulations that, in either case, would be materially adverse to our business;
- no material accidents, releases, weather-related incidents, unscheduled downtime or similar unanticipated events;
- no major adverse change in the markets in which we operate resulting from production disruptions, reduced demand for LNG or significant changes in the market prices of LNG; and
- no material changes to market, regulatory and overall economic conditions.

Forecast assumptions for the six month period ended December 31, 2013

Vessels. The forecast reflects or assumes the following about our fleet:

- 183 revenue earning days for the *Clean Energy*
- 183 revenue earning days for the *Ob River*
- 183 revenue earning days for the *Clean Force*

The above revenue earning days reflect a fleet utilization rate of 99.5% which is consistent with our historical fleet utilization rate for the year ended December 31, 2012 which was also 99.5%. The fleet utilization rate for the six months ended June 30, 2013 was 100%.

Total Voyage Revenues. Our forecasted total voyage revenues are based on estimated average minimum daily lease revenue under each vessel s charter agreement multiplied by the total number of days each of our vessels is expected to be on-hire during the six months ending December 31, 2013. The forecasted total voyage revenues are presented using the accounting principles for operating leases, and thus are recognized on a straight line basis as the average lease revenue over the rental periods of such charter agreements. In addition, we have assumed two days of off-hire for each of the vessels in our fleet. The amount of actual off-hire time depends upon, among other things, the time a vessel spends in dry-docking for repairs, maintenance or inspection, equipment breakdowns or delays due to accidents, crewing strikes, certain vessel detentions or similar problems as well as failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew.

Our forecasted total voyage revenues during the six months ending December 31, 2013 is $42.6 million compared to revenues of $42.4 million for the six months ended June 30, 2013, representing an increase of 0.5%. This increase is mainly attributable to the increase of 1.1% in available days to 549 in the six months ended December 31, 2013 compared to 543 days in the six months ending June 30, 2013. This forecast assumes that the average time charter rate of our fleet, calculated by dividing the total voyage revenue less commissions by the total revenue earning days, during the six months ending December 31, 2013 is $76,093 per day per vessel.

Vessel Operating Expenses. Our forecasted vessel operating expenses for the six months ending December 31, 2013 are $6.3 million, compared to expenses of $6.2 million for the six months ending June 30, 2013. This forecast assumes that all of our vessels are operational during the six months ending December 31, 2013 and that average daily operating expenses will be $11,477 per vessel, in line with the actual average daily operating expenses during the six months ending June 30, 2013.

Voyage Expenses. Our forecasted voyage expenses for the six months ending December 31, 2013 of $0.8 million remained substantially the same as compared to the six months ending June 30, 2013.

Our forecast assumes that all of our vessels are operational during the six months ending December 31, 2013 and that they will not incur any voyage expenses other than commissions of 1.25% paid to our Manager as well as commissions of 1.25% paid to third parties under the time charters for the *Clean Energy* and *Clean Force*.

General and Administrative Expenses. Our forecasted general and administrative expenses for the six months ending December 31, 2013 are approximately $0.15 million, compared to expenses of $0.02 million for the six months ended June 30, 2013, the increase of $0.13 million to account mainly for estimated audit and legal fees.

Management Fees and Expenses. Forecasted management fees and expenses for the six months ending December 31, 2013 are $1.4 million, compared to expenses of $1.4 million for the six months ending June 30, 2013. The forecast is based on a technical management fee of $2,500 per day payable to our Manager under our vessel management agreements. See Certain Relationships and Related Party Transactions Agreements Governing the Transactions Vessel Management Agreements.

Depreciation and Amortization. Our forecasted depreciation and amortization expense for the six months ending December 31, 2013 is $6.8 million, compared to $6.7 million for the six months ending June 30, 2013. Our forecast assumes that no vessels are purchased or sold during the six months ending December 31, 2013. Vessels are stated at cost less accumulated depreciation. The cost of vessels less the estimated residual value is depreciated on a straight-line basis over the assets remaining economic useful lives, which we estimate at July 1, 2013 to be approximately 29 years, 29 years, and 30 years for the *Clean Energy*, the *Ob River* and the *Clean Force*, respectively. The economic life for LNG carriers operated worldwide has generally been estimated to be 35 years.

Dry-docking and Special Survey Costs. We do not expect to incur any dry-docking and special survey costs for the six months ending December 31, 2013 and did not incur any dry-docking and special survey costs for the six months ending June 30, 2013.

Interest Income. We have assumed that any cash surplus balances will not earn any interest during the six months ending December 31, 2013.

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Interest Expense. Our forecasted interest expense, which includes commitment fees, for the six months ending December 31, 2013 is $3.9 million, compared to interest expense of $4.3 million for the six month ending June 30, 2013. The forecast assumes that we will have an average outstanding loan balance of approximately $309.4 million with an estimated weighted average interest rate of approximately 2.4% per annum during the six months ending December 31, 2013, as compared to an average outstanding loan balance of approximately $367.6 million during the six months ending June 30, 2013 with a weighted average interest rate of approximately 2.3%. The rates we have assumed are (i) actual rollovers to our existing facilities, (ii) based on the relevant period s LIBOR forecast and the applicable margin under each of our loan agreements until November 12, 2013 and (iii) for the remaining period based on the relevant period s LIBOR forecast and the applicable margin under our Proposed Secured Revolving Credit Facility.

Income Taxes. Forecasted income tax expense for the six months ending June 30, 2013 of $0.0 million. We do not expect to be subject to income tax expenses.

Deferred Revenues. Forecasted deferred revenues for the six months ending December 31, 2013 is based on the net difference between forecasted total voyage revenues, and forecasted actual voyage revenues to be received in this period. Forecasted actual voyage revenues are based on contracted daily hire rate under each vessel s charter agreement multiplied by the total number of days each of our vessels is expected to be on-hire during the six months ending December 31, 2013. In addition, we have assumed one day of off-hire for each of the vessels in our fleet. The amount of actual off-hire time depends upon, among other things, the time a vessel spends in dry-docking for repairs, maintenance or inspection, equipment breakdowns or delays due to accidents, crewing strikes, certain vessel detentions or similar problems as well as failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew.

Maintenance and Replacement Capital Expenditures. Our Partnership Agreement requires our board of directors to deduct from operating surplus each quarter estimated maintenance and replacement capital expenditures, as opposed to actual maintenance and replacement capital expenditures, in order to reduce disparities in operating surplus caused by fluctuating maintenance and replacement capital expenditures, such as dry-docking and vessel replacement. The actual cost of replacing the vessels in our fleet will depend on a number of factors, including prevailing market conditions, charter hire rates and the availability and cost of financing at the time of replacement. Our board of directors, with the approval of the conflicts committee, may determine that one or more of our assumptions should be revised, which could cause our board of directors to increase the amount of estimated maintenance and replacement capital expenditures. We may elect to finance some or all of our maintenance and replacement capital expenditures through the issuance of additional common units which could be dilutive to our existing unitholders.

Regulatory, Industry and Economic Factors. Our forecast for the six months ending December 31, 2013 is based on the following assumptions related to regulatory, industry and economic factors:

- no material nonperformance or credit-related defaults by suppliers, customers or vendors;
- no new regulation or any interpretation of existing regulations that, in either case, would be materially adverse to our business;
- no material accidents, releases, weather-related incidents, unscheduled downtime or similar unanticipated events;
- no major adverse change in the markets in which we operate resulting from production disruptions, reduced demand for LNG or significant changes in the market prices of LNG; and
- no material changes to market, regulatory and overall economic conditions.

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Forecasted Cash Available for Distribution

The table below sets forth our calculation of forecasted cash available for distribution to our unitholders and General Partner based on the Forecasted Results of Operations set forth above. Based on the financial forecast and related assumptions, we forecast that our cash available for distribution generated during the twelve months ending December 31, 2014 will be approximately $48.2 million. This amount would be sufficient to pay 100% of the minimum quarterly distribution of $ per unit on all of our common units and subordinated units for the four quarters ending December 31, 2014.

Actual payments of distributions on the common units, subordinated units and the General Partner Units are expected to be approximately $ million for the period between the estimated closing date of this offering ( ) and the end of the fiscal quarter in which the closing date of this offering occurs.

You should read Forecast Assumptions and Considerations Summary of Significant Forecast Assumptions included as part of the financial forecast for a discussion of the material assumptions underlying our forecast of adjusted EBITDA that is included in the table below. Our forecast is based on those material assumptions and reflects our judgment of conditions we expect to exist and the course of action we expect to take. The assumptions disclosed in our financial forecast are those that we believe are significant to generate the forecasted adjusted EBITDA. If our estimate is not achieved, we may not be able to pay distributions on the common units at the initial distribution rate of $ per unit per quarter, or $ per unit on an annualized basis. Our financial forecast and the forecast of cash available for distribution set forth below have been prepared by our management. This calculation represents available cash from operating surplus generated during the period and excludes any cash from working capital borrowings, capital expenditures and cash on hand on the closing date.

Adjusted EBITDA should not be considered an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance calculated in accordance with U.S. GAAP.

When considering our forecast of cash available for distribution for the twelve months ending December 31, 2014, you should keep in mind the risk factors and other cautionary statements under the heading Forward Looking Statements and Risk Factors and elsewhere in this prospectus. Any of these factors or the other risks discussed in this prospectus could cause our financial results of operations to vary significantly from those set forth in the financial forecast and the forecast of cash available for distribution set forth below.

Neither our independent registered public accounting firm, nor any other independent registered public accounting firm have compiled, examined or performed any procedures with respect to the forecasted financial information contained herein, nor have they expressed any opinion or given any other form of assurance on such information or its achievability, and they assume no responsibility for such forecasted financial information.

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DYNAGAS LNG PARTNERS LP

FORECASTED CASH AVAILABLE FOR DISTRIBUTION

	Twelve Months Ending December 31, 2014(1) (forecast)	Year Ending December 31, 2013 (estimated)
	(in thousands of U.S. dollars, except per unit amounts)	
Adjusted EBITDA(2)	64,577	67,962
Adjustments for cash items and estimated maintenance and replacement capital expenditures:		
Cash deferred revenue	776	(4,152)
Cash interest expense	(7,604)	(8,218)
Cash interest income	0	0
Cash other, net	0	(970)
Maintenance capital expenditure reserves(3)	(2,056)	(2,056)
Replacement capital expenditure reserves(3)	(7,496)	(7,165)
Cash available for distribution	48,197	45,401
Expected distributions:		
Distributions per unit		
Distributions to our public common unitholders(4)		
Distributions to Dynagas Holding common units(4)		
Distributions to Dynagas Holding subordinated units(4)		
Distributions to General Partner Units		
Total distributions(5)		
Excess (shortfall)		
Annualized minimum quarterly distribution per unit		
Aggregate distributions based on annualized minimum quarterly distribution		
Percent of minimum quarterly distributions payable to common unitholders		
Percent of minimum quarterly distributions payable to subordinated unitholders		

(1) The forecast is based on the assumptions set forth in Forecast Assumptions and Considerations Summary of Significant Forecast Assumptions.

(2) Adjusted EBITDA is defined as earnings before interest and finance costs, net of interest income, gains/losses on derivative financial instruments, taxes (when incurred), depreciation and amortization (when incurred). Adjusted EBITDA is used as a supplemental financial measure by management and external users of financial statements, such as our investors, to assess our liquidity and our operating performance. We believe that Adjusted EBITDA assists our management and investors by providing useful information that increases the comparability of our operating performance from period to period and against the operating performance of other companies in our industry that provide Adjusted EBITDA information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest, other financial items, depreciation and amortization and taxes, which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including Adjusted EBITDA as a measure of operating performance benefits investors in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength in assessing whether to continue to hold common units.

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Adjusted EBITDA is not a measure of financial performance under U.S. GAAP, does not represent and should not be considered as an alternatives to net income, operating income, cash flow from operating activities or any other measure of financial performance presented in accordance with U.S. GAAP. Adjusted EBITDA excludes some, but not all, items that affect net income and these measures may vary amongst other companies. Therefore, Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies. The following table reconciles Adjusted EBITDA to net income (loss), the most directly comparable U.S.GAAP financial measures for the periods presented.

	Twelve Months Ending December 31, 2014[1] (forecast)	Year Ending December 31, 2013 (estimated)	Six Months Ending December 31, 2013 (estimated)	Six Months Ending June 30, 2013 (unaudited)
	(in thousands of dollars)			
Net income attributable to Dynagas LNG Partners owners	$ 43,129	$ 44,345	$ 21,617	$ 22,728
Depreciation and amortization	13,579	13,578	6,845	6,733
Interest expense	7,604	8,269	3,946	4,323
Other financial items, net	265	1,770	1,502	268
Income taxes				
Adjusted EBITDA	$ 64,577	$ 67,962	$ 33,910	$ 34,052

(3) Our Partnership Agreement requires that an estimate of the maintenance and replacement capital expenditures necessary to maintain our asset base be subtracted from operating surplus each quarter, as opposed to amounts actually spent.

(4) Assumes the underwriters option to purchase additional common units is not exercised.

(5) Represents the amount required to fund distributions to our unitholders and our General Partner for four quarters based upon our minimum quarterly distribution rate of $ per unit.

Forecast of Compliance with Debt Covenants. Our ability to make distributions could be affected if we do not maintain compliance with the financial and other covenants of our financing agreements. After entering into the New Senior Secured Revolving Credit Facility at the closing of this offering, we have assumed we will be in compliance with all the covenants during the forecast period. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Borrowing Activities for a further description of our financing arrangements, including these financial covenants.

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HOW WE MAKE CASH DISTRIBUTIONS

Distributions of Available Cash

General

Our Partnership Agreement requires that, within 45 days after the end of each quarter, beginning with the quarter ending December 31, 2013, we will distribute all of our available cash (defined below) to unitholders of record on the applicable record date. We will adjust the minimum quarterly distribution for the period from the closing of this offering through December 31, 2013, based on the actual length of the period.

Definition of Available Cash

Available cash generally means, for each fiscal quarter, all cash on hand at the end of the quarter (including our proportionate share of cash on hand of certain subsidiaries we do not wholly own):

- less the amount of cash reserves established by our board of directors at the date of determination of available cash for the quarter to:
  - provide for the proper conduct of our business (including reserves for our future capital expenditures and anticipated future credit needs subsequent to that quarter);
  - comply with applicable law, any of our debt instruments or other agreements; and
  - provide funds for distributions to our unitholders and to our General Partner for any one or more of the next four quarters;

plus, all cash on hand (including our proportionate share of cash on hand of certain subsidiaries we do not wholly own) on the date of determination of available cash for the quarter resulting from (1) working capital borrowings made after the end of the quarter and (2) cash distributions received after the end of the quarter from any equity interest in any person (other than a subsidiary of us), which distributions are paid by such person in respect of operations conducted by such person during such quarter. Working capital borrowings are generally borrowings that are made under a revolving credit facility and in all cases are used solely for working capital purposes or to pay distributions to partners.

Intent to Distribute the Minimum Quarterly Distribution

We intend to distribute to the holders of common units and subordinated units on a quarterly basis at least the minimum quarterly distribution of $ per unit, or $ per unit on an annualized basis, to the extent we have sufficient cash from our operations after the establishment of cash reserves and the payment of costs and expenses, including reimbursements of expenses to our General Partner. The amount of available cash from operating surplus needed to pay the minimum quarterly distribution for one quarter on all units outstanding immediately after this offering and the related distribution on the 0.1% General Partner interest is approximately $ million.

There is no guarantee that we will pay the minimum quarterly distribution on the common units and subordinated units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our board of directors, taking into consideration the terms of our Partnership Agreement. We will be prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default then exists, under our financing arrangements. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for a discussion of the restrictions contained in our credit facilities that may restrict our ability to make distributions.

Operating Surplus and Capital Surplus

General

All cash distributed to unitholders will be characterized as either operating surplus or capital surplus. We treat distributions of available cash from operating surplus differently than distributions of available cash from capital surplus.

Definition of Operating Surplus

Operating surplus for any period generally means:

- $ million; plus

- all of our cash receipts (including our proportionate share of cash receipts of certain subsidiaries we do not wholly own) after the closing of this offering (provided, that cash receipts from the termination of an interest rate, currency or commodity hedge contract prior to its specified termination date will be included in operating surplus in equal quarterly installments over the remaining scheduled life of such hedge contract), excluding cash from (1) borrowings, other than working capital borrowings, (2) sales of equity and debt securities, (3) sales or other dispositions of assets outside the ordinary course of business, (4) capital contributions or (5) corporate reorganizations or restructurings; plus

- working capital borrowings (including our proportionate share of working capital borrowings for certain subsidiaries we do not wholly own) made after the end of a quarter but before the date of determination of operating surplus for the quarter; plus

- interest paid on debt incurred (including periodic net payments under related hedge contracts) and cash distributions paid on equity securities issued (including the amount of any incremental distributions made to the holders of our incentive distribution rights and our proportionate share of such interest and cash distributions paid by certain subsidiaries we do not wholly own), in each case, to finance all or any portion of the construction, replacement or improvement of a capital asset (such as a vessel) in respect of the period from such financing until the earlier to occur of the date the capital asset is put into service or the date that it is abandoned or disposed of; plus

- interest paid on debt incurred (including periodic net payments under related hedge contracts) and cash distributions paid on equity securities issued (including the amount of any incremental distributions made to the holders of our incentive distribution rights and our proportionate share of such interest and cash distributions paid by certain subsidiaries we do not wholly own), in each case, to pay the construction period interest on debt incurred (including periodic net payments under related interest rate swap agreements), or to pay construction period distributions on equity issued, to finance the construction projects described in the immediately preceding bullet; less

- all of our operating expenditures (which includes estimated maintenance and replacement capital expenditures and is further described below) of us and our subsidiaries (including our proportionate share of operating expenditures by certain subsidiaries we do not wholly own) immediately after the closing of this offering; less

- the amount of cash reserves (including our proportionate share of cash reserves for certain subsidiaries we do not wholly own) established by our board of directors to provide funds for future operating expenditures; less

- any cash loss realized on dispositions of assets acquired using investment capital expenditures; less all working capital borrowings (including our proportionate share of working capital borrowings by certain subsidiaries we do not wholly own) not repaid within twelve months after having been incurred.

If a working capital borrowing, which increases operating surplus, is not repaid during the 12-month period following the borrowing, it will be deemed repaid at the end of such period, thus decreasing operating surplus at

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such time. When such working capital borrowing is in fact repaid, it will not be treated as a reduction in operating surplus because operating surplus will have been previously reduced by the deemed repayment.

As described above, operating surplus includes a provision that will enable us, if we choose, to distribute as operating surplus up to $ million of cash we receive in the future from non-operating sources, such as asset sales, issuances of securities and long-term borrowings, that would otherwise be distributed as capital surplus. In addition, the effect of including, as described above, certain cash distributions on equity securities or interest payments on debt in operating surplus would be to increase operating surplus by the amount of any such cash distributions or interest payments. As a result, we may also distribute as operating surplus up to the amount of any such cash distributions or interest payments of cash we receive from non-operating sources.

Operating expenditures generally means all of our cash expenditures, including, but not limited to taxes, employee and director compensation, reimbursement of expenses to our General Partner, repayment of working capital borrowings, debt service payments and payments made under any interest rate, currency or commodity hedge contracts (provided that payments made in connection with the termination of any hedge contract prior to the expiration of its stipulated settlement or termination date shall be included in operating expenditures in equal quarterly installments over the remaining scheduled life of such hedge contract), provided that operating expenditures will not include:

- deemed repayments of working capital borrowings deducted from operating surplus pursuant to the last bullet point of the definition of operating surplus above when such repayment actually occurs;
- payments (including prepayments and payment penalties) of principal of and premium on indebtedness, other than working capital borrowings;
- expansion capital expenditures, investment capital expenditures or actual maintenance and replacement capital expenditures (which are discussed in further detail under Capital Expenditures below);
- payment of transaction expenses (including taxes) relating to interim capital transactions; or
- distributions to partners.

Capital Expenditures

For purposes of determining operating surplus, maintenance and replacement capital expenditures are those capital expenditures required to maintain over the long-term the operating capacity of or the revenue generated by our capital assets, and expansion capital expenditures are those capital expenditures that increase the operating capacity of or the revenue generated by our capital assets. In our Partnership Agreement, we refer to these maintenance and replacement capital expenditures as maintenance capital expenditures. To the extent, however, that capital expenditures associated with acquiring a new vessel or improving an existing vessel increase the revenues or the operating capacity of our fleet, those capital expenditures would be classified as expansion capital expenditures.

Investment capital expenditures are those capital expenditures that are neither maintenance and replacement capital expenditures nor expansion capital expenditures. Investment capital expenditures largely will consist of capital expenditures made for investment purposes. Examples of investment capital expenditures include traditional capital expenditures for investment purposes, such as purchases of equity securities, as well as other capital expenditures that might be made in lieu of such traditional investment capital expenditures, such as the acquisition of a capital asset for investment purposes.

Examples of maintenance and replacement capital expenditures include capital expenditures associated with dry-docking, modifying an existing vessel or acquiring a new vessel to the extent such expenditures are incurred to maintain the operating capacity of or the revenue generated by our fleet. Maintenance and replacement capital expenditures will also include interest (and related fees) on debt incurred and distributions on equity issued

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(including the amount of any incremental distributions made to the holders of our incentive distribution rights) to finance the construction of a replacement vessel and paid in respect of the construction period, which we define as the period beginning on the date that we enter into a binding construction contract and ending on the earlier of the date that the replacement vessel commences commercial service or the date that the replacement vessel is abandoned or disposed of. Debt incurred to pay or equity issued to fund construction period interest payments, and distributions on such equity (including the amount of any incremental distributions made to the holders of our incentive distribution rights), will also be considered maintenance and replacement capital expenditures.

Because our maintenance and replacement capital expenditures can be very large and vary significantly in timing, the amount of our actual maintenance and replacement capital expenditures may differ substantially from period to period, which could cause similar fluctuations in the amounts of operating surplus, adjusted operating surplus, and available cash for distribution to our unitholders if we subtracted actual maintenance and replacement capital expenditures from operating surplus each quarter. Accordingly, to eliminate the effect on operating surplus of these fluctuations, our Partnership Agreement will require that an amount equal to an estimate of the average quarterly maintenance and replacement capital expenditures necessary to maintain the operating capacity of or the revenue generated by our capital assets over the long-term be subtracted from operating surplus each quarter, as opposed to the actual amounts spent. In our Partnership Agreement, we refer to these estimated maintenance and replacement capital expenditures to be subtracted from operating surplus as estimated maintenance capital expenditures. The amount of estimated maintenance and replacement capital expenditures deducted from operating surplus is subject to review and change by our board of directors at least once a year, provided that any change must be approved by our conflicts committee. The estimate will be made at least annually and whenever an event occurs that is likely to result in a material adjustment to the amount of our maintenance and replacement capital expenditures, such as a major acquisition or the introduction of new governmental regulations that will affect our fleet. For purposes of calculating operating surplus, any adjustment to this estimate will be prospective only. For a discussion of the amounts we have allocated toward estimated maintenance and replacement capital expenditures, see Our Cash Distribution Policy and Restrictions on Distributions.

The use of estimated maintenance and replacement capital expenditures in calculating operating surplus will have the following effects:

- it will reduce the risk that actual maintenance and replacement capital expenditures in any one quarter will be large enough to make operating surplus less than the minimum quarterly distribution to be paid on all the units for that quarter and subsequent quarters;
- it may reduce the need for us to borrow to pay distributions;
- it will be more difficult for us to raise our distribution above the minimum quarterly distribution and pay incentive distributions to our General Partner; and
- it will reduce the likelihood that a large maintenance and replacement capital expenditure in a period will prevent our Sponsor from being able to convert some or all of its subordinated units into common units since the effect of an estimate is to spread the expected expense over several periods, mitigating the effect of the actual payment of the expenditure on any single period.

Definition of Capital Surplus

Capital surplus generally will be generated only by:

- borrowings other than working capital borrowings;
- sales of debt and equity securities; and

sales or other dispositions of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or non-current assets sold as part of normal retirements or replacements of assets.

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Characterization of Cash Distributions

We will treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since we began operations equals the operating surplus as of the most recent date of determination of available cash. We will treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus. As described above, operating surplus does not reflect actual cash on hand that is available for distribution to our unitholders. For example, it includes a provision that will enable us, if we choose, to distribute as operating surplus up to $ million of cash we receive in the future from non-operating sources, such as asset sales, issuances of securities and long-term borrowings, that would otherwise be distributed as capital surplus. We do not anticipate that we will make any distributions from capital surplus.

Subordination Period

General

During the subordination period, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $ per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units. The purpose of the subordinated units is to increase the likelihood that during the subordination period there will be available cash from operating surplus to be distributed on the common units.

Definition of Subordination Period

The subordination period will extend until the second business day following the distribution of available cash from operating surplus in respect of any quarter, ending on or after , that each of the following tests are met:

- distributions of available cash from operating surplus on each of the outstanding common units and subordinated units equaled or exceeded the minimum quarterly distribution for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;

- the adjusted operating surplus (as defined below) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units and subordinated units during those periods on a fully diluted weighted average basis and the related distribution on the 0.1% General Partner interest during those periods; and

- there are no outstanding arrearages in payment of the minimum quarterly distribution on the common units.

If the unitholders remove our General Partner without cause, the subordination period may end before .

For purposes of determining whether the tests in the bullets above have been met, the three consecutive four-quarter periods for which the determination is being made may include one or more quarters with respect to which arrearages in the payment of the minimum quarterly distribution on the common units have accrued, provided that all such arrearages have been repaid prior to the end of each such four-quarter period. If the expiration of the subordination period occurs as a result of us having met the tests described above, each outstanding subordinated unit will convert into one common unit and will then participate pro rata with the other common units in distributions of available cash.

In addition, at any time on or after , provided that there are no outstanding arrearages in payment of the minimum quarterly distribution on the common units and subject to approval by our conflicts committee, the holder or holders of a majority of our outstanding subordinated units will have the option to convert each subordinated unit into a number of common units determined by multiplying the number of outstanding subordinated units to be converted by a fraction, (i) the numerator of which is equal to the aggregate amount of distributions of available cash from operating surplus (not to exceed adjusted operating surplus) on the outstanding subordinated units (historical distributions) for the four fiscal quarters preceding the date of conversion (the measurement period) and (ii) the denominator of which is equal to the aggregate amount of distributions that would have been required during the measurement period to pay the minimum quarterly distribution on all outstanding subordinated units during such four-quarter period; provided, that if the forecasted distributions to be paid from forecasted operating surplus (not to exceed forecasted adjusted operating surplus) on the outstanding subordinated units for the four fiscal quarter period immediately following the measurement period (forecasted distributions), as determined by our conflicts committee, is less than historical distributions, then the numerator shall be forecasted distributions; provided, further, however, that the subordinated units may not convert into common units at a ratio that is greater than one-to-one. If the option to convert the subordinated units into common units is exercised as described above, the outstanding subordinated units will convert into the prescribed number of common units and will then participate pro rata with other common units in distributions of available cash.

Definition of Adjusted Operating Surplus

Operating surplus for any period generally means:

- operating surplus generated with respect to that period (excluding any amounts attributable to the item described in the first bullet point under Operating Surplus and Capital Surplus Definition of Operating Surplus above); less

- the amount of any net increase in working capital borrowings (including our proportionate share of any changes in working capital borrowings of certain subsidiaries we do not wholly own) with respect to that period; less

- the amount of any net reduction in cash reserves for operating expenditures (including our proportionate share of cash reserves of certain subsidiaries we do not wholly own) over that period not relating to an operating expenditure made during that period; plus

- the amount of any net decrease in working capital borrowings (including our proportionate share of any changes in working capital borrowings of certain subsidiaries we do not wholly own) with respect to that period; plus

- the amount of any net increase in cash reserves for operating expenditures (including our proportionate share of cash reserves of certain subsidiaries we do not wholly own) over that period required by any debt instrument for the repayment of principal, interest or premium; plus

- the amount of any net decrease made in subsequent periods to cash reserves for operating expenditures initially established with respect to such period to the extent such decrease results in a reduction in adjusted operating surplus in subsequent periods

Adjusted operating surplus is intended to reflect the cash generated from operations during a particular period and therefore excludes net increases in working capital borrowings and net drawdowns of reserves of cash generated in prior periods.

Effect of Removal of Our General Partner on the Subordination Period

If the unitholders remove our General Partner other than for cause and units held by our General Partner and its affiliates are not voted in favor of such removal:

- the subordination period will end and each subordinated unit will immediately convert into one common unit and will then participate pro rata with the other common units in distributions of available cash;

any existing arrearages in payment of the minimum quarterly distribution on the common units will be extinguished; and

our General Partner will have the right to convert its General Partner interest and its incentive distribution rights into common units or to receive cash in exchange for that interest.

Distributions of Available Cash From Operating Surplus During the Subordination Period

We will make distributions of available cash from operating surplus for any quarter during the subordination period in the following manner:

first, 99.9% to the common unitholders, pro rata, and 0.1% to our General Partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;

second, 99.9% to the common unitholders, pro rata, and 0.1% to our General Partner, until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period;

third, 99.9% to the subordinated unitholders, pro rata, and 0.1% to our General Partner, until we distribute for each subordinated unit an amount equal to the minimum quarterly distribution for that quarter; and

thereafter, in the manner described in General Partner Interest and Incentive Distribution Rights below.

The preceding paragraph is based on the assumption that our General Partner maintains its 0.1% General Partner interest and that we do not issue additional classes of equity securities.

Distributions of Available Cash From Operating Surplus After the Subordination Period

We will make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

first, 99.9% to all unitholders, pro rata, and 0.1% to our General Partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and

thereafter, in the manner described in General Partner Interest and Incentive Distribution Rights below.

The preceding paragraph is based on the assumption that our General Partner maintains its 0.1% General Partner interest and that we do not issue additional classes of equity securities.

General Partner Interest

Our Partnership Agreement provides that our General Partner initially will be entitled to 0.1% of all distributions that we make prior to our liquidation. Our General Partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its 0.1% General Partner interest if we issue additional units. Our General Partner s 0.1% interest, and the percentage of our cash distributions to which it is entitled, will be proportionately reduced if we issue additional units in the future and our General Partner does not contribute a proportionate amount of capital to us in order to maintain its 0.1% General Partner interest. Our General Partner will be entitled to make a capital contribution in order to maintain its 0.1% General Partner interest in the form of the contribution to us of common units based on the current market value of the contributed common units.

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Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our General Partner will hold the incentive distribution rights following completion of this offering. The incentive distribution rights may be transferred separately from our General Partner interest, subject to restrictions in the Partnership Agreement. Except for transfers of incentive distribution rights to an affiliate or another entity as part of our General Partner s merger or consolidation with or into, or sale of substantially all of its assets to such entity, the approval of a majority of our common units (excluding common units held by our General Partner and its affiliates), voting separately as a class, generally is required for a transfer of the incentive distribution rights to a third party prior to . See The Partnership Agreement Transfer of Incentive Distribution Rights. Any transfer by our General Partner of the incentive distribution rights would not change the percentage allocations of quarterly distributions with respect to such rights.

If for any quarter:

- we have distributed available cash from operating surplus to the common and subordinated unitholders in an amount equal to the minimum quarterly distribution; and

- we have distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution;

then, we will distribute any additional available cash from operating surplus for that quarter among the unitholders and our General Partner in the following manner:

- *first*, 99.9% to all unitholders, pro rata, and 0.1% to our General Partner, until each unitholder receives a total of $ per unit for that quarter (the first target distribution);

- *second*, 85.0% to all unitholders, pro rata, 0.1% to our General Partner and 14.9% to the holders of the incentive distribution rights, pro rata, until each unitholder receives a total of $ per unit for that quarter (the second target distribution);

- *third*, 75.0% to all unitholders, pro rata, 0.1% to our General Partner and 24.9% to the holders of the incentive distribution rights, pro rata, until each unitholder receives a total of $ per unit for that quarter (the third target distribution); and

- *thereafter*, 50.0% to all unitholders, pro rata, 0.1% to our General Partner and 49.9% to the holders of the incentive distribution rights, pro rata.

In each case, the amount of the target distribution set forth above is exclusive of any distributions to common unitholders to eliminate any cumulative arrearages in payment of the minimum quarterly distribution. The percentage interests set forth above assume that our General Partner maintains its 0.1% General Partner interest and that we do not issue additional classes of equity securities.

Percentage Allocations of Available Cash From Operating Surplus

The following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders, our General Partner and the holders of the incentive distribution rights up to the various target distribution levels. The amounts set forth under Marginal Percentage Interest in Distributions are the percentage interests of the unitholders, our General Partner and the holders of the incentive distribution rights in any available cash from operating surplus we distribute up to and including the corresponding amount in the column Total Quarterly Distribution Target Amount, until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders, our General

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Partner and the holders of the incentive distribution rights for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests shown for our General Partner include its 0.1% General Partner interest only and assume that our General Partner has contributed any capital necessary to maintain its 0.1% General Partner interest.

	Total Quarterly Distribution	Marginal Percentage Interest in Distributions		
	Target Amount	Unitholders	General Partner	Holders of IDRs
Minimum Quarterly Distribution		$99.9%	0.1%	0.0%
First Target Distribution	up to $	99.9%	0.1%	0.0%
Second Target Distribution	above $ up to $	85.0%	0.1%	14.9%
Third Target Distribution	Above $ up to $	75.0%	0.1%	24.9%
Thereafter	above $	50.0%	0.1%	49.9%

General Partner s Right to Reset Incentive Distribution Levels

Our General Partner, as the initial holder of all of our incentive distribution rights, has the right under our Partnership Agreement to elect to relinquish the right of the holders of our incentive distribution rights to receive incentive distribution payments based on the initial cash target distribution levels and to reset, at higher levels, the minimum quarterly distribution amount and cash target distribution levels upon which the incentive distribution payments to our General Partner would be set. Our General Partner s right to reset the minimum quarterly distribution amount and the target distribution levels upon which the incentive distributions payable to our General Partner are based may be exercised, without approval of our unitholders or the conflicts committee of our board of directors, at any time when there are no subordinated units outstanding and we have made cash distributions to the holders of the incentive distribution rights at the highest level of incentive distribution for each of the prior four consecutive fiscal quarters. If at the time of any election to reset the minimum quarterly distribution amount and the target distribution levels our General Partner and its affiliates are not the holders of a majority of the incentive distribution rights, then any such election to reset shall be subject to the prior written concurrence of our General Partner that the conditions described in the immediately preceding sentence have been satisfied. The reset minimum quarterly distribution amount and target distribution levels will be higher than the minimum quarterly distribution amount and the target distribution levels prior to the reset such that there will be no incentive distributions paid under the reset target distribution levels until cash distributions per unit following this event increase as described below. We anticipate that our General Partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would otherwise not be sufficiently accretive to cash distributions per common unit, taking into account the existing levels of incentive distribution payments being made to our General Partner.

In connection with the resetting of the minimum quarterly distribution amount and the target distribution levels and the corresponding relinquishment by our General Partner of incentive distribution payments based on the target cash distributions prior to the reset, our General Partner will be entitled to receive a number of newly issued common units based on a predetermined formula described below that takes into account the cash parity value of the average cash distributions related to the incentive distribution rights received by our General Partner for the two quarters prior to the reset event as compared to the average cash distributions per common unit during this period. We will also issue an additional amount of General Partner Units in order to maintain the General Partner s ownership interest in us relative to the issuance of the additional common units.

The number of common units that our General Partner would be entitled to receive from us in connection with a resetting of the minimum quarterly distribution amount and the target distribution levels then in effect would be equal to (x) the average amount of cash distributions received by our General Partner in respect of its incentive distribution rights during the two consecutive fiscal quarters ended immediately prior to the date of such reset election divided by (y) the average of the amount of cash distributed per common unit during each of these two quarters. The issuance of the additional common units will be conditioned upon approval of the listing or admission for trading of such common units by the national securities exchange on which the common units are then listed or admitted for trading.

Following a reset election, the minimum quarterly distribution amount will be reset to an amount equal to the average cash distribution amount per unit for the two fiscal quarters immediately preceding the reset election (such amount is referred to as the reset minimum quarterly distribution) and the target distribution levels will be reset to be correspondingly higher such that we would distribute all of our available cash from operating surplus for each quarter thereafter as follows:

- *first*, 99.9% to all unitholders, pro rata, and 0.1% to our General Partner, until each unitholder receives an amount equal to 115.0% of the reset minimum quarterly distribution for that quarter;

- *second*, 85.0% to all unitholders, pro rata, 0.1% to our General Partner and 14.9% to the holders of the incentive distribution rights, pro rata, until each unitholder receives an amount per unit equal to 125.0% of the reset minimum quarterly distribution for the quarter;

- *third*, 75.0% to all unitholders, pro rata, 0.1% to our General Partner, and 24.9% to the holders of the incentive distribution rights, pro rata, until each unitholder receives an amount per unit equal to % of the reset minimum quarterly distribution for the quarter; and

- *thereafter,* 50.0% to all unitholders, pro rata, 0.1% to our General Partner and 49.9% to the holders of the incentive distribution rights, pro rata.

The following table illustrates the percentage allocation of available cash from operating surplus between the unitholders, our General Partner and the holders of the incentive distribution rights at various levels of cash distribution levels pursuant to the cash distribution provision of our Partnership Agreement in effect at the closing of this offering as well as following a hypothetical reset of the minimum quarterly distribution and target distribution levels based on the assumption that the average quarterly cash distribution amount per common unit during the two fiscal quarters immediately preceding the reset election was $.

		Marginal Percentage Interest in Distribution			
	Quarterly Distribution per Unit Prior to Reset	**Unitholders**	**General Partner**	**Holders of IDRs**	**Quarterly Distribution per Unit following Hypothetical Reset**
Minimum Quarterly Distribution	$	99.9%	0.1%	0%	$
First Target Distribution	up to $	99.9%	0.1%	0%	Up to $(1)
Second Target Distribution	above $ up to $	85.0%	0.1%	14.9%	above $ up to $(2)
Third Target Distribution	above $ up to $	75.0%	0.1%	24.9%	above $ up to $(3)
Thereafter	Above $	50.0%	0.1%	49.9%	above $(3)

(1) This amount is 115% of the hypothetical reset minimum quarterly distribution.
(2) This amount is 125% of the hypothetical reset minimum quarterly distribution.
(3) This amount is 150% of the hypothetical reset minimum quarterly distribution.

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The following table illustrates the total amount of available cash from operating surplus that would be distributed to the unitholders, the General Partner and the holders of the incentive distribution rights based on an average of the amounts distributed per quarter for the two quarters immediately prior to the reset. The table assumes that there are common units and General Partner Units outstanding, representing a 0.1% general partner interest, outstanding, and that the average distribution to each common unit is $ for the two quarters prior to the reset. The assumed number of outstanding units assumes the conversion of all subordinated units into common units and no additional unit issuances.

	Quarterly Distribution per Unit Prior to Reset	Common Unitholders Cash Distributions Prior to Reset	General Partner and IDR Holders Cash Distributions Prior to Reset				Total Distributions
			Additional Common Units	0.1% General Partner Interest	IDRs	Total	
Minimum Quarterly Distribution	$	$		$	$	$	$
First Target Distribution	$						
Second Target Distribution	$						
Third Target Distribution	$						
Thereafter	$						
	$	$	$	$	$	$	$

The following table illustrates the total amount of available cash from operating surplus that would be distributed to the unitholders, the General Partner and the holders of the incentive distribution rights with respect to the quarter in which the reset occurs. The table reflects that as a result of the reset there are common units and General Partner Units outstanding, and that the average distribution to each common unit is . The number of additional common units was calculated by dividing (x) $ as the average of the amounts received by the General Partner in respect of their incentive distribution rights, for the two quarters prior to the reset as shown in the table above by (y) the $ of available cash from operating surplus distributed to each common unit as the average distributed per common unit for the two quarters prior to the reset.

	Quarterly Distribution per Unit After Reset	Common Unitholders Cash Distributions After Reset	General Partner and IDR Holders Cash Distributions After Reset				Total Distributions
			Additional Common Units	0.1% General Partner Interest	IDRs	Total	
Minimum Quarterly Distribution	$	$		$	$	$	$
First Target Distribution	$						
Second Target Distribution	$						
Third Target Distribution	$						
Thereafter	$						
	$	$	$	$	$	$	$

Assuming that it continues to hold a majority of our incentive distribution rights, our General Partner will be entitled to cause the minimum quarterly distribution amount and the target distribution levels to be reset on more than one occasion, provided that it may not make a reset election except at a time when the holders of the incentive distribution rights have received incentive distributions for the prior four consecutive fiscal quarters based on the highest level of incentive distributions that the holders of incentive distribution rights are entitled to receive under our Partnership Agreement.

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Distributions From Capital Surplus

How Distributions From Capital Surplus Will Be Made

We will make distributions of available cash from capital surplus, if any, in the following manner:

- *first*, 99.9% to all unitholders, pro rata, and 0.1% to our General Partner, until the minimum quarterly distribution is reduced to zero, as described below;
- *second*, 99.9% to the common unitholders, pro rata, and 0.1% to our General Partner, until we distribute for each common unit, an amount of available cash from capital surplus equal to any unpaid arrearages in payment of the minimum quarterly distribution on the common units; and
- *thereafter*, we will make all distributions of available cash from capital surplus as if they were from operating surplus.

The preceding paragraph is based on the assumption that our General Partner maintains its 0.1% General Partner interest and that we do not issue additional classes of equity securities.

Effect of a Distribution from Capital Surplus

The Partnership Agreement treats a distribution of capital surplus as the repayment of the consideration for the issuance of the units, which is a return of capital. Each time a distribution of capital surplus is made, the minimum quarterly distribution and the target distribution levels will be reduced in the same proportion as the distribution had to the fair market value of the common units prior to the announcement of the distribution. Because distributions of capital surplus will reduce the minimum quarterly distribution, after any of these distributions are made, it may be easier for our General Partner to receive incentive distributions and for the subordinated units to convert into common units. However, any distribution of capital surplus before the minimum quarterly distribution is reduced to zero cannot be applied to the payment of the minimum quarterly distribution or any arrearages.

Once we reduce the minimum quarterly distribution and the target distribution levels to zero, we will then make all future distributions 50% to the holders of units, 0.1% to our General Partner and 49.9% to the holders of the incentive distribution rights (initially, our General Partner). The 0.1% interests shown for our General Partner assumes that our General Partner maintains its 0.1% General Partner interest.

Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels

In addition to adjusting the minimum quarterly distribution and target distribution levels to reflect a distribution of capital surplus, if we combine our units into fewer units or subdivide our units into a greater number of units, we will proportionately adjust:

- the minimum quarterly distribution;
- the target distribution levels; and
- the initial unit price.

For example, if a two-for-one split of the common and subordinated units should occur, the minimum quarterly distribution, the target distribution levels and the initial unit price, would each be reduced to 50% of its initial level. If we combine our common units into a lesser number of units or subdivide our common units into a greater number of units, we will combine our subordinated units or subdivide our subordinated units, using the same ratio applied to the common units. We will not make any adjustment by reason of the issuance of additional units for cash or property.

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Distributions of Cash Upon Liquidation

If we dissolve in accordance with the Partnership Agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will apply the proceeds of liquidation in the manner set forth below. If, as of the date three trading days prior to the announcement of the proposed liquidation, the average closing price for our common units for the preceding 20 trading days (or the current market price) is greater than the sum of:

- any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period;

- the minimum quarterly distribution;

then the proceeds of the liquidation will be applied as follows:

- *first*, 99.9% to the common unitholders, pro rata, and 0.1% to our General Partner, until we distribute for each outstanding common unit an amount equal to the current market price of our common units;

- *second*, 99.9% to the subordinated unitholders, pro rata, and 0.1% to our General Partner, until we distribute for each subordinated unit an amount equal to the current market price of our common units; and

- *thereafter*, 50.0% to all unitholders, pro rata, 49.9% to holders of incentive distribution rights and 0.1% to our General Partner.

If, as of the date three trading days prior to the announcement of the proposed liquidation, the current market price of our common units is equal to or less than the sum of:

- any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period; plus

- the initial unit price (less any prior capital surplus distributions and any prior cash distributions made in connection with a partial liquidation);

then the proceeds of the liquidation will be applied as follows:

- *first*, 99.9% to the common unitholders, pro rata, and 0.1% to our General Partner, until we distribute for each outstanding common unit an amount equal to the initial unit price (less any prior capital surplus distributions and any prior cash distributions made in connection with a partial liquidation);

- *second*, 99.9% to the common unitholders, pro rata, and 0.1% to our General Partner, until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period;

third, 99.9% to the subordinated unitholders and 0.1% to our General Partner, until we distribute for each outstanding subordinated unit an amount equal to the initial unit price (less any prior capital surplus distributions and any prior cash distributions made in connection with a partial liquidation); and

thereafter, 50.0% to all unitholders, pro rata, 49.9% to holders of incentive distribution rights and 0.1% to our General Partner.

The immediately preceding paragraph is based on the assumption that our General Partner maintains its 0.1% General Partner interest and that we do not issue additional classes of equity securities.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

We were formed on May 30, 2013 by our Sponsor as a new LNG carrier subsidiary focused on owning and operating LNG carriers that are employed on multi-year time charters with international energy companies. On October 29, 2013, we acquired from our Sponsor the Sponsor Controlled Companies. In addition, prior to the completion of this offering, we will complete a series of formation transactions that are described in the section of the prospectus entitled Summary Formation Transactions. Our business will be a direct continuation of the Sponsor Controlled Companies. We do not intend to engage in any business or other activities prior to the closing of the offering, except in connection with our formation. The Sponsor Controlled Companies are limited to entities that are under the control of our Sponsor and its affiliates, and, as such, this acquisition was accounted for as a transaction between entities under common control. As a result, the financial statements of the Sponsor Controlled Companies and us from May 30, 2013 (the date of our inception) have been presented using combined historical carrying costs of the assets and liabilities of the Sponsor Controlled Companies, and present the consolidated financial position and results of operations as if Dynagas Partners and the Sponsor Controlled Companies were consolidated for all periods presented.

The following table summarizes our selected historical consolidated financial and other operating data at the dates and for the periods indicated. The selected historical consolidated financial data in the table as of December 31, 2012 and 2011 and for the years then ended is derived from our audited consolidated financial statements for 2012 and 2011 included elsewhere in this prospectus, which have been prepared in accordance with U.S. GAAP. Our selected historical consolidated financial data presented below as of and for the six months ended June 30, 2013 and 2012 has been prepared on the same basis as our audited consolidated financial statements, are derived from our unaudited interim condensed consolidated financial statements included herein and, in the opinion of management, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation thereof. Our interim results are not necessarily indicative of our results for the entire year or for any future periods. The following financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and related notes included elsewhere in this prospectus.

Our financial position, results of operations and cash flows could differ from those that would have resulted if we operated autonomously or as an entity independent of our Sponsor in the periods for which historical financial data are presented below, and such data may not be indicative of our future operating results or financial performance.

	Six Months Ended June 30,		Year Ended December 31,	
	2013	2012	2012	2011
	(dollars in thousands)			
Income Statement Data				
Voyage revenues	$ 42,444	$ 37,105	$ 77,498	$ 52,547
Voyage expenses[1]	(832)	(1,928)	(3,468)	(1,353)
Vessel operating expenses	(6,232)	(7,376)	(15,722)	(11,350)
General and administrative expenses	(21)		(278)	(54)
Management fees	(1,358)	(1,328)	(2,638)	(2,529)
Depreciation	(6,733)	(6,771)	(13,616)	(13,579)
Dry-docking and special survey costs		(719)	(2,109)	
Operating income	27,268	18,983	39,667	23,682
Interest income		1	1	4
Interest and finance costs	(4,591)	(4,452)	(9,576)	(3,977)
Loss on derivative financial instruments		(138)	(196)	(824)
Other, net	51	(1)	(60)	(65)
Net Income	$ 22,728	$ 14,393	$ 29,836	$ 18,820

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	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Year Ended December 31, 2012	Year Ended December 31, 2011
	(dollars in thousands, except fleet data and average daily data)			
Balance Sheet Data:				
Total current assets	$ 4,092		$ 7,773	$ 3,194
Vessels, net	460,021		466,754	480,370
Total assets	468,332		476,275	484,363
Total current liabilities	47,154		55,849	175,959
Total Long Term Debt and stockholders loan, including current portion	359,045		380,715	402,189
Total partners equity	97,903		75,175	45,339
Cash Flow Data:				
Net cash provided by operating activities	$ 17,728	$ 2,988	$ 27,902	$ 28,974
Net cash used in financing activities	(21,670)	(5,279)	(23,449)	(45,956)
Fleet Data:				
Number of vessels at the end of the year	3	3	3	3
Average number of vessels in operation(2)	3	3	3	3
Average age of vessels in operation at end of period (years)	5.9	4.9	5.4	4.4
Available days(3)	543	530	1,056	1,095
Time Charter Equivalent(4)	$ 76,633	$ 66,372	$ 70,104	$ 46,753
Fleet utilization(5)	100.0%	99.0%	99.5%	99.5%
Other Financial Data:				
Adjusted EBITDA (6)	$ 34,052	$ 25,753	$ 53,223	$ 37,196

(1) Voyage expenses include commissions of 1.25% paid to our Manager and third-party ship brokers.

(2) Represents the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.

(3) Available days are the total number of calendar days our vessels were in our possession during a period, less the total number of scheduled off-hire days during the period associated with major repairs, or dry-dockings.

(4) Time charter equivalent rates, or TCE rates, is a measure of the average daily revenue performance of a vessel. For time charters, this is calculated by dividing total voyage revenues, less any voyage expenses, by the number of Available days during that period. Under a time charter, the charterer pays substantially all of the vessel voyage related expenses. However, we may incur voyage related expenses when positioning or repositioning vessels before or after the period of a time charter, during periods of commercial waiting time or while off-hire during dry-docking or due to other unforeseen circumstances. The TCE rate is not a measure of financial performance under U.S. GAAP (non-GAAP measure), and should not be considered as an alternative to voyage revenues, the most directly comparable GAAP measure, or any other measure of financial performance presented in accordance with U.S. GAAP. However, TCE rate is a standard shipping industry performance measure used primarily to compare period-to-period changes in a company s performance and assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance. Our calculation of TCE rates may not be comparable to that reported by other companies. The following table reflects the calculation of our TCE rates for the

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six month periods ended June 30, 2013 and 2012 and the years ended December 31, 2012 and 2011 (amounts in thousands of U.S. dollars, except for TCE rates, which are expressed in U.S. dollars and Available days):

	Six Months Ended June 30,		Year Ended December 31,	
	2013	2012	2012	2011
	(dollars in thousands, except average daily TCE)			
Voyage revenues	$ 42,444	37,105	$ 77,498	$ 52,547
Voyage expenses	(832)	(1,928)	(3,468)	(1,353)
Time charter equivalent revenues	41,612	35,177	74,030	51,194
Total Available days	543	530	1,056	1,095
Time charter equivalent (TCE) rate	76,633	66,372	70,104	46,753

(5) We calculate fleet utilization by dividing the number of our revenue earning days, which are the total number of Available Days of our vessels net of unscheduled off-hire days, during a period, by the number of our Available days during that period. The shipping industry uses fleet utilization to measure a company s efficiency in finding employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons such as unscheduled repairs but excluding scheduled off-hires for vessel upgrades, dry-dockings or special or intermediate surveys.

(6) Adjusted EBITDA is defined as earnings before interest and finance costs, net of interest income, gains/losses on derivative financial instruments, taxes (when incurred), depreciation and amortization (when incurred). Adjusted EBITDA is used as a supplemental financial measure by management and external users of financial statements, such as our investors, to assess our liquidity and our operating performance. We believe that Adjusted EBITDA assists our management and investors by providing useful information that increases the comparability of our performance operating from period to period and against the operating performance of other companies in our industry that provide Adjusted EBITDA information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest, other financial items, depreciation and amortization and taxes, which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including Adjusted EBITDA as a measure of operating performance benefits investors in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength in assessing whether to continue to hold common units.

Adjusted EBITDA is not a measure of financial performance under U.S. GAAP, does not represent and should not be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance presented in accordance with U.S. GAAP. Adjusted EBITDA excludes some, but not all, items that affect net income and these measures may vary among other companies. Therefore, Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies. The following table reconciles Adjusted EBITDA to net income (loss), the most directly comparable U.S. GAAP financial measures, for the periods presented:

	Six Months Ended June 30,		Year Ended December 31,	
	2013	2012	2012	2011
Reconciliation to Net Income	(dollars in thousands)			
Net Income	$ 22,728	14,393	$ 29,836	$ 18,820
Net interest expense (including loss from derivative instruments)	4,591	4,589	9,771	4,797
Depreciation	6,733	6,771	13,616	13,579
Adjusted EBITDA	$ 34,052	$ 25,753	$ 53,223	$ 37,196

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Selected Historical Consolidated Financial and Operating Data and the accompanying unaudited consolidated financial statements and the related notes included elsewhere in this prospectus. Amounts relating to percentage variations in period on period comparisons shown in this section are derived from the actual numbers in our books and records. The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. See Risk Factors and Forward-Looking Statements. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur.

Our Business

We are a growth-oriented limited partnership focused on owning and operating LNG carriers. Our vessels are employed on multi-year time charters, which we define as charters of two years or more, with international energy companies such as BG Group and Gazprom, providing us with the benefits of stable cash flows and high utilization rates. We intend to leverage the reputation, expertise, and relationships of our Sponsor and our Manager in maintaining cost-efficient operations and providing reliable seaborne transportation services to our customers. In addition, we intend to make further vessel acquisitions from our Sponsor and from third parties. There is no guarantee that we will grow the size of our fleet or the per unit distributions that we intend to pay or that we will be able to make further vessel acquisitions from our Sponsor or third parties

Our Sponsor entered the LNG sector in 2004 by ordering the construction of three LNG carriers, the *Clean Energy*, the *Ob River*, and the *Clean Force*, from Hyundai Heavy Industries Co. Ltd. or HHI, one of the world s leading shipbuilders of LNG carriers. On October 29, 2013, we acquired from our Sponsor these vessels, which we refer to as our Initial Fleet, in exchange for 6,735,000 of our common units and all of our subordinated units. The LNG carriers that comprise our Initial Fleet have an average age of 6.3 years and are under time charters with an average remaining term of 3.5 years, as of October 28, 2013.

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We believe that we will have the opportunity to grow our per unit distributions by making acquisitions of LNG carriers from our Sponsor or from third parties. Our Sponsor took delivery of two newbuilding LNG carriers in July 2013 and one in October 2013 from HHI, and has contracts for the construction of an additional four LNG carriers with HHI, scheduled to be delivered to our Sponsor in 2014 and 2015. We will receive the right to purchase these seven vessels, which we refer to as the Optional Vessels, at a purchase price to be determined pursuant to the terms and conditions of the Omnibus Agreement within 24 months of their delivery to our Sponsor.

Our Initial Fleet

Our Initial Fleet consists of three LNG carriers currently operating under multi-year charters with BG Group and Gazprom. The *Clean Force* and the *Ob River* have been assigned with Ice Class designation for hull and machinery and are fully winterized, which means that they are designed to call at ice-bound and harsh environment terminals and to withstand temperatures up to minus 30 degrees Celsius. According to Drewry, the *Clean Force* and the *Ob River* are two of only five LNG carriers in the global LNG fleet that are currently in operation which have been assigned an Ice Class 1A FS designation, or its equivalent rating. This means that only 1.4% of the LNG vessels in the global LNG fleet have this designation and we are the only company in the world that is currently transiting the Northern Sea Route with LNG carriers. We believe that these specifications enhance our trading capabilities and future employment opportunities because they provide greater flexibility in the trading routes available to our charterers.

We believe that the key characteristics of each of our vessels in our Initial Fleet include the following:

- optimal sizing with a carrying capacity of approximately 150,000 cbm (which is a medium- to large-size class of LNG carrier) that maximizes its operational flexibility as such vessel is compatible with most existing LNG terminals around the world;

- each vessel is a sister vessel, which are vessels built by the same yard that shares (i) a near-identical hull and superstructure layout, (ii) similar displacement, and (iii) roughly comparable features and equipment;

- utilization of a membrane containment system that uses insulation built directly into the hull of the vessel with a membrane covering inside the tanks designed to maintain integrity and that uses the vessel s hull to directly support the pressure of the LNG cargo (see The International Liquefied Natural Gas (LNG) Shipping Industry The LNG Fleet for a description of the types of LNG containment systems);

- double hull construction, based on the current LNG shipping industry standard; and

- a 99.5% utilization rate over 2012 and 2011.

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According to Drewry, there are only 39 LNG carriers currently in operation, including the vessels in our Initial Fleet, with a carrying capacity of between 149,000 and 155,000 cbm and a membrane containment system, representing 9.0% of the global LNG fleet and a total of 113 LNG carriers on order of which 8 are being constructed with these specifications.

The following table sets forth additional information about our Initial Fleet as of September 30, 2013:

Vessel Name	Shipyard	Year Built	Capacity (cbm)	Ice Class	Flag State	Charterer
Clean Energy	HHI	2007	149,700	No	Marshall Islands	BG Group
Ob River(1)	HHI	2007	149,700	Yes	Marshall Islands	Gazprom
Clean Force	HHI	2008	149,700	Yes	Marshall Islands	BG Group

(1) Formerly named *Clean Power*.

Our Charters

We intend to principally deploy our vessels on multi-year, fixed-rate time charters to take advantage of the stable cash flows and high utilization rates typically associated with multi-year time charters. Under our time charters, hire payments may be reduced if the vessel does not perform to certain of its specifications, such as if the average vessel speed falls below a guaranteed speed or the amount of fuel consumed to power the vessel under normal circumstances exceeds a guaranteed amount, and the customer is responsible for any voyage expenses incurred. We have secured multi-year fixed rate time charter contracts for the three LNG carriers in our Initial Fleet. The following table summarizes our current time charters for the vessels in our Initial Fleet and the expirations and extension options, as of October 28, 2013:

Vessel Name	Charterer	Contract Backlog (in millions)	Charter Commencement Date	Earliest Charter Expiration Date	Latest Charter Expiration Including Non-Exercised Options
Clean Energy	BG Group	$107.5	February 2012	April 2017	August 2020(2)
Ob River(1)	Gazprom	$122.4	September 2012	September 2017	May 2018(3)
Clean Force	BG Group	$66.8	October 2010	September 2016	January 2020(4)

(1) Formerly named *Clean Power*.

(2) BG Group has the option to extend the duration of the charter for an additional three-year term until August 2020 at an escalated daily rate, upon notice to us before January 2016.

(3) Gazprom has the option to extend the duration of the charter until May 2018 on identical terms, upon notice to us before March 2017.

(4) On January 2, 2013, BG Group exercised its option to extend the duration of the charter by an additional three-year term at an escalated daily rate, commencing on October 5, 2013. BG Group has the option to extend the duration of the charter by an additional three-year term at a further escalated daily rate, which would commence on October 5, 2016, upon notice to us before January 5, 2016. The latest expiration date upon the exercise of all options is January 2020.

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The following table summarizes our contracted charter revenues and contracted days for the vessels in our Initial Fleet as of June 30, 2013 assuming the earliest redelivery dates possible under our charters and 365 revenue days per annum per ship and assuming charterers do not exercise any options to extend the time charters of the *Clean Force*, the *Clean Energy* and the *Ob River*.

Contracted Charter Revenues and Days from Time Charters as of June 30, 2013

(in millions of U.S. Dollars, except days and percentages)

	Second half of 2013	2014	2015	2016	2017
No. of Vessels whose contracts expire[1]				1	2
Contracted Time Charter Revenues[1]	41.5	85.8	85.8	78.4	31.5
Contracted Days	552	1,095	1,095	979	368
Available Days	552	1,095	1,095	1,095	1,051
Contracted/Available Days	100%	100%	100%	89%	35%

(1) Annual revenue calculations are based on: (a) an assumed 365 revenue days per vessel per annum, (b) the earliest redelivery dates possible under our LNG carrier charters, and (c) no exercise of any option to extend the terms of those charters except for the option regarding the *Clean Force* exercised on January 2, 2013.

Although these expected revenues are based on contracted charter rates, any contract is subject to various risks, including performance by the counterparties or an early termination of the contract pursuant to its terms. If the charterers are unable to make charter payments to us, if we agree to renegotiate charter terms at the request of a charterer or if contracts are prematurely terminated for any reason, our results of operations and financial condition may be materially adversely affected. Historically, we have had no defaults or early terminations by charterers. For these reasons, the contracted charter revenue information presented is an estimate and should not be relied upon as being necessarily indicative of future results. Readers are cautioned not to place undue reliance on this information. Neither our independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the information presented in the table, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the information in the table.

In the six month period ended June 30, 2013, we received substantially all of our revenues from two charterers, which individually accounted for 60% and 40% of our revenues, respectively, as compared to three charterers in the same period in 2012 which individually accounted for 60%, 35% and 5%, respectively, of our revenues in 2012. Historically, we have not experienced any credit losses on our accounts receivable portfolio.

Items You Should Consider When Evaluating Our Historical Financial Performance and Assessing Our Future Prospects

We were formed on May 30, 2013 by our Sponsor as a new LNG carrier subsidiary focused on owning and operating LNG carriers that are employed on multi-year time charters with international energy companies. On October 29, 2013, we acquired from our Sponsor the Sponsor Controlled Companies. In addition, prior to the completion of this offering, we will complete a series of formation transactions that are described in the section of the prospectus entitled Prospectus Summary Formation Transactions. Our business will be a direct continuation of the Sponsor Controlled Companies. We do not intend to engage in any business or other activities prior to the closing of the offering, except in connection with our formation. The Sponsor Controlled Companies are limited to entities that are under the control of our Sponsor and its affiliates, and, as such, this acquisition was accounted for as a transaction between entities under common control. As a result, the financial statements of the Sponsor Controlled Companies and us from May 30, 2013 (the date of our inception) have been presented using combined historical carrying costs of the assets and liabilities of the Sponsor Controlled Companies, and present the consolidated financial position and results of operations as if Dynagas Partners and the Sponsor Controlled Companies were consolidated for all periods presented.

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You should consider the following facts when evaluating our historical results of operations and assessing our future prospects:

Upon completion of this offering, our leverage and associated finance expenses will be reduced. On October 25, 2013, we entered into a binding commitment letter with one of our lenders, an affiliate of Credit Suisse, for a new $262.13 million senior secured credit facility, which we refer to as the New Senior Secured Revolving Credit Facility. A portion of the proceeds of the New Senior Secured Revolving Credit Facility, together with the net proceeds of this offering, will be used to repay all of our existing outstanding indebtedness effective upon the closing of this offering. The material terms of this new credit facility will permit, among other things, distributions to our unitholders and the other transactions contemplated herein and are more fully set forth under the heading Liquidity and Capital Resources Our Borrowing Activities New Senior Secured Revolving Credit Facility.

We intend to increase the size of our fleet by making other acquisitions. Our growth strategy focuses on expanding our fleet through the acquisition of LNG carriers under multi-year time charters. For example, pursuant to the Omnibus Agreement that we will enter into with our Sponsor and our General Partner, we will have the right but not the obligation to purchase each of the seven Optional Vessels comprising our Sponsor s LNG fleet at any time up to 24 months following their respective deliveries from the shipyard. We expect that we will purchase the Optional Vessels if we are able to reach an agreement with our Sponsor regarding the purchase price of the vessels. In order to acquire these vessels or any additional vessels, we may need to issue additional equity or incur additional indebtedness.

We expect continued inflationary pressure on crew costs. Due to the specialized nature of operating LNG carriers, the increase in size of the worldwide LNG carrier fleet and the limited pool of qualified officers, we believe that crewing and labor related costs will experience significant increases.

Our historical results of operations reflect allocated administrative costs that may not be indicative of future administrative costs. The administrative costs included in our historical results of operations may not be indicative of our future administrative costs, which may include additional costs associated with being an Exchange Act reporting company. We have entered into the Management Agreements pursuant to which our Manager provides us certain administrative services, and our Management Agreements allow management fees to be increased if our Manager has incurred material unforeseen costs of providing the management services.

Our Sponsor and General Partner may exert influence over our operations. We expect that upon completion of this offering our Sponsor and our General Partner will own more than one third of our common and subordinated units in aggregate and as a result they will be able to exert influence over our operations.

Principal Factors Affecting Our Results of Operations

The principal factors which have affected our results and are expected to affect our future results of operations and financial position, include:

Number of Vessels in Our Fleet. The number of vessels in our fleet is a key factor in determining the level of our revenues. Aggregate expenses also increase as the size of our fleet increases. During 2007 and 2008, we took delivery of our Initial Fleet consisting of three LNG carriers. As of June 30, 2013, our fleet consisted of the same three LNG carriers;

Charter Rates. Our revenue is dependent on the charter rates we are able to obtain on our vessels. Charter rates on our vessels are based primarily on demand for and supply of LNG carrier capacity at the time we enter into the charters for our vessels, which is influenced by demand and supply for natural gas and in particular LNG as well as the supply of LNG carriers available for employment. The charter rates we obtain are also dependent on whether we employ our vessels under multi-year charters or charters with initial terms of less than two years. The vessels in our Initial Fleet are currently employed under multi-year time charters with staggered maturities, which will make us less susceptible to cyclical fluctuations

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in charter rates than vessels operated on charters of less than two years. However, we will be exposed to fluctuations in prevailing charter rates when we seek to recharter our vessels upon the expiry of their respective current charters and when we seek to charter vessels that we may acquire in the future. Prior to the commencement of our current charters, our vessels were employed primarily on charters with initial terms of less than two years or the spot market for LNG vessels, which over the last five years has been highly volatile, resulting in significant variability in our earnings;

BG Group s potential exercise of charter extension. In 2010, we entered into the time charter contract for the *Clean Force* with the BG Group at a time when time charter rates were significantly lower than prevailing time charter rates for equivalent periods. On January 2, 2013, BG Group exercised its option to extend the charter of the *Clean Force* until 2016 and currently holds another option to extend the duration of the charter until 2019 at a further increased daily rate. BG also holds an option to extend the time charter of the *Clean Energy* for an additional three years until 2020 at an increased daily rate;

Utilization of Our Fleet. Historically, our fleet has had a limited number of unscheduled off-hire days. In the six month periods ended June 30, 2013 and 2012 our fleet utilization was approximately 100% and 99%, respectively. However, an increase in annual off-hire days would reduce our utilization. The efficiency with which suitable employment is secured, the ability to minimize off-hire days and the amount of time spent positioning vessels also affects our results of operations. If the utilization pattern of our fleet changes, our financial results would be affected;

The level of our vessel operating expenses, including crewing costs, insurance and maintenance costs;

The timely delivery of the Optional Vessels (four of which are currently under construction and three of which have been delivered as of October 4, 2013) to our Sponsor and our ability to exercise the options to purchase the seven Optional Vessels;

The timely delivery of the vessels we may acquire in the future;

Our ability to maintain solid working relationships with our existing charterers and our ability to increase the number of our charterers through the development of new working relationships;

The performance of our charterer s obligations under their charter agreements;

The effective and efficient technical management of the vessels under our management agreements;

Our ability to obtain acceptable debt financing to fund our capital commitments;

The ability of our Sponsor to fund its capital commitments and take delivery of the Optional Vessels under construction;

Our ability to obtain and maintain regulatory approvals and to satisfy technical, health, safety and compliance standards that meet our charterer s requirements;

Economic, regulatory, political and governmental conditions that affect shipping and the LNG industry, which includes changes in the number of new LNG importing countries and regions, as well as structural LNG market changes impacting LNG supply that may allow greater flexibility and competition of other energy sources with global LNG use;

Our ability to successfully employ our vessels at economically attractive rates, as our charters expire or are otherwise terminated;

Our ability to obtain debt financing to fund our capital commitments in the current difficult credit markets and the likely increase in margins payable to our banks for new debt;

The amendment of our existing credit facilities or our entry into new financing agreements;

Our access to capital required to acquire additional ships and/or to implement our business strategy;

Our level of debt, the related interest expense and the timing of required payments of principal;

The level of our general and administrative expenses, including salaries and costs of consultants;

- Our charterer s right for early termination of the charters under certain circumstances;
- Performance of our counterparties and our charterer s ability to make charter payments to us; and
- The level of any distribution on our common and subordinated units.

See Risk Factors for a discussion of certain risks inherent in our business.

Important Financial and Operational Terms and Concepts

We use a variety of financial and operational terms and concepts when analyzing our performance. These include the following:

Time Charter Revenues. We recognize revenues from time charters over the term of the charter as the applicable vessel operates under the charter. Under time charters, revenue is not recognized during days a vessel is off-hire. Revenue is recognized from delivery of the vessel to the charterer, until the end of the time charter period. Under time charters, we are responsible for providing the crewing and other services related to the vessel s operations, the cost of which is included in the daily hire rate, except when off-hire. Revenues are affected by time charter hire rates and the number of days a vessel operates.

Off-hire (Including Commercial Waiting Time). When a vessel is off-hire or not available for service the charterer generally is not required to pay the time charter hire rate and we are responsible for all costs. Prolonged off-hire may lead to vessel substitution or termination of a time charter. Our vessels may be out of service, that is, off-hire, for several reasons: scheduled dry-docking, special survey, vessel upgrade or maintenance or inspection, which we refer to as scheduled off-hire; days spent waiting for a charter, which we refer to as commercial waiting time; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents, crewing strikes, certain vessel detentions or similar problems, or our failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew, which we refer to as unscheduled off-hire. We have obtained loss of hire insurance to protect us against loss of income in the event one of our vessels cannot be employed due to damage that is covered under the terms of our hull and machinery insurance. Under our loss of hire policies, our insurer generally will pay us the hire rate agreed in respect of each vessel for each day in excess of 14 days and with a maximum period of 120 days.

Voyage Expenses. Voyage expenses primarily include port and canal charges, bunker (fuel) expenses, agency fees and brokerage commissions. Under our time charter arrangements, the charterer pays substantially all of the voyage expenses, which are primarily fuel and port charges. Voyage expenses are typically paid by the customer under time charters. Voyage expenses are paid by the ship-owner during periods of off-hire and are recognized when incurred. We may incur voyage related expenses when positioning or repositioning vessels before or after the period of a time charter, during periods of commercial waiting time or while off-hire during a period of dry-docking. Voyage expenses can be higher when vessels trade on charters with initial terms of less than two years or the spot market due to fuel consumption during idling, cool down requirements, commercial waiting time in between charters and positioning and repositioning costs. From time to time, in accordance with industry practice, we pay commissions ranging up to 1.25% of the total daily charter rate under the charters to unaffiliated ship brokers, depending on the number of brokers involved with arranging the charter. These commissions do not include the fees we pay to our Manager, which are described below under Management Fees.

Available Days. Available days are the total number of calendar days our vessels were in our possession during a period, less the total number of scheduled off-hire days during the period associated with major repairs, or dry-dockings.

Average Number of Vessels. Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.

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Fleet utilization. We calculate fleet utilization by dividing the number of our revenue earning days, which are the total number of Available Days of our vessels net of unscheduled off-hire days, during a period, by the number of our Available days during that period. The shipping industry uses fleet utilization to measure a company s efficiency in finding employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons such as unscheduled repairs but excluding scheduled off-hires for vessel upgrades, dry-dockings or special or intermediate surveys.

Vessel Operating Expenses. Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, lubricant costs, statutory and classification expenses, forwarding and communications expenses and other miscellaneous expenses. Vessel operating expenses also include all peripheral expenses incurred while vessels perform their classification special survey and dry-docking such as spare parts, port dues, tugs, service engineer attendance etc. Vessel operating expenses are paid by the ship-owner under time charters and are recognized when incurred.

Dry-docking. We must periodically drydock each of our vessels for inspection, repairs and maintenance and any modifications required to comply with industry certification or governmental requirements. In accordance with industry certification requirements, we drydock our vessels at least every 60 months until the vessel is 15 years old, after which dry-docking takes place at least every 30 months thereafter as required for the renewal of certifications required by classification societies. Special survey and dry-docking costs (mainly shipyard costs, paints and class renewal expense) are expensed as incurred. The number of dry-dockings undertaken in a given period and the nature of the work performed determine the level of dry-docking expenditures. We expense costs related to routine repairs and maintenance performed during dry-docking or as otherwise incurred. All three vessels in our fleet completed their scheduled special survey and dry-docking repairs in 2012.

Depreciation. We depreciate our LNG carriers on a straight-line basis over their remaining useful economic lives which we estimate to be 35 years from their initial delivery from the shipyard. Vessel residual value is estimated as 12% of the initial vessel cost and represents Management s best estimate of the current selling price assuming the vessels are already of age and condition expected at the end of its useful life. The assumptions made reflect our experience, market conditions and the current practice in the LNG industry; however they required more discretion since there is a lack of historical references in scrap prices of similar types of vessels.

Interest and Finance Costs We incur interest expense on outstanding indebtedness under our existing credit facilities which we include in interest and finance costs. Interest expense depends on our overall level of borrowings and may significantly increase when we acquire or refinance ships. During construction of a newbuilding vessel, interest expense incurred is capitalized in the cost of the newbuilding. Interest expense may also change with prevailing interest rates, although interest rate swaps or other derivative instruments may reduce the effect of these changes. We also incur financing and legal costs in connection with establishing credit facilities, which are deferred and amortized to interest and finance costs using the effective interest method. We will incur additional interest expense in the future on our outstanding borrowings and under future borrowings. For a description of our existing credit facilities see Our Borrowing Activities.

Vessels Lives and Impairment. Vessels are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, we first compare the undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third party independent appraisals as considered necessary.

Insurance

Hull and Machinery Insurance. We have obtained hull and machinery insurance on all our vessels to insure against marine and war risks, which include the risks of damage to our vessels, salvage and towing costs, and also insures against actual or constructive total loss of any of our vessels. However, our insurance policies contain deductible amounts for which we will be responsible. We have also arranged additional total loss coverage for each vessel. This coverage, which is called hull interest and freight interest coverage, provides us additional coverage in the event of the total loss or the constructive total loss of a vessel. The agreed deductible on each vessel averages $500,000.

Loss of Hire Insurance. We have obtained loss of hire insurance to protect us against loss of income in the event one of our vessels cannot be employed due to damage that is covered under the terms of our hull and machinery insurance. Under our loss of hire policies, our insurer will pay us the hire rate agreed in respect of each vessel for each day, in excess of a certain number of deductible days, for the time that the vessel is out of service as a result of damage, for a maximum of 120 days. The number of deductible days for the vessels in our fleet is 14 days per vessel.

Protection and Indemnity Insurance. Protection and indemnity insurance, which covers our third-party legal liabilities in connection with our shipping activities, is provided by a mutual protection and indemnity association, or P&I club. This includes third-party liability and other expenses related to the injury or death of crew members, passengers and other third-party persons, loss or damage to cargo, claims arising from collisions with other vessels or from contact with jetties or wharves and other damage to other third-party property, including pollution arising from oil or other substances, and other related costs, including wreck removal. Our current protection and indemnity insurance coverage is unlimited, except for pollution, which is limited to $1 billion per vessel per incident.

Customers/Charterers

Historically, we have derived nearly all of our revenues from a wide range of charterers since as a result of our vessels initially trading on multi-year charters from delivery in 2007-2008 to 2012. For the six month periods ended June 30, 2013 and 2012, we received all our revenues from two and three charterers, respectively:

Charterer	**2013**	**2012**
BG Group	60%	60%
Gazprom	40%	5%
Qatar Gas	%	35%
	100%	100%

Results of Operations

Six month period ended June 30, 2013 compared to the six months period ended June 30, 2012

During the six month periods ended June 30, 2013 and 2012, we had an average of three vessels in our fleet. In the six month period ended June 30, 2013, our fleet Available days totaled 543 days as compared to 530 days in the six month period ended June 30, 2012. The increase of 2.5% was primarily attributable to the fact that in the six month period ended June 30, 2013 we did not have any vessels undergoing scheduled dry-dock and special survey, as compared to the six month period ended June 30, 2012 where one of our vessels underwent her scheduled dry-dock and special survey. Operating days are the primary driver of voyage revenue and vessel operating expenses.

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Revenues. The following table sets forth details of our time charter revenues for the six month periods ended June 30, 2013 and 2012:

	Six months Ended June 30, 2013	Six months Ended June 30, 2012	Change	% Change
	(dollars in thousands)			
Time charter revenues	$ 42,444	$ 37,105	$ 5,339	14.4%

Total revenues increased by 14.4%, or $5.3 million, to $42.4 million during the six month period ended June 30, 2013, from $37.1 million during the six month period ended June 30, 2012. The increase in revenues was primarily attributable to an increase in time charter rates for two of our vessels. Specifically, for the six month period ended June 30, 2013 the *Ob River* was employed under its present time charter with Gazprom which commenced in September, 2012 at a higher rate than the previous time charter contract under which the *Ob River* was employed during the six month period ended June 30, 2012. The increase is also attributable to the fact that the *Clean Energy* commenced its present time charter contract with BG Group at a significantly higher charter rate than the previous time charter contract under which the *Clean Energy* was employed up to February 2012.

Voyage Expenses. The following table sets forth details of our voyage expenses for the six month periods ended June 30, 2013 and 2012:

	Six months Ended June 30, 2013	Six months Ended June 30, 2012	Change	% Change
	(dollars in thousands)			
Commissions	$ 297	$ 486	$ (189)	(38.9)%
Bunkers		819	(819)	(100.0)
Port Expenses	43	132	(89)	(67.4)
Voyage Expenses	$ 340	$ 1,437	$ (1,097)	(76.3)%

Voyage expenses decreased by 76.3%, or $1.1 million, to $0.3 million during the six month period ended June 30, 2013, from $1.4 million during the six month period ended June 30, 2012. The decrease was mainly attributable to the fact that during the six month period ended June 30, 2012 one of our vessels underwent mandatory special survey and dry-docking survey and as a result incurred $0.8 million in bunker expenses and $0.1 million in port expenses in connection with positioning the vessel to the shipyard compared to negligible bunker and port expenses in the same period in 2013. The decrease was also attributable to the decrease of $0.2 million in commissions paid to third party brokers in the six month period ended June 30, 2013

Voyage Expenses related party. The following table sets forth details of our voyage expenses paid to our Manager for commercial services. For the six month periods ended June 30, 2013 and 2012 pursuant to the respective effective management agreements under which Dynagas Ltd., our Manager, earned 1.25% commission on gross time charter income:

	Six months Ended June 30, 2013	Six months Ended June 30, 2012	Change	% Change
	(dollars in thousands)			
Voyage Expenses related party (commissions)	492	491	1	0.2%

Commissions paid to our Manager remained substantially the same during the six month period ended June 30, 2013 compared to the six month period ended June 30, 2012.

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Vessel Operating Expenses. The following table sets forth details of our vessel operating expenses for the six month periods ended June 30, 2013 and 2012:

	Six months Ended June 30, 2013	2012	Change	% Change
		(dollars in thousands)		
Crew wages and related costs	$ 4,765	$ 4,445	$ 320	7.2%
Insurance	752	719	33	4.6
Spares and consumable stores	485	1,426	(941)	(66.0)
Repairs and maintenance	136	493	(357)	(72.4)
Tonnage taxes	35	18	17	94.4
Other operating expenses	59	275	(216)	(78.5)
Total	$ 6,232	$ 7,376	$ (1,144)	(15.5)%

Vessel operating expenses decreased by 15.5%, or $1.1 million, to $6.2 million during the six month period ended June 30, 2013. The decrease was primarily attributable to the decrease in spares and consumables stores and peripheral maintenance and repair expenses related to the dry-docking of one of our vessels in April 2012 and purchases associated with the dry-docking of a second vessel in July 2012. Peripheral expenses for dry-docking include all expenses related to the dry-docking of the vessel (except for shipyard, paint and classification society survey cost) such as spare parts, service engineer attendances, stores and consumable stores which amounted approximately to $0.8 million. The decrease was mitigated by an increase in crew wages and related costs of $0.3 million to $4.8 million during the six month period ended June 30, 2013 as a result of continued inflationary crew costs and increased training expenses.

General and Administrative Expenses. The following table sets forth details of our general and administrative expenses for the six month periods ended June 30, 2013 and 2012:

	Six months Ended June 30, 2013	2012	Change	% Change
		(dollars in thousands)		
General and administrative costs	$ 21	$	$ 21	100%

Management Fees. The following table sets forth details of our management fees for the six month periods ended June 30, 2013 and 2012:

	Six months Ended June 30, 2013	2012	Change	% Change
		(dollars in thousands)		
Management fees	$ 1,358	$ 1,328	$ 30	2.3%

Management fees increased by 2.3%, or $0.03 million, to $1.4 million during the six month period ended June 30, 2013, from $1.3 million during the six month period ended June 30, 2013. The increase in 2013 is attributable to the increase in the daily management fees to $2,500 per day in accordance to the terms of the new management agreements effective January 1, 2013, as compared to management fees ranging from $2,340 to $2,433 per day in the six month period ended June 30, 2012.

Depreciation. The following table sets forth details of our depreciation expense for the six month periods ended June 30, 2013 and 2012:

Six months Ended
June 30,

	2013	2012	Change	% Change
		(dollars in thousands)		
Depreciation	$ 6,733	$ 6,771	$ (38)	(0.6%)

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Depreciation expense remained substantially the same during six month period ended June 30, 2013 compared to the six month period ended June 30, 2012.

Dry-docking and Special Survey Costs. The following table sets forth details of our dry-docking and special survey expenses for the six month periods ended June 30, 2013 and 2012:

	Six months Ended June 30,			
	2013	**2012**	**Change**	**% Change**
	(dollars in thousands)			
Dry-docking and Special Survey Costs	$	$ 719	$ (719)	(100%)

Dry-docking and special survey costs are comprised of the repair cost paid to the yards, paints and class expenses and are expensed in the period incurred. Costs relating to routine repairs and maintenance are also expensed as incurred and are included in Vessel Operating Expenses. One of our vessels completed her scheduled dry-docking and special survey during the six month period ended June 30, 2012, as compared to the six month period ended 2013 where none of our vessels were required to perform their mandatory dry-dock or survey. The vessels undergo dry-dock or special survey approximately every five years during the first fifteen years of their life and every two and a half years within their following useful life.

We drydock our vessels when the next special survey becomes due. As we drydocked all our Initial Fleet in 2012 we expect the next scheduled dry-dockings to occur in 2017, 2017 and 2018 for the *Clean Energy*, *Ob River* and *Clean Force* respectively. We expect that our initial fleet will average 22 days on drydock per ship, at which time we perform class renewal surveys and make any necessary repairs or retrofittings.

Interest and Finance Costs. The following table sets forth details of our interest and finance costs for the six month periods ended June 30, 2013 and 2012:

	Six months Ended June 30,			
	2013	**2012**	**Change**	**% Change**
	(dollars in thousands)			
Interest on long-term debt	$ 4,317	$ 3,734	$ 583	15.6%
Amortization and write-off of financing fees	268	298	(30)	(10.1%)
Commitment fees		372	(372)	(100%)
Other	6	48	(42)	(87.5%)
Total	$ 4,591	$ 4,452	$ 139	3.1%

Interest and finance costs increased by 3.1%, or $0.1 million, to $4.6 million during the six month period ended June 30, 2013, from $4.5 million during the six month period ended June 30, 2012. Interest expense increased by $0.6 million to $4.3 million during the six month period ended June 30, 2013, from $3.7 million during the six month period ended June 30, 2012. The increase is mainly attributable to the higher average debt balance and interest margin costs during the six month period ended June 30, 2013 as compared to the six month period ended June 30, 2012 as a result of the refinancing of the *Clean Energy* and the *Ob River* during the six month period in 2012. The decrease in commitment fees of $0.4 million is attributable to the lower levels of undrawn amounts under our loan facilities during the six month period ended June 30, 2012.

During the six month period ended June 30, 2013, we had an average of $367.6 million of outstanding indebtedness with a weighted average interest rate of 2.3%, and during the six month period ended June 30, 2012, we had an average of $349.3 million of outstanding indebtedness with a weighted average interest rate of 2.1%.

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Realized and Unrealized Loss on Derivative Financial Instruments. The following table sets forth details of our realized and unrealized loss on derivative instruments for the six month periods ended June 30, 2013 and 2012:

	Six months Ended June 30, 2013	2012	Change	% Change
	(dollars in thousands)			
Realized and Unrealized Loss on Derivative Financial Instruments	$	$ 138	$ (138)	(100)%

The loss on derivative financial instruments during the six month period ended June 30, 2012 was related to realized losses and unrealized gains on three interest rate swap contracts of $285.6 million notional amount which matured in March, June and July 2012.

Year ended December 31, 2012 compared to the year ended December 31, 2011

During the years ended December 31, 2012 and 2011, we had an average of three vessels in our fleet. In the year ended December 31, 2012 our fleet Available days totaled 1,056 days as compared to 1,095 days in the twelve month period ended December 31, 2011, the decrease of 3.6% attributable to scheduled dry-docking repairs completed in 2012. Operating days are the primary driver of voyage revenue and vessel operating expenses.

Revenues. The following table sets forth details of our time charter revenues for the years ended December 31, 2011 and 2012:

	Year Ended December 31, 2012	2011	Change	% Change
	(dollars in thousands)			
Time charter revenues	$ 77,498	$ 52,547	$ 24,951	47.5%

Total revenues increased by 47.5%, or $25.0 million, to $77.5 million during the year ended December 31, 2012, from $52.5 million during the year ended December 31, 2011. The increase in revenues was primarily attributable to an increase in time charter rates for two of our vessels. The *Clean Energy* in 2011 was employed on a time charter contract entered into in 2010, which was at historically low levels and which ended in the first quarter of 2012. The *Clean Energy* was subsequently employed under its present time charter contract at a significantly higher time charter rate, effective as of February 2012. The increase in revenues was also attributable to the increase in the time charter rates attained by the *Clean Power* which was employed on a historically low time charter rate in the first quarter of 2011 and subsequently was employed at a higher rate until September 2012. In September 2012, the *Clean Power* was employed on its present time charter contract at a rate which is 15% higher than the charter rate under its previous charter.

Voyage Expenses. The following table sets forth details of our voyage expenses, not including voyage expenses set forth under Voyage Expenses related Party for the years ended December 31, 2012 and 2011:

	Year Ended December 31, 2012	2011	Change	% Change
	(dollars in thousands)			
Commissions	$ 819	$ 446	$ 373	83.6%
Bunkers	1,361	117	1,244	1,063.2%
Port Expenses	307	152	155	102.0%
Voyage Expenses	$ 2,487	$ 715	$ 1,772	247.8%

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Voyage expenses increased by 247.8%, or $1.8 million, to $2.5 million during the year ended December 31, 2012 from $0.7 million during the year ended December 31, 2011. The increase was mainly attributable to the fact that during the year ended December 31, 2012 all of our three vessels underwent their mandatory special survey and dry-docking survey and as a result incurred $1.4 million in bunker expenses in connection with positioning the vessels to the shipyards compared to negligible bunker expense for 2011. The increase was also attributable to the increase of $0.4 million in commissions paid to third party brokers in the year ended December 31, 2012 as a result of the higher time charter revenues during 2012 and to port expenses payable during the vessel s mandatory dry-docking and special survey.

Voyage Expenses related party. The following table sets forth details of our voyage expenses paid to our Manager for commercial services. For the years ended December 31, 2012 and 2011 pursuant to the management agreements under which Dynagas Ltd. earned a 1.25% commission on gross time charter income:

	Year Ended December 31,			
	2012	2011	Change	% Change
	(dollars in thousands)			
Voyage Expenses related party (commissions)	$ 981	$ 638	$ 343	53.8%

Voyage expenses paid to our Manager increased by 53.8% or $0.3 million, to $1 million during the year ended December 31, 2012 from $0.6 million during the year ended December 31, 2011. The increase was attributable to the higher time charter revenues during 2012.

Vessels Operating Expenses. The following table sets forth details of our vessel operating expenses for the years ended December 31, 2012 and 2011:

	Year Ended December 31,			
	2012	2011	Change	% Change
	(dollars in thousands)			
Crew wages and related costs	9,755	8,040	1,715	21.3 %
Insurance	1,488	1,587	(99)	(6.2)%
Spares and consumable stores	2,561	1,102	1,459	132.4 %
Repairs and maintenance	1,340	356	984	276.4 %
Tonnage taxes	18	28	(10)	(35.7)%
Other operating expenses	560	237	323	136.3 %
Total	$ 15,722	$ 11,350	$ 4,372	38.5 %

Vessels operating expenses increased by 38.5%, or $4.4 million, to $15.7 million during the year ended December 31, 2012 from $11.4 million during the year ended December 31, 2011. The increase was primarily attributable to the increase in spares and consumables stores and peripheral maintenance and repair expenses related to the dry-docking of our three vessels in 2012. Peripheral expenses for dry-docking include all expenses related to the dry-docking of the vessel, except for shipyard, paint and classification society survey cost such as spare parts, service engineer attendances, stores and consumable stores which totaled to $1.7 million. The increase is also attributable to an increase in crew wages and related costs of $1.7 million to $9.8 million during the twelve month period ended December 31, 2012 from $8 million during the year ended December 31, 2011 as a result of continued inflationary crew costs and increased training expenses.

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General and Administrative Expenses. The following table sets forth details of our general and administrative expenses for the years ended December 31, 2012 and 2011:

	Year Ended December 31,			
	2012	2011	Change	% Change
	(dollars in thousands)			
General and administrative costs	$ 278	$ 54	$ 224	414.8%

General and administrative expenses increased by 414.8%, or $0.22 million, to $0.27 million during the year ended December 31, 2012, from $0.05 million during the year ended December 31, 2011. The increase in the year ended December 31, 2012 is mainly attributable to the expenses incurred in connection with the preparations for the initial public offering, which were expensed as incurred.

Management Fees. The following table sets forth details of our management fees for the years ended December 31, 2012 and 2011:

	Year Ended December 31,			
	2012	2011	Change	% Change
	(dollars in thousands)			
Management fees	$ 2,638	$ 2,529	$ 109	4.3%

Management fees increased by 4.3%, or $0.1 million, to $2.6 million during the year ended December 31, 2012, from $2.5 million during the year ended December 31, 2011. The increase in the year ended December 31, 2012 is attributable to the year-to-year increase in management fees payable to our Manager.

Depreciation. The following table sets forth details of our depreciation expense for the years ended December 31, 2012 and 2011:

	Year Ended December 31,			
	2012	2011	Change	% Change
	(dollars in thousands)			
Depreciation	$ 13,616	$ 13,579	$ 37	0.3%

Depreciation expense remained substantially the same during the year ended December 31, 2012 compared to the year ended December 31, 2011.

Dry-docking and Special survey costs. The following table sets forth details of our dry-docking and special survey expenses for the years ended December 31, 2012 and 2011:

	Year Ended December 31,			
	2012	2011	Change	% Change
	(dollars in thousands)			
Dry-docking and Special Survey Costs	$ 2,109	$	$ 2,109	100%

Dry-docking and special survey costs comprised of the repair cost paid to the yards, paints and class expenses and are expensed in the period incurred. Costs relating to routine repairs and maintenance are also expensed as incurred and are included in Vessel Operating Expenses . All our vessels completed their scheduled dry-docking and special surveys during the year ended December 31, 2012. The vessels undergo dry-dock or special survey approximately every five years during the first fifteen years of their life and every two and a half years within their following useful life.

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We drydock our vessels when the next special survey becomes due. As we dry-docked all our Initial Fleet in 2012, we expect the next scheduled dry-dockings to occur in 2017, 2017 and 2018 for the *Clean Energy*, *Ob River* and *Clean Force* respectively. We expect that our Initial Fleet will average 22 days on drydock per ship, at which time we perform class renewal surveys and make any necessary repairs or retrofittings.

Interest Income. Interest income for the year ended December 31, 2012 of $0.001 million was substantially similar to interest income of $0.004 million for the year ended December 31, 2011.

Interest and Finance Costs. The following table sets forth details of our interest and finance costs for the years ended December 31, 2012 and 2011:

	Year Ended December 31, 2012	Year Ended December 31, 2011	Change	% Change
	(dollars in thousands)			
Interest on long-term debt	8,551	3,794	4,757	125.4%
Amortization and write-off of financing fees	590	100	490	490.0%
Commitment fees	372	54	318	580.9%
Other	63	29	34	117.2%
Total	$ 9,576	$ 3,977	$ 5,599	140.8%

Interest and finance costs increased by 140.8%, or $5.6 million, to $9.6 million during the year ended December 31, 2012, from $4 million during the year ended December 31, 2011. Interest expense increased by $4.8 million to $8.6 million during the year ended December 31, 2012, from $3.8 million during the year ended December 31, 2011. The increase is mainly attributable to the higher average debt balance and interest margin costs during the year ended December 31, 2012 as compared to the year ended December 31, 2011 as a result of the refinancing of the *Clean Energy* and *Ob River* in 2012. The increase in amortization and write-off of financing fees of $0.5 million was attributable to financing fees incurred in connection with the refinancing of *Clean Energy* and *Ob River* in 2012 and the increase in commitment fees of $0.3 million attributable to our refinancing activities during the year ended December 31, 2012.

During the year ended December 31, 2012, we had an average of $369.2 million of outstanding indebtedness with a weighted average interest rate of 2.3%, and during the year ended December 31, 2011, we had an average of $295.6 million of outstanding indebtedness with a weighted average interest rate of 1.3%.

Realized and Unrealized Loss on Derivative Financial Instruments. The following table sets forth details of our realized and unrealized loss on derivative instruments for the years ended December 31, 2012 and 2011:

	Year Ended December 31, 2012	Year Ended December 31, 2011	Change	% Change
	(dollars in thousands)			
Realized and Unrealized Loss on Derivative Financial Instruments	$ 196	$ 824	$ (628)	(76.2)%

The loss on derivative financial instruments during the years ended December 31, 2012 and December 31, 2011, respectively, was primarily related to realized and unrealized losses on three interest rate swap contracts of $285.6 million notional amount due to declining long-term interest rates. These three interest rate swap agreements matured in March, July and June 2012, resulting in a decrease of $0.6 million in the loss from derivative financial instruments to $0.2 million during the year ended December 31, 2012, as compared to $0.8 million during the year ended December 31, 2011.

Other. Other Income decreased to $0.06 million during the year ended December 31, 2012, from $0.07 million during the year ended December 31, 2011.

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Liquidity and Capital Resources

Liquidity and Cash Needs

We operate in a capital-intensive industry and through our Sponsor have historically financed the purchase of LNG carriers through a combination of equity capital, operating cash flows, borrowings from commercial banks and shareholder loans. Our liquidity requirements relate to servicing our debt and funding capital expenditures and working capital. The majority of our revenues are generated from chartering our vessels and we receive charter payments monthly in advance. The majority of our operating costs are paid on a monthly basis. We frequently monitor our capital needs by projecting our upcoming income, expenses and debt obligations, and seek to maintain adequate cash reserves to compensate for any budget overruns. Our short-term liquidity requirements relate to funding working capital, including vessel operating expenses and payments under our management agreements. Our long-term liquidity requirements relate to funding capital expenditures, including the acquisition of additional vessels and the repayment of our long-term debt.

We expect to finance the purchase of additional vessels and other capital expenditures through a combination of borrowings from commercial banks, cash generated from operations and debt and equity financings. In addition to paying distributions to our unitholders, our other liquidity requirements relate to servicing our debt, funding investments (including the equity portion of investments in vessels), funding working capital and maintaining cash reserves against fluctuations in operating cash flows. Because we will distribute all of our available cash, we expect that we will rely upon external financing sources, including bank borrowings and the issuance of debt and equity securities, to fund acquisitions and other expansion capital expenditures.

Our principal uses of funds have been capital expenditures to establish and grow our fleet, comply with international shipping standards, environmental laws and regulations and fund working capital requirements. In monitoring our working capital needs, we project our charter hire income and vessel maintenance and running expenses, as well as debt service obligations, and seek to maintain adequate cash reserves in order to address any budget overruns. Our funding and treasury activities are intended to maximize investment returns while maintaining appropriate liquidity. Cash and cash equivalents are held primarily in U.S. dollars. We have not made use of derivative instruments other than for interest rate risk management purposes.

As of June 30, 2013, we had cash and cash equivalents of $2.8 million which decreased by $3.9 million, or 58.2%, compared to $6.8 million, as of December 31, 2012.

As of December 31, 2012, we had cash and cash equivalents of $6.8 million which increased by $4.5 million, or 191.9%, compared to $2.3 million, as of December 31, 2011, primarily due to cash generated from operating activities.

As of June 30, 2013 and December 31, 2012, we had an aggregate of $359.0 million and $380.7 million, respectively of indebtedness outstanding under various credit agreements, and no unused line of credit or available facility. In January 2012, we refinanced our secured loan facility of the *Clean Energy* for an amount of $150 million. In February 2012 we entered into an agreement with the same bank to refinance the outstanding balance on our secured loan facility on the *Ob River* obtained in 2007. As a result, we drew down an additional principal amount of $70.0 million in April 2012 for general partnership purposes.

As of December 31, 2012, we had an aggregate of $380.7 million of indebtedness outstanding under various credit agreements, and no unused line of credit or available facility. In January 2012, we refinanced our secured loan facility of the *Clean Energy* for an amount of $150 million. In February 2012, we refinanced our secured loan facility of the *Ob River* for an amount of $193 million.

As of October 28, 2013, we had an aggregate of $346.1 million of indebtedness outstanding under our three credit agreements, of which $38.1 million is repayable within one year. See Our Borrowing Activities. In connection with this offering, we expect to amend our existing vessel financing agreements.

As of June 30, 2013 and December 31, 2012 and 2011, we were in breach of the minimum liquidity requirement relating to our $193 Million Ob River Credit Facility, which requires us to maintain minimum liquidity of $30 million. We were in compliance with the remaining financial and liquidity covenants in our loan agreements but we were not in compliance with certain restrictive covenants relating to our loan agreements, which are described under the heading Our Borrowing Activities Waivers, Consents, and the Violation of Certain Covenants Under our Credit Facilities.

A violation of any of the financial covenants contained in our credit facilities described above constitutes an event of default under our credit facilities, which, unless cured under the applicable credit facility, if applicable, or waived or modified by our lenders, provides our lenders with the right to, among other things, require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet, reclassify our indebtedness as current liabilities and accelerate our indebtedness and foreclose their liens on our vessels and the other assets securing the credit facilities, which would impair our ability to continue to conduct our business. In the case of an event of default, we are prohibited from paying distribution under our credit facilities.

On July 19, 2013, one of our lenders declared an event of default under one of our credit facilities. On October 29, 2013, our lenders (i) provided us with their consent to issue guarantees under three of our Sponsor s credit facilities and to repay the $140 Million Shareholder Loan, and (ii) waived their rights in respect of our non-compliance with the minimum liquidity requirement of $30.0 million contained in the $193 Million Ob River Facility until September 30, 2014, which are described in Note 7 of our audited consolidated financial statements included elsewhere in this prospectus. Following the receipt of the waivers and the consents described above, all of our debt was classified as current and non-current liabilities as of June 30, 2013 and December 31, 2012 and 2011, in accordance with its scheduled repayment as it was no longer considered callable by our lenders. Please see Liquidity and Capital Resources Our Borrowing Activities Waivers, Consents and The Violation of Certain Covenants Under Our Credit Facilities.

On October 25, 2013, we entered into a binding commitment letter with one of our lenders, an affiliate of Credit Suisse, for a new $262.13 million senior secured credit facility, which we refer to as the New Senior Secured Revolving Credit Facility. A portion of the proceeds of the New Senior Secured Revolving Credit Facility, together with the net proceeds of this offering, will be used to repay all of our existing outstanding indebtedness effective upon the closing of this offering. The material terms of this new credit facility will permit, among other things, distributions to our unitholders and the other transactions contemplated herein and are more fully set forth under the heading Liquidity and Capital Resources Our Borrowing Activities New Senior Secured Revolving Credit Facility.

We estimate that we will spend in total approximately $5.0 million for dry-docking and classification surveys for the vessels in our fleet in during the five-year period following this offering. We expect the next scheduled dry-dockings to occur in 2017 and 2018. As our fleet matures and expands, our dry-docking expenses will likely increase. We also anticipate costs for compliance with environmental regulations such as compliance with low sulfur regulations and installation of ballast water treatment plants on our vessels.

Working capital is equal to current assets minus current liabilities, including the current portion of long-term debt. Our working capital deficit was $43.1 million as of June 30, 2013, compared to a working capital deficit of $48.1 million as of December 31, 2012. The deficit decrease is mainly due to the repayment of scheduled loan installments.

Based on our fixed-rate charters, we believe we will generate sufficient cash from operations to make the required principal and interest payment on our indebtedness, provide for the normal working capital requirements and remain in a positive cash position in the twelve-month period ending June 30, 2014.

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Estimated Maintenance and Replacement Capital Expenditures

Our Partnership Agreement requires our board of directors to deduct from operating surplus each quarter estimated maintenance and replacement capital expenditures, as opposed to actual maintenance and replacement capital expenditures in order to reduce disparities in operating surplus caused by fluctuating maintenance and replacement capital expenditures, such as dry-docking and vessel replacement. Because of the substantial capital expenditures we are required to make to maintain our fleet, our initial annual estimated maintenance and replacement capital expenditures for purposes of estimating maintenance and replacement capital expenditures will be $9.5 million per year, which is composed of $2.1 million for dry-docking and $7.5 million, including financing costs, for replacing our vessels at the end of their useful lives. The $7.5 million for future vessel replacement is based on assumptions and estimates regarding the remaining useful lives of our vessels, a long-term net investment rate equivalent to our current expected long-term borrowing costs, vessel replacement values based on current market conditions and residual value of the vessels at the end of their useful lives based on current steel prices. The actual cost of replacing the vessels in our fleet will depend on a number of factors, including prevailing market conditions, hire rates and the availability and cost of financing at the time of replacement. Our board of directors, with the approval of the conflicts committee, may determine that one or more of our assumptions should be revised, which could cause our board of directors to increase the amount of estimated maintenance and replacement capital expenditures. We may elect to finance some or all of our maintenance and replacement capital expenditures through the issuance of additional common units which could be dilutive to existing unitholders.

Cash Flows

The following table summarizes our net cash flows from operating, investing and financing activities and our cash and cash equivalents for the six months ended June 30, 2013 and 2012:

	Six month Ended June 30,	
	2013	2012
	(in thousands of U.S. dollars)	
Net cash provided by (used in) operating activities	$ 17,728	$ 2,988
Net cash provided by (used in) investing activities		
Net cash provided by (used in) financing activities	(21,670)	(5,279)
Cash and cash equivalents at beginning of period	6,733	2,320
Cash and cash equivalents at end of period	2,831	29

Net Cash Provided by (Used In) Operating Activities. Net cash flows provided by operating activities increased by $14.7 million, or 493%, to $17.7 million for the six months ended June 30, 2013, compared to $3.0 million for the same period in 2012. The increase was primarily attributable to the increase in cash generated from charter revenues and the decrease of payments made to our Manager in the six months ended June 30, 2012.

Net Cash Provided by (Used in) Investing Activities. Net cash used in investing activities was nil for the six month period ended June 30, 2013 and June 30, 2012.

Net Cash Provided by (Used in) Financing Activities. Net cash used in financing activities was $21.7 million for the six month period ended June 30, 2013, representing debt repayment of an equal amount.

Net cash used in financing activities was $5.3 million for the six month period ended June 30, 2012, consisting mainly of debt repayment of $106.7 million, loan proceeds of $220.0 million, the repayment of $116.6 million in outstanding principal in connection with the unsecured loan given to us by Prokopiou Family in previous years and payment of $2.0 million in financing costs.

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The following table summarizes our net cash flows from operating, investing and financing activities and our cash and cash equivalents for the year ended December 31, 2012 and 2011:

	Year Ended December 31,	
	2012	2011
	(in thousands of dollars)	
Net cash provided by (used in) operating activities	$ 27,902	$ 28,974
Net cash provided by (used in) investing activities		
Net cash provided by (used in) financing activities	(23,449)	(45,956)
Cash and cash equivalents at beginning of year	2,320	19,302
Cash and cash equivalents at end of year	$ 6,773	2,320

Net Cash Provided by Operating Activities. Net cash flows provided by operating activities decreased by $1.1 million, or 3.7%, to $27.9 million for the year ended December 31, 2012, compared to $29.0 million for the year ended December 31, 2011. The decrease is primarily attributable to the settlement of amounts due to our Managers and the Prokopiou Family, mitigated by the increase in cash generated from charter revenues.

Net Cash Provided by (Used in) Investing Activities. Net cash used in investing activities was nil in the years ended December 31, 2012 and December 31, 2011.

Net Cash Provided by (Used in) Financing Activities. Net cash used in financing activities was $23.5 million for the year ended December 31, 2012, consisting mainly of debt repayment of $124.9 million, payment of $116.6 million in outstanding principal in connection with the unsecured loan given to us by Prokopiou Family in previous years, payment of $2 million in financing costs and an increase of $4.5 million in cash and cash equivalents, which were offset by the proceeds from the refinancing of Ob River and Clean Energy of $220 million. Net cash used in financing activities was $46.0 million for the year ended December 31, 2011 consisting of debt repayment of $22.5 million and partial repayment of $23.4 million of the unsecured loan given to us by the Prokopiou Family in previous years.

Our Borrowing Activities

Loan Agreements	**Amounts Outstanding as of**	
(In millions of dollars)	**June 30, 2013**	**December 31, 2012**
$128 Million Clean Force Credit Facility	$ 83,375	$ 87,625
$129.75 Million Clean Energy Credit Facility		
$150 Million Clean Energy Credit Facility	132,500	139,500
$193 Million Ob River Credit Facility	143,170	153,590
Total interest bearing debt	$ 359,045	$ 380,715

Loan Agreements

$140 Million Shareholder Loan

On February 9, 2004, we entered into a $140 million unsecured credit facility with a corporation owned by members of the Prokopiou Family. We used the proceeds from this facility to partially finance the construction costs of the vessels in our Initial Fleet and for working capital to fund general corporate purposes. This facility bore no interest, and was fully repaid in April 2012.

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$30 Million Revolving Credit Facility

In connection with the closing of this offering, our Sponsor will provide us with a $30.0 million revolving credit to be used for general partnership purposes, including working capital. This revolving credit facility will have a term of five years and will bear interest at LIBOR plus a margin. We do not intend to draw down any amount under this facility at or prior to the closing of this offering.

$128 Million Clean Force Credit Facility

On May 9, 2006 we entered into a $128 million secured credit facility with The Royal Bank of Scotland NV (ex ABN Amro Bank NV), to partly finance the acquisition of the *Clean Force*. This facility bears interest at LIBOR plus a margin and is repayable in 48 consecutive quarterly installments of $2.1 million each over 12 years plus a balloon payment of $26 million due at maturity. This facility is secured by, among other things, a first priority mortgage over the *Clean Force*. As of September 30, 2013 and June 30, 2013, the outstanding balance of this facility was $81.3 million and $83.4 million, respectively, and we had no undrawn available credit.

$129.75 Million Clean Energy Credit Facility

On May 9, 2005 we entered into a $129.75 million secured credit facility with The Royal Bank of Scotland plc. to partly finance the acquisition of the *Clean Energy*. This facility bears interest at LIBOR plus a margin. This facility was repayable in 40 consecutive quarterly installments of $1.8 million each, plus a balloon payment of $57.8 million due at maturity in 2017. As of December 31, 2011, the outstanding balance of this facility was $95.6 million, which was subsequently repaid and refinanced in full on March 2012 upon our entrance into the $150 Million Clean Energy Credit Facility.

$150 Million Clean Energy Credit Facility

On January 30, 2012, we entered into a secured loan facility for up to $150 million with Credit Suisse to refinance our $129.75 Million Clean Energy Credit Facility. This facility bears interest at LIBOR plus a margin, and is repayable in 20 consecutive quarterly installments of $3.5 million each, plus a balloon payment of $80 million due at maturity in March 2017. This facility is secured by, among other things, a first priority mortgage over the *Clean Energy* and a 2005-built panamax tanker which is beneficially owned by members of the Prokopiou Family. As of September 30, 2013, and June 30, 2013, the outstanding balance of this facility was $129.0 million and $132.5 million, respectively, and we had no undrawn available credit.

$193 Million Ob River Credit Facility

On October 20, 2005 we entered into a ten-year $123 million credit facility with The Royal Bank of Scotland plc to partly finance the acquisition of the *Ob River* (formerly, the *Clean Power*), which we refer to as the First Ob River Credit Facility. On February 29, 2012, we amended and restated the First Ob River Credit Facility to refinance our indebtedness under the loan by increasing the amount available to $193 million. This facility bears interest at LIBOR plus a margin and is repayable in two tranches. Under the first tranche, $92.2 million of existing debt is repayable in 22 quarterly installments of $1.7 million each over 5.5 years, with a balloon payment of $54.6 million due in July 2017. Under the second tranche, $70.0 million of new indebtedness is repayable in 20 quarterly installments of $3.5 million each, beginning October 2012. This facility is secured by, among other things, a first priority mortgage over the *Ob River*. As of September 30, 2013, and June 30, 2013, the outstanding balance of this facility was $138.0 million and $143.2 million, respectively, and we had no undrawn available credit. On October 29, 2013, we agreed with our lender to defer a principal payment installment of $5.2 million payable in October 2013 to the ballon payment due in July 2017.

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Covenants

Our credit facilities are generally secured by:

- first priority mortgages on our vessels and certain tanker vessels beneficially owned by the Prokopiou Family;
- guarantees by Dynagas Ltd.;
- assignments of the earnings, insurances and requisition compensation of our vessels;
- pledges of the operating accounts of our vessels; and
- assignments of rights and interests in charterparty agreements.

Our credit facilities generally contain financial covenants which require us, among other things, to:

- maintain minimum liquidity of $30 million;
- maintain an asset coverage ratio of between 125% and 130%, depending on the credit facility, and to provide additional security, deposit additional cash as collateral or partially prepay the loan if the market value of the applicable mortgaged vessel falls below the amounts required to meet these percentages; and
- deposit $15 million as collateral into a reserve account at any time the *Clean Force* is not operating under an approved charter.

Our credit facilities also contain restrictive covenants which may limit, among other things, our, and our subsidiaries ability to:

- pay dividends to unitholders or shareholders, as applicable;
- incur additional indebtedness, create liens or issue guarantees;
- charter our vessels or change the terms of our existing charter agreements;
- sell, transfer or lease our assets or vessels or the shares of our vessel-owning subsidiaries;
- make investments and capital expenditures;

- reduce our share capital; and
- undergo a change in ownership or Manager.

A failure to comply with the covenants in our loan agreements could result in a default under those agreements and under other debt agreements containing cross-defaults provisions.

New Senior Secured Revolving Credit Facility

On October 25, 2013, we entered into a binding commitment letter in connection with the New Senior Secured Revolving Credit Facility with one of our lenders, an affiliate of Credit Suisse, that is an underwriter in this offering. A portion of proceeds of this credit facility, together with the net proceeds of this offering, will be used to repay all of our existing outstanding indebtedness, including the $128 Million Clean Force Credit Facility, $150 Million Clean Energy Credit Facility and $193 Million Ob River Credit Facility, effective as of the closing of this offering. The new credit facility will be secured by, among other things, a first priority or preferred cross-collateralized mortgage on each of the *Clean Force*, *Clean Energy* and *Ob River*. The loan will bear interest at LIBOR plus a margin. We may draw down this facility no more than four times each year, and only so long as the asset coverage ratio, which is the ratio of our outstanding indebtedness under the facility to the aggregate market value of our vessels, is 130%. The available amount to be drawn under the facility will be reduced each quarter for 14 consecutive quarters by $5 million for the first 13 quarters and by approximately $197 million for the fourteenth quarter.

Certain of the financial and other covenants require us to:

- maintain total consolidated liabilities of less than 65% of the total consolidated market value of our adjusted total assets;
- maintain an interest coverage ratio of at least 3.0 times; and
- maintain minimum liquidity equal to at least $22 million.

Additionally, the terms of the New Senior Secured Revolving Credit Facility require that the Prokopiou Family owns or controls at least 30% of our share capital and voting rights and that our Manager continue to carry out our commercial and technical management. Proposed Senior Secured Credit Facility would also restrict us from paying distributions if an event of default occurs.

Waivers, Consents and the Violation of Certain Covenants under Our Credit Facilities

We were not in compliance with the following restrictive and financial covenants in our loan facilities as of June 30, 2013 and December 31, 2012 and 2011 and as a result, our independent registered public accounting firm expressed substantial doubt about our ability to continue as a going concern and all of our outstanding debt was classified as a current liability. On October 29, 2013, our lenders (i) provided us with their consent to issue guarantees under three of our Sponsor s credit facilities and to repay the $140 Million Shareholder Loan, and (ii) waived their rights in respect of our non-compliance with the minimum liquidity requirement of $30.0 million contained in the $193 Million Ob River Facility until September 30, 2014, which are described in Note 7 of our audited consolidated financial statements included elsewhere in this prospectus. Following the receipt of the waivers and the consents described above, our independent registered public accounting firm re-issued their revised report, which is included in this prospectus, that states that the conditions that existed at the time of their initial report, which raised substantial doubt as to whether we will continue as a going concern, no longer exist, and all of our debt was classified as current and non-current liabilities as of June 30, 2013 and December 31, 2012 and 2011, in accordance with its scheduled repayment as it was no longer considered callable by our lenders.

$128 Million Clean Force Credit Facility

- ***Restriction on the Provision of Guarantees***. We are prohibited from issuing any guarantees for the obligations of any person without the prior written consent of our lender. In September 2012 and June 2013, without obtaining the required lender consent, we, through certain of our subsidiaries, provided guarantees on three loans of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean,* the *Clean Planet* and the *Arctic Aurora.*
- ***Restriction on Repayment of Shareholder Loans***. We are prohibited from repaying any shareholder loans without the prior written consent of our lender. In April 2012, without obtaining the necessary lender consent, we repaid in full the then outstanding balance of our $140 Million Shareholder Loan using a portion of the proceeds we received from refinancing the *Clean Energy* and the *Ob River*, which resulted in a breach of this covenant as of December 31, 2012.

$150 Million Clean Energy Credit Facility

- ***Restriction on the Provision of Guarantees***. We are prohibited from issuing any guarantees for the obligations of any person without the prior written consent of our lender. In September 2012 and June 2013, without obtaining the required lender consent, we, through certain of our subsidiaries, provided guarantees on three loans of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean,* the *Clean Planet* and the *Arctic Aurora.*

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$193 Million Ob River Credit Facility

Minimum Liquidity. We are required to maintain minimum liquidity of $30 million. As of June 30, 2013 and December 31, 2012, we had $2.8 million and $6.8 million in cash and cash equivalents, respectively.

Restriction on Repayment of Shareholder Loans. We are prohibited from repaying any shareholder loans without the prior written consent of our lender. In April 2012, without obtaining the necessary lender consent, we repaid in full the then outstanding balance of our $140 Million Shareholder Loan using a portion of the proceeds we received from refinancing the *Clean Energy* and the *Ob River*, which resulted in a breach of this covenant as of December 31, 2012.

Restriction on the Provision of Guarantees. We are prohibited from issuing any guarantees for the obligations of any person without the prior written consent of our lender. In September 2012 and June 2013, without obtaining the necessary lender consent, we, through certain of our subsidiaries, provided guarantees on three loans of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean,* the *Clean Planet* and the *Arctic Aurora.*

In addition, one of our credit facilities contains a cross-default provision that may be triggered by a default under one of our other credit facilities. A cross-default provision means that a default on one loan would result in a default on certain other loans. A violation of any of the covenants described above may constitute an event of default under our credit facilities, which, unless waived or modified by our lenders or cured, provides our lenders with the right to, among other things, require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet, reclassify our indebtedness under current liabilities and accelerate our indebtedness and foreclose their liens on our vessels and other assets securing the credit facilities, which would impair our ability to continue to conduct our business. In addition, if our secured indebtedness is accelerated in full or in part, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing. In addition, under the terms of our credit facilities, we may be prohibited from making cash distributions to our unitholders. See Our Cash Distribution Policy and Restrictions on Distributions.

On July 19, 2013, one of our lenders declared an event of default under one of our credit facilities. On October 29, 2013, our lenders (i) provided us with their consent to issue guarantees under three of our Sponsor s credit facilities and to repay the $140 Million Shareholder Loan, and (ii) waived their rights in respect of our non-compliance with the minimum liquidity requirement of $30.0 million contained in the $193 Million Ob River Facility until September 30, 2014, which are described in Note 7 of our audited consolidated financial statements included elsewhere in this prospectus. Following the receipt of the waivers and the consents described above, all of our debt was classified as current and non-current liabilities as of June 30, 2013 and December 31, 2012 and 2011, in accordance with its scheduled repayment as it was no longer considered callable by our lenders.

On October 25, 2013, we entered into a binding commitment letter with one of our lenders, an affiliate of Credit Suisse, for a new $262.13 million senior secured credit facility, which we refer to as the New Senior Secured Revolving Credit Facility. A portion of the proceeds of the New Senior Secured Revolving Credit Facility, together with the net proceeds of this offering, will be used to repay all of our existing outstanding indebtedness effective upon the closing of this offering. The material terms of this new credit facility will permit, among other things, distributions to our unitholders and the other transactions contemplated herein and are more fully set forth under the heading New Senior Secured Revolving Credit Facility.

Our Sponsor s Credit Agreements

We have guaranteed three credit agreements of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean,* the *Clean Planet* and the *Arctic Aurora.* The guarantees have been provided through certain of our

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subsidiaries, including the subsidiaries that own the vessels comprising our Initial Fleet. On , 2013, our Sponsor entered into binding agreements with its lenders to amend these three credit agreements at or prior to the closing of this offering to, among other things, release us from our obligations as guarantor effective upon the closing of this offering.

The consummation of this offering is contingent upon our entry into the New Senior Secured Revolving Credit Facility and the release of the guarantees described above.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of June 30, 2013:

		Payments due by period			
Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
		(in thousands of Dollars)			
Long Term Debt(1)	$ 359,045	$ 16,460	$ 86,680	$ 210,780	$ 45,125
Interest on long term debt(2)	26,983	4,175	14,341	7,546	921
Management Fees & commissions payable to the Manager(3)	27,041	1,899	7,868	7,456	9,818
Total	$ 413,069	$ 22,534	$ 108,889	$ 225,782	$ 55,864

(1) As further discussed in Note 7 to our consolidated financial statements, the outstanding balance of our long-term debt at June 30, 2013, was $359 million. The loans bear interest at LIBOR plus margin. The contractual obligations table above sets forth our loan repayment obligations as required under our loan facilities as of June 30, 2012 per the amended terms of loan agreement payments due by period, without taking into consideration the classification of outstanding debt under current liabilities following the non compliances discussed in Note 3 and Note 7 of the accompanying audited consolidated financial statements.

(2) Our long-term debt outstanding as of June 30, 2013 bears variable interest at a margin ranging from over LIBOR. The calculation of interest payments has been made assuming interest rates based on the 3-month LIBOR as of December 31, 2012 and our various applicable margin rates ranging from 0.95% to 2.65%.

(3) On December 21, 2012, we entered into new management agreements with the Manager effective from January 1, 2013 with an eight year term pursuant to which we agreed to pay a management fee of $2,500 per day with an annual increase of 3%, subject to further annual increases to reflect material unforeseen costs increases of providing the management services, by an amount to be agreed between us and our Manager, which amount will be reviewed and approved by our conflicts committee. The Management Agreements also provide for commissions of 1.25% of charter-hire revenues arranged by the Manager. The agreements will terminate automatically after a change of control of the applicable shipping subsidiary and/or of the owner s ultimate parent, in which case an amount equal to fees of at the least 36 months and not more than 60 months, will become payable to the Manager.

Capital Commitments

Possible Acquisitions of Other Vessels

Although we do not currently have in place any agreements relating to acquisitions of other vessels (other than our right to purchase each Optional Vessel upon entering into the Omnibus Agreement in connection with this offering), we assess potential acquisition opportunities on a regular basis.

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Pursuant to the Omnibus Agreement that we intend to enter into with our Sponsor and our General Partner, we will also have the right, but not the obligation, to purchase any LNG carriers acquired or placed under contracts with an initial term of four or more years after the closing date of this offering, for so long as the Omnibus Agreement is in full force and effect. Subject to the terms of our loan agreements, we could elect to fund any future acquisitions with equity or debt or cash on hand or a combination of these forms of consideration. Any debt incurred for this purpose could make us more leveraged and subject us to additional operational or financial covenants.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including foreign currency fluctuations, changes in interest rates and credit risk. Our policy is to hedge our exposure to these risks where possible, within boundaries deemed appropriate by management. We accomplish this by entering into appropriate derivative instruments and contracts to maintain the desired level of risk exposure.

Our activities expose us primarily to the financial risks of changes in foreign currency exchange rates and interest rates as described below.

Interest Rate Risk

The international shipping industry is capital intensive, requiring significant amounts of investment provided in the form of long-term debt. Our debt usually contains floating interest rates that fluctuate with changes in the financial markets and in particular changes in LIBOR. Increasing interest rates could increase our interest expense and adversely impact our future earnings. In the past we have managed this risk by entering into interest rate swap agreements in which we exchanged fixed and variable interest rates based on agreed upon notional amounts. We have used such derivative financial instruments as risk management tools and not for speculative or trading purposes. In addition, the counterparties to our derivative financial instruments have been major financial institutions, which helped us to manage our exposure to nonperformance of our counterparties under our debt agreements. We expect our sensitivity to interest rate changes to increase in the future since all of our interest rate swaps matured during 2012. As of June 30, 2013, our net effective exposure to floating interest rate fluctuations on our outstanding debt was $359 million since there was no interest rate swap effective as of that date.

Our interest expense is affected by changes in the general level of interest rates, particularly LIBOR. As an indication of the extent of our sensitivity to interest rate changes, an increase in LIBOR of 1% would have decreased our net income and cash flows during the six months ended June 30, 2013 by approximately $1.85 million based upon our debt level during 2013. We expect our sensitivity to interest rate changes to increase in the future if we enter into additional debt agreements in connection with our potential acquisition of the Optional Vessels.

Inflation and Cost Increases

Although inflation has had a moderate impact on operating expenses, interest costs, dry-docking expenses and overhead, we do not expect inflation to have a significant impact on direct costs in the current and foreseeable economic environment other than potentially in relation to insurance costs and crew costs. It is anticipated that insurance costs, which have increased over the last three years, will continue to rise over the next few years and rates may exceed the general level of inflation. LNG transportation is a specialized area and the number of vessels has increased rapidly. Therefore, there has been an increased demand for qualified crews, which has, and may continue to, put inflationary pressure on crew costs.

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Foreign Currency Exchange Risk

We generate all of our revenue in U.S. dollars, and the majority of our expenses are denominated in U.S. dollars. However, a portion of our ship operating, voyage and the majority of our dry-docking related expenses, primarily ship repairs and spares, consumable stores, port expenses and the majority of our administrative expenses, are denominated in currencies other than the U.S. dollar. For the six month period ended June 30, 2013, we incurred approximately 15.4% of our operating expenses and the majority of our management expenses in currencies other than the U.S. dollar as compared to 17% for the six month period ended June 30, 2012. For accounting purposes, expenses incurred in currencies other than the U.S. dollar are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. Because a significant portion of our expenses are incurred in currencies other than the U.S. dollar, our expenses may from time to time increase relative to our revenues as a result of fluctuations in exchange rates, which could affect the amount of net income that we report in future periods. As of June 30, 2013 and 2012, the net effect of a 1% adverse movement in U.S. dollar exchange rates would not have a material effect on our net income.

We do not currently hedge movements in currency exchange rates, but our management monitors exchange rate fluctuations on a continuous basis. We may seek to hedge this currency fluctuation risk in the future.

Concentration of Credit Risk

The market for our services is the seaborne transportation of LNG, and the charterers consist primarily of major gas companies, oil and gas traders and independent and government-owned gas producers. For the six month periods ended June 30, 2013 and 2012, two and three charterers, respectively, accounted for substantially all of our revenues.

Charterer	2013	2012
BG Group	60%	60%
Gazprom	40%	5%
Qatar Gas		35%
	100%	100%

Ongoing credit evaluations of our charterers are performed and we generally do not require collateral in our business agreements. Typically, under our time charters, the customer pays for the month s charter the first day of each month, which reduces our level of credit risk. Provisions for potential credit losses are maintained when necessary.

We have bank deposits that expose us to credit risk arising from possible default by the counterparty. We manage the risk by using credit-worthy financial institutions.

Critical Accounting Policies and estimates

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. We are an emerging growth company, as defined in the JOBS Act. We have elected to take advantage of the reduced reporting obligations, including the extended transition period for complying with new or revised accounting standards under Section 102 of the JOBS Act, and as such, the information that we provide to our unitholders may be different from information provided by other public companies and our financial statements may not be comparable to companies that comply with public company effective dates. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

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Critical accounting policies are those that reflect significant judgments of uncertainties and potentially result in materially different results under different assumptions and conditions. There have been no material changes in the six month period ended June 30, 2013 from Critical Accounting Policies disclosed in the notes to our audited consolidated financial statements for the year ended December 31, 2012 included in this prospectus.

Time Charter Revenues

We recognize revenues from time charters over the term of the charter as the applicable vessel operates under the charter. Under time charters, revenue is not recognized during days a vessel is off-hire. Revenue is recognized from delivery of the vessel to the charterer, until the end of the time charter period. Under time charters, we are responsible for providing the crewing and other services related to vessel s operations, the cost of which is included in the daily hire rate, except when off-hire. Revenues are affected by hire-rates and the number of days a vessel operates.

Our time charter revenues are driven primarily by the number of vessels in our fleet, the amount of daily charter hire that our vessels earn under time charters and the number of operating days during which our vessels generate revenues. These factors are, in turn, affected by our decisions relating to vessel acquisitions, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in drydock undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels and the levels of supply and demand in the LNG carrier charter market.

Our LNG carriers are employed through multi-year time charter contracts, which for accounting purposes are considered as operating leases and are thus recognized on a straight line basis as the average minimum lease revenue over the rental periods of such charter agreements, as service is performed. Revenues under our time charters are recognized when services are performed, revenue is earned and the collection of the revenue is reasonably assured. The charter hire revenue is recognized on a straight-line basis over the term of the relevant time charter.

Advance payments under time charter contracts are classified as liabilities until such time as the criteria for recognizing the revenue are met. Our revenues will be affected by the acquisition of any additional vessels in the future subject to time charters. Our revenues will also be affected if any of our charterers cancel a time charter or if we agree to renegotiate charter terms during the term of a charter resulting in aggregate revenue reduction or increase. Our time charter arrangements have been contracted in varying rate environments and expire at different times. Rates payable in the market for LNG carriers have been uncertain and volatile as has the supply and demand for LNG carriers.

Vessels Lives and Impairment

The carrying value of a vessel represents its historical acquisition or construction cost, including capitalized interest, supervision, technical and delivery cost, net of accumulated depreciation and impairment loss, if any. Expenditures for subsequent conversions and major improvements are capitalized provided that such costs increase the earnings capacity or improve the efficiency or safety of the vessels.

We depreciate the original cost, less an estimated residual value, of our LNG carriers on a straight-line basis over each vessel s estimated useful life. The carrying values of our vessels may not represent their market value at any point in time because the market prices of second-hand vessels tend to fluctuate with changes in hire rates and the cost of newbuilds. Both hire rates and newbuild costs tend to be cyclical in nature.

We review vessels for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable, which occurs when the asset s carrying value is greater than the future undiscounted cash flows the asset is expected to generate over its remaining useful life. We determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel s carrying value. In

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developing estimates of future cash flows, we must make assumptions about future charter rates, vessel operating expenses, fleet utilization, and the estimated remaining useful life of the vessels. These assumptions are based on historical trends as well as future expectations. The projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed fleet days and the five-year historical average of charter rates for the unfixed days. If the estimated future undiscounted cash flows of an asset exceed the asset s carrying value, no impairment is recognized even though the fair value of the asset may be lower than its carrying value. If the estimated future undiscounted cash flows of an asset is less than the asset s carrying value and the fair value of the asset is less than its carrying value, the asset is written down to its fair value. Historically, there was no indication of impairment for any of the three vessels in our fleet. Our impairment test exercise is sensitive to variances in the time charter rates. The use of the most recent three and one year historical average rates to determine the charter revenues for the unfixed days would not result to impairment.

We determine the fair value of our vessels based on our estimates and assumptions and by making use of available market data and taking into consideration third party valuations. As of June 30, 2013, and December 31, 2012, the aggregate charter-free market value of our vessels substantially exceeded their aggregate carrying value as of the same date. A decrease of the estimated fair market value by 10% would not result in any impairment loss as of June 30, 2013. We employ our LNG carriers on fixed-rate charters with major companies. These charters typically have original terms of two or more years in length. Consequently, while the market value of a vessel may decline below its carrying value, the carrying value of a vessel may still be recoverable based on the future undiscounted cash flows the vessel is expected to obtain from servicing its existing and future charters.

Depreciation on our LNG carriers is calculated using an estimated useful life of 35 years, commencing at the date the vessel was originally delivered from the shipyard. However, the actual life of a vessel may be different than the estimated useful life, with a shorter actual useful life resulting in an increase in the depreciation and potentially resulting in an impairment loss. The estimated useful life of our LNG carriers takes into account design life, commercial considerations and regulatory restrictions. Our estimates of future cash flows involve assumptions about future hire rates, vessel utilization, operating expenses, dry-docking expenditures, vessel residual values and the remaining estimated life of our vessels. Our estimated hire rates are based on rates under existing vessel charters and the five-year average historical charter rates for the unfixed periods. Our estimates of vessel utilization, including estimated off-hire time are based on historical experience of trading our vessels and our projections of future chartering prospects. Our estimates of operating expenses and dry-docking expenditures are based on our historical operating and dry-docking costs and our expectations of future inflation and operating requirements. Vessel residual values are based on our estimation over our vessels sale price at the end of their useful life, being a product of a vessel s lightweight tonnage and an estimated scrap rate and the estimated resale price of certain equipment and material. The remaining estimated lives of our vessels used in our estimates of future cash flows are consistent with those used in the calculation of depreciation.

Certain assumptions relating to our estimates of future cash flows are more predictable by their nature in our experience, including estimated revenue under existing charter terms, on-going operating costs and remaining vessel life. Certain assumptions relating to our estimates of future cash flows require more discretion and are inherently less predictable, such as future hire rates beyond the firm period of existing charters and vessel residual values, due to factors such as the volatility in vessel hire rates and the lack of historical references in scrap prices of similar type of vessels. We believe that the assumptions used to estimate future cash flows of our vessels are reasonable at the time they are made. We can make no assurances, however, as to whether our estimates of future cash flows, particularly future vessel hire rates or vessel values, will be accurate.

If we conclude that a vessel or equipment is impaired, we recognize a loss in an amount equal to the excess of the carrying value of the asset over its fair value at the date of impairment. The fair value at the date of the impairment becomes the new cost basis and will result in a lower depreciation expense than for periods before the vessel impairment.

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The table set forth below indicates (i) the historical acquisition cost of our vessels and (ii) the carrying value of each of our vessels as of June 30, 2013 and December 31, 2012.

Vessel	Capacity (cbm)	Year Purchased	Acquisition Cost (in millions)	Carrying Value June 30, 2013 (in millions)	Carrying Value December 31, 2012 (in millions)
LNG					
Clean Energy	149,700	2007	$ 178.2	$ 149.8	$ 152.0
Ob River	149,700	2007	176.0	149.5	151.7
Clean Force	149,700	2008	186.3	160.7	163.1
Total	**449,100**		$ 540.5	$ 460.0	$ 466.8

* We believe that as of October 8, 2013, the market value of our Initial Fleet was $641.1 million based on appraisals obtained from an independent broker.

The market value of each vessel individually and in the aggregate substantially exceeds the respective carrying value of each vessel as of October 8, 2013, June 30, 2013 and December 31, 2012. As such, the Company is not required to perform an impairment test. We refer you to the risk factor entitled Vessel values may fluctuate substantially and, if these values are lower at a time when we are attempting to dispose of vessels, we may incur a loss and the discussion herein under the heading Business How The Liquefied Natural Gas (LNG) Shipping Industry Works.

Our estimates of basic market value assume that our vessels are all in good and seaworthy condition without need for repair and if inspected would be certified in class without notations of any kind. Our estimates are based on information available from various industry sources, including:

- reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values;
- news and industry reports of similar vessel sales;
- news and industry reports of sales of vessels that are not similar to our vessels where we have made certain adjustments in an attempt to derive information that can be used as part of our estimates;
- approximate market values for our vessels or similar vessels that we have received from shipbrokers, whether solicited or unsolicited, or that shipbrokers have generally disseminated;
- offers that we may have received from potential purchasers of our vessels; and
- vessel sale prices and values of which we are aware through both formal and informal communications with ship-owners, shipbrokers, industry analysts and various other shipping industry participants and observers.

As we obtain information from various industry and other sources, our estimates of basic market value are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future basic market value of our vessels or prices that we could achieve if we were to sell them.

Depreciation

We depreciate our LNG carriers on a straight-line basis over their remaining useful economic lives which we estimate to be 35 years from their initial delivery from the shipyard. A vessel s residual value is estimated as 12% of the initial vessel cost, being approximate to vessel s light weight multiplied by the then estimated scrap price per metric ton adjusted to reflect the premium from the value of stainless steel material and represents management s best estimate of the current selling price assuming the vessel is already of age and condition expected at the end of its useful life. The assumptions made reflect our experience, market conditions and the current practice in the LNG industry however, such assumptions required more discretion since there is a lack of historical references in scrap prices of similar type of vessels. A decrease of 10% in estimated scrap price would result to $0.1 million of increase in depreciation cost in the six month period ended June 30, 2013.

We depreciate our vessels on a straight-line basis over their estimated useful lives, after considering their estimated residual values, based on the assumed value of the scrap steel available for recycling after demolition. A decrease in the useful life of a vessel or in its residual value would have the effect of increasing the annual depreciation charge. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted at the date such regulations become effective.

Dry-docking

We must periodically dry-dock each of our vessels for inspection, repairs and maintenance and any modifications required to comply with industry certification or governmental requirements. In accordance with industry certification requirements, we dry-dock our vessels at least every 60 months until the vessel is 15 years old, after which dry-docking takes place at least every 30 months thereafter as required for the renewal of certifications required by classification societies. Special survey and dry-docking costs (mainly shipyard costs, paints and class renewal expense) are expensed as incurred. The number of dry-dockings undertaken in a given period and the nature of the work performed determine the level of dry-docking expenditures. We expense costs related to routine repairs and maintenance performed during dry-docking or as otherwise incurred. All three vessels in our fleet completed their scheduled special survey and dry-docking repairs in the second, third and fourth quarters of 2012, respectively.

Recent Accounting Pronouncements

There are no recent accounting pronouncements issued in 2013, whose adoption would have a material impact on our consolidated financial statements in the current year or are expected to have a material impact in future years.

Lack of Historical Operating Data for Vessels Before Their Acquisition

Consistent with shipping industry practice, other than inspection of the physical condition of the vessels and examinations of classification society records, there is no historical financial due diligence process when we acquire vessels. Accordingly, we will not obtain the historical operating data for the vessels from the sellers because that information is not material to our decision to make acquisitions, nor do we believe it would be helpful to potential investors in our common units in assessing our business or profitability. Most vessels are sold under a standardized agreement, which, among other things, provides the buyer with the right to inspect the vessel and the vessel s classification society records. The standard agreement does not give the buyer the right to inspect, or receive copies of, the historical operating data of the vessel. Prior to the delivery of a purchased vessel, the seller typically removes from the vessel all records, including past financial records and accounts related to the vessel. In addition, the technical management agreement between the seller s technical manager and the seller is automatically terminated and the vessel s trading certificates are revoked by its flag state following a change in ownership.

Consistent with shipping industry practice, we treat the acquisition of a vessel (whether acquired with or without charter) as the acquisition of an asset rather than a business. Although vessels are generally acquired free of charter, we may, in the future, acquire vessels with existing time charters. Where a vessel has been under a voyage charter, the vessel is delivered to the buyer free of charter, and it is rare in the shipping industry for the last charterer of the vessel in the hands of the seller to continue as the first charterer of the vessel in the hands of the buyer. In most cases, when a vessel is under time charter and the buyer wishes to assume that charter, the

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vessel cannot be acquired without the charterer s consent and the buyer s entering into a separate direct agreement with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter, because it is a separate service agreement between the vessel owner and the charterer.

When we purchase a vessel and assume or renegotiate a related time charter, we must take the following steps before the vessel will be ready to commence operations:

- obtain the charterer s consent to us as the new owner;
- obtain the charterer s consent to a new technical manager;
- obtain the charterer s consent to a new flag for the vessel;
- arrange for a new crew for the vessel;
- replace all hired equipment on board, such as gas cylinders and communication equipment;
- negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;
- register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state;
- implement a new planned maintenance program for the vessel; and
- ensure that the new technical manager obtains new certificates for compliance with the safety and vessel security regulations of the flag state.

The following discussion is intended to help you understand how acquisitions of vessels affect our business and results of operations.

Our business is comprised of the following main elements:

- acquisition and disposition of vessels;
- employment and operation of our vessels; and
- management of the financial, general and administrative elements involved in the conduct of our business and ownership of our vessels.

The employment and operation of our vessels require the following main components:

vessel maintenance and repair;

crew selection and training;

vessel spares and stores supply;

contingency response planning;

on board safety procedures auditing;

accounting;

vessel insurance arrangement;

vessel chartering;

vessel hire management;

vessel surveying; and

vessel performance monitoring.

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The management of financial, general and administrative elements involved in the conduct of our business and ownership of vessels, which is provided to us pursuant to the Management Agreements with our Manager, requires the following main components:

- management of our financial resources, including banking relationships, i.e., administration of bank loans and bank accounts;
- management of our accounting system and records and financial reporting;
- administration of the legal and regulatory requirements affecting our business and assets; and
- management of the relationships with our service providers and charterers.

The principal factors that may affect our profitability, cash flows and unitholders return on investment include:

- rates and periods of charter hire;
- levels of vessel operating expenses;
- depreciation expenses
- financing costs; and
- fluctuations in foreign exchange rates.

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THE INTERNATIONAL LIQUEFIED NATURAL GAS (LNG) SHIPPING INDUSTRY

All the information and data presented in this section, including the analysis of the various sectors of the international liquefied natural gas (LNG) shipping industry has been provided by Drewry Consultants, Ltd., or Drewry, an independent consulting and research company. Drewry has advised that the statistical and graphical information contained herein is drawn from its database and other sources. In connection therewith, Drewry has advised that: (a) certain information in Drewry s database is derived from estimates or subjective judgments; (b) the information in the databases of other maritime data collection agencies may differ from the information in Drewry s database; (c) while Drewry has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures.

Overview of Natural Gas Market

Natural gas is one of the key sources of global energy, the others including oil, coal and nuclear power. In the last three decades, demand for natural gas has grown faster than the demand for any other fossil fuel, and it is the only fossil fuel for which the International Energy Agency (IEA) expects demand to grow in the future. Since the early 1970s, natural gas share of total global primary energy consumption has risen from 18% in 1970 to 23.9% in 2012.

Natural Gas Share of Primary Energy Consumption: 1970-2012

(% Based On Million Tonnes Oil Equivalent)

Source: Industry sources, Drewry

Natural gas has a number of advantages that will make it a competitive source of energy in the future. Apart from plentiful supplies, which will help to keep gas prices competitive, it is the fossil fuel least affected by policies to curb greenhouse gas emissions because it is the lowest carbon-intensive fossil fuel. In recent years, consumption of natural gas has risen steadily due to global economic growth and increasing energy demand, consumers desires to diversify energy sources, market deregulation, competitive pricing and recognition that natural gas is a cleaner energy source as compared to coal and oil. Carbon dioxide emissions and other pollutants from gas are half the level produced from coal when used in power generation.

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Natural gas is used principally in power generation (electricity) and for heating. It is an abundant energy source, with worldwide reserves estimated at 208 trillion cubic metres, which is enough for 250 years of supply at current rates of consumption. Over the past decade, global LNG demand has risen over 2.5% per annum, with growth of over 6% per annum in the Middle East, Africa and Asia-Pacific.

In the last decade a large part of the growth in natural gas consumption has been accounted for by countries, in Asia and the Middle East, where gas consumption more than doubled between 2000 and 2012.

The IEA has reported that global reserves of natural gas are large enough to accommodate rapid expansion of gas demand for several decades. Gas reserves and production are widely geographically spread and the geographical disparity between areas of production and areas of consumption has been the principal stimulus of international trade in gas.

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World Natural Gas Production: 1970-2012

(Million Tons oil Equivalent)

Gas production in North America has increased due to the emergence of shale gas reserves and new techniques to access and extract these reserves. U.S. domestic gas production now exceeds domestic gas consumption for a large part of the year which may reduce future gas import rates. Additionally, rising U.S. domestic production may drive down domestic gas prices and raise the likelihood of U.S. gas exports.

As a result of these developments the North American gas market is moving in a different cycle from the rest of the world and has larger price differentials than other markets (see the chart below). Regional price differentials create the opportunity for arbitrage and also act as a catalyst for the construction of new productive capacity. Given these conditions, interest in exporting LNG gas from the U.S. has grown and a number of new liquefaction plants are now planned.

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Natural Gas Prices: 2005-2013

(U.S.$ per Mbtu)

Source: Drewry

The LNG Market

To turn natural gas into a liquefied form, natural gas must be super cooled to a temperature of approximately minus 260 degrees Fahrenheit. This process reduces the gas to approximately 1/600th of its original volume in a gaseous state. Reducing the volume enables economical storage and transportation by ship over long distances. LNG is transported by sea in specially built tanks on double-hulled ships to a receiving terminal, where it is unloaded and stored in heavily insulated tanks. Next, in regasification facilities at the receiving terminal, the LNG is returned to its gaseous state, or regasified, to be shipped by pipeline for distribution to natural gas customers.

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LNG Supply

At the end of 2012, world LNG production capacity was approximately 300 million tonnes per annum, and a further 69 million tonnes of capacity was under construction. In addition, there are a number of planned developments, which, if they all came to fruition, would more than double global world LNG productive capacity.

During 2011 and 2012 considerable investments were made in LNG productive capacity, and further expansion plans were announced in the beginning of 2013. Approximately 70 million tons of new LNG productive capacity was under construction in April 2013. In addition, firm plans have been announced for another 265 million tons of new LNG production capacity. There are also another 200 million tons of potential LNG productive capacity for which no confirmed plans exist.

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We expect that LNG production capacity will grow due to the number of new production facilities which are now under construction and due on stream in the next few years. As spare shipping capacity among the existing LNG fleet is limited, we expect that there will be additional demand for LNG carriers. Generally, every additional one million tons of LNG productive capacity creates demand for up to two LNG carriers in the 150,000 cbm size range.

In the last decade, more countries have entered the LNG exportation market. In 2012, there were 20 producers and exporters of LNG compared with just 12 in 2002. As a result, world trade in LNG has risen from 109 million tonnes in 2002 to 239 million tonnes in 2012.

LNG Exports: 2002-2012

(Million Tonnes)

Source: Drewry

Historically, LNG exporters were located in just three regions: Algeria and Libya in North Africa, Indonesia, Malaysia, Brunei and Australia in Southeast Asia/Australasia, and Abu Dhabi and Qatar in the Middle East (excluding smaller scale LNG exports from Alaska). However, the entry of Trinidad & Tobago, Nigeria and Norway has added a significant regional diversification to LNG exports in the Atlantic basin. Equally, the addition of Oman as an exporter and the rapid expansion of Qatari production have also positioned the Middle East as an increasingly significant player in the global LNG business. Qatar is now the world s largest producer and exporter of LNG, accounting for close to one-third of all trade in LNG.

Currently, U.S. LNG exports are confined to an established plant in Alaska. In time, it is expected that the U.S. will also export LNG from the Sabine Pass project in the U.S. Gulf, which has received U.S. regulatory approval. Initial shipments from the first phase of this 12.2 cbm plant are planned to commence in 2015/2016, which we believe will create demand for 10-12 LNG carriers of 150,000 cbm plus. A second phase is also planned which will add a similar level of productive capacity. If and when the second phase of the Sabine Pass project goes ahead, we believe that it could create demand for additional 10-12 LNG carriers.

Currently, the main obstacle preventing regulatory permission of these plans is the absence of free trade agreements with potential importers. Elsewhere there are a number of other LNG projects under discussion, including further development of new facilities in Australia and Russia, both of which have the potential to add large export volumes. For Russia several of such volumes are located in Arctic ice bound areas where ice classed vessels would be required.

LNG Demand

In tandem with the growth in the number of LNG suppliers there has been a corresponding increase in the number of importers. In 2000 there were just 10 countries importing LNG, but by early 2013 this number had increased to 27.

LNG imports by country between 2002 and 2012 are shown in the table below. Despite diversification in the number of importers, Japan, and to a lesser extent South Korea, provide the backbone of LNG trades, collectively accounting for 47% of total LNG imports. Elsewhere, there has been strong growth in European imports, as LNG has provided a source of gas supplies during periods of high winter demand.

LNG Imports by Country 2002-2012

(Million Tonnes)

Importer	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Argentina							0.3	0.7	1.3	3.2	3.4
Belgium	2.4	2.3	2.1	2.2	3.1	2.3	2.1	4.8	4.7	4.8	3.0
Brazil								0.3	2.0	0.8	3.0
Canada								0.7	1.5	2.4	1.3
Chile								0.5	2.2	2.8	2.8
China					0.7	2.8	3.2	5.6	9.3	12.1	14.7
Dom. Rep.		0.2	0.1	0.2	0.2	0.3	0.3	0.4	0.6	0.7	0.9
France	8.4	7.2	5.6	9.4	10.1	9.5	9.2	9.5	10.2	10.6	7.3
Greece	0.4	0.4	0.4	0.3	0.4	0.6	0.7	0.5	0.9	0.9	0.7
India			1.9	4.4	5.8	7.3	7.9	9.2	8.9	12.5	13.3
Italy	4.2	4.0	4.3	1.8	2.3	1.8	1.1	2.1	6.6	6.4	5.2
Japan	53.1	58.2	56.2	55.7	59.8	64.8	67.3	62.7	68.2	78.1	88.0
Kuwait								0.7	2.0	2.3	2.0
Mexico					0.7	1.6	2.6	2.6	4.2	3.0	3.5
Netherlands										0.6	0.6
Portugal	0.3	0.6	1.0	1.2	1.4	1.7	1.9	2.1	2.2	2.2	1.6
Puerto Rico	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.9
South Korea	17.5	19.1	21.8	22.2	24.9	25.1	26.7	25.1	32.4	36.0	36.8
Spain	9.0	11.0	12.8	16.0	17.8	17.7	21.0	19.7	20.1	17.6	15.7
Taiwan	5.1	5.5	6.7	7.0	7.4	8.0	8.8	8.6	10.9	11.9	12.7
Thailand										0.7	1.0
Turkey	3.9	3.6	3.1	3.6	4.2	4.4	3.9	4.2	5.8	4.5	5.6
UAE									0.1	1.0	1.0
UK				0.4	2.6	1.1	0.8	7.5	13.6	18.5	10.4
USA	4.7	10.5	13.5	13.0	12.1	15.9	7.3	9.3	8.9	7.3	3.5
World Total	**109.3**	**123.3**	**129.9**	**137.8**	**154.1**	**165.3**	**165.6**	**177.2**	**217.3**	**241.5**	**238.9**

Source: Drewry

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Chinese imports of LNG commenced in 2006 and have risen rapidly. The Chinese government has a stated target to double the share of gas in total Chinese energy demand by 2015. To support this objective imports of LNG have risen from less than 1 million tonnes in 2006 to 12.1 million tonnes in 2011 and a provisional 14.7 million tonnes in 2012.

Further expansion of regasification and terminal import infrastructure which is now underway will support the continued growth in Chinese LNG imports. China is not dissimilar from the U.S. in that it has large deposits of shale gas, but geological structures in China are far more complicated. Additionally, China lacks the infrastructure to support the rapid development of domestic gas supplies. As such, this will create an opportunity for imported LNG. Monthly trends in LNG imports among Asian importers between January 2000 and July 2013 are shown in the chart below.

Asian LNG Imports: 2000-2013

(Million Tonnes)

In Europe the market is dominated by three large importers Spain, the United Kingdom and France. Collectively, these three importers accounted for 67% of total European LNG imports in 2012.

International Trade in Natural Gas

Generally, a pipeline is the most economical way of transporting natural gas from a producer to a consumer, provided that the pipeline is not too distant from the natural gas reserves. However, for some areas, such as the Far East, the lack of an adequate pipeline infrastructure means that natural gas must be turned into a liquefied form (LNG), as this is the only economical and feasible way it can be transported over long distances. Additionally, sea transportation of LNG is a more flexible solution than pipeline as it can accommodate required changes in trade patterns that are economically or politically driven.

International trade in natural gas nearly doubled between 2000 and 2012. During this period, LNG trade increased by 139%. As a result, LNG captured a growing share of international gas trade, with key drivers of this growth being the diversification of consumers, flexibility among producers, cost efficient transport and access to competitively priced gas.

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LNG Shipping Routes

Although the number of LNG shipping routes has increased in recent years due to growth in the number of LNG suppliers and consumers, demand for shipping services remains heavily focused on a number of key trade routes. In 2013, the principal trade routes for LNG shipping include: the South Pacific (Indonesia, Malaysia, Australia and Brunei) and the Middle East (Qatar, Oman and the UAE) to the North Pacific (Japan, South Korea, Taiwan and increasingly China), North Africa and Nigeria to Europe and the U.S., and Trinidad to the U.S., South America and Europe.

One important result of the geographical shifts in LNG production and consumption is that demand for shipping services, expressed in terms of tonne miles, has grown much faster that the underlying increase in LNG trade. Tonne miles are derived by multiplying the volume of cargo by the distance between the load and discharge port on each voyage.

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Between 2002 and 2011, the last year for which full data is available, total demand for LNG shipping services, expressed in terms of tonne miles, increased by 198%. As result of geographical shifts in the pattern of trade and growth in longer haul movements, average voyage distances also increased from just over 3,000 miles in 2000 to 4,300 miles in 2011.

LNG Trades Requiring Ice Class Tonnage

Ice Class Vessel Classifications

Ice class is assigned where a ship is strengthened to navigate in specific ice conditions. Ice class vessels are governed by different ice class rules and regulations depending on their area of operations.

Baltic Sea

Bay and Gulf of Bothnia, Gulf of Finland	Finnish-Swedish Ice Class Rules (FSICR)
Gulf of Finland (Russia territorial waters)	Russian Maritime Register (RMR) Ice Class Rules

Arctic Ocean

Barents, Kara, Laptev, East Siberian and Chukchi Seas	Russian Maritime Register (RMR) Ice Class Rules
Beaufort Sea, Baffin Bay, etc	Canadian Arctic Shipping Pollution Prevention Rules (CASPPR)
	RMR Ice Class Rules

There are also ice class rules and regulations for commercial ship operations on inland lakes, mainly the Great Lakes/St. Lawrence Seaway.

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In the context of current commercial newbuilding orders, the FSICR have become the de facto standard for new tonnage. Four ice classes are defined in the FSICR. The FSICR fairway due ice classes along with the design notional level thicknesses, in order of strength from high to low, are:

Class	**Standard**
1A Super (1AS)	Design notional level ice thickness of 1.0m. For extreme harsh ice conditions.
1A	Design notional level ice thickness of 0.8m. For harsh ice conditions.
1B	Design notional level ice thickness of 0.6m. For medium ice conditions.
1C	Design notional level ice thickness of 0.4m. For mild ice conditions.

The FSICR and the system of ice navigation operated during the winter months in the Northern Baltic are the most well developed criteria and standards for ice navigation. The system of ice navigation comprises three fundamental elements:

- Ice class merchant vessels (compliant with the FSICR for navigation in the northern Baltic);
- Fairway navigation channels; and
- Ice breaker assistance.

Year-round navigation and continuity of trade using the above three fundamental elements was first introduced in the northern Baltic sea areas during the 1960s, and the current FSICR Rule set, as well as the system of ice navigation, has evolved over the years to its current state.

Requirement for Ice Class Tonnage

The FSICR include technical requirements for hull and machinery scantlings as well as for the minimum propulsion power of ships. The hull of ice class vessels and the main propulsion machinery must be safe. The vessel must have sufficient power for safe operation in ice-covered waters. During the vessels normal operations, they encounter various ice interaction loadings, which calls for strengthened hull structures.

In addition to class rules, ships have to fulfill requirements set by maritime authorities in various jurisdictions. For example, the Russian marine operations headquarters accept ships with ice-strengthening according to or at least the equivalent of FSICR 1B to operate in the Northern Sea Route, or the NSR, if they fulfill additional requirements on crewing and icebreaker assistance.

Ice Class LNG Fleet

The number of ships in the international LNG fleet with an ice class standard is very low. As of 30 September 2013, there were only 5 LNG carriers with Ice Class 1A standard in operation and a further 5 vessels with Ice Class 1A on order. The only company to date that has experience with and performed NSR transits with LNG carriers is Dynagas Ltd.

Northern Sea Route

Currently there are two major cargo flows that dominate the NSR: oil and gas exports and the export of minerals. in particular coal and ore. The demand for shipping these commodities in the region has been increasing in recent years, driven by several key factors:

- decreased level of sea ice has lengthened the summer shipping season in the Arctic and is making some areas more navigable;
- increase in mineral resource development in the Arctic;

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commodity demand growth in Asia and high commodity prices;

technological developments which have made NSR a more feasible shipping route than in the past; and

chronic political problems in the Middle East, piracy in North Africa and non-transparent commercial disputes over the Suez in Egypt. These factors have made NSR a promising alternative.

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Northern Sea Route

Source: Drewry

As a result, the NSR has experienced exponential growth in trade volumes in the last three years. The table below illustrates this development. The year 2012 set a record both in the number of vessels and in the amount of cargoes registered on this route.

Northern Sea Route Seaborne Traffic

	2010	2011	2012
Number of Vessels	4	34	46
Total Cargo Volume (tons)	111,000	820,789	1,261,545
Dry Bulk Volume (tons)	N/A	108,344	322,956
Dry Bulk Share %	N/A	13.2	25.6

Source: Drewry, Centre for High North Logistics

As of today the most suitable LNG terminal for loading LNG for transport to the Far East is located in Northern Norway. The NSR to Japan is shorter than traditional shipping routes generally sailing through the Suez Canal. The Arctic route allows ships to save on time, fuel, and environmental emissions. In Northern Russia located within the NSR there are large gas reserves that are being planned for LNG exports.

In general, ships below 1A ice class will not be allowed to trade on NSR. This affords an advantage to those owners with ice class tonnage. Furthermore, owners/operators with experience of operating in ice conditions will have an edge over the traditional tramp operators who make occasional forays into the region during the winter months.

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The LNG Fleet

LNG carriers are specialist vessels designed to transport LNG between liquefaction facilities and import terminals. They are double-hulled vessels with a sophisticated containment system that holds and insulates LNG to maintain it in liquid form. Any LNG that evaporates during the voyage and converts to natural gas (normally referred to as boil-off) can be used as fuel to help propel the ship.

Among the existing fleet there are several different types of containment systems used on LNG carriers, but the two most popular systems are:

- The Moss Rosenberg spherical system, which was designed in the 1970s and is used by a large portion of the existing LNG fleet. In this system, multiple self-supporting, spherical tanks are built independent of the carrier and arranged inside its hull.

- The Gaz Transport membrane system, which is built inside the carrier and consists of insulation between thin primary and secondary barriers. The membrane is designed to accommodate thermal expansion and contraction without overstressing the membrane.

However, it is the case that most new vessels are being built with membrane systems such as the Gaz Transport system. This trend is primarily a result of lower Suez Canal fees and related costs associated with passage through the canal (which is required for many long-haul trade routes) for carriers with membrane systems. In addition, membrane system ships tend to operate more efficiently since the spheres on the Moss Rosenberg systems create more wind resistance. Generally, membrane ships achieve better speed consumption due to improved hull utilization, reduced cool down time and better terminal capacity.

The cargo capacity of an LNG carrier is measured in cubic meters (cbm). As of August 2013, the worldwide fleet totaled 363 ships with a combined capacity of 53.9 million cbm. The breakdown of the fleet by vessel size is shown below.

The LNG Fleet by Vessel Size: August 2013

Size	No.	000 Cbm
18-49,999 cbm	**8**	**189**
50-74,999 cbm	**5**	**348**
75-119,999 cbm	**11**	**968**
120-144,999 cbm	**222**	**30,718**
145-199,999 cbm	**73**	**11,578**
200-219,999 cbm	**30**	**6,391**
220,000+ cbm	**14**	**3,715**
Total	**363**	**53,907**

Within the current fleet there are only 5 vessels with ice class certification, making these ships a niche part of the market.

The age profile of the existing fleet as of August 2013 is shown below. The average age of all LNG carriers in service is 11.2 years, with fleet age generally increasing as ship size decreases.

LNG Fleet Age Profile: August 2013

Due to high quality construction and in most cases high quality maintenance, LNG carriers tend to have longer trading lives than oil tankers; it is not unusual to see ships older than 35 years still in service. However, there is some anecdotal evidence to suggest that older ships may find it harder to find employment in the future. Ships built before 1990 will likely become candidates for replacement in the not too distant future.

LNG Shipping Arrangements

LNG carriers are usually chartered for a fixed period of time with the charter rate payable to the owner on a monthly basis. Shipping arrangements are normally based on charters of five years or more because:

LNG projects are expensive and typically involve an integrated chain of dedicated facilities. Accordingly, the overall success of an LNG project depends heavily on long-term planning and coordination of project activities, including marine transportation.

LNG carriers are expensive to build, and the cash-flow from long-term fixed-rate charters supports vessel financing.

Most end users of LNG are utility companies, power stations or petrochemical producers that depend on reliable and uninterrupted delivery of LNG. Although most shipping requirements for new LNG projects continue to be provided on a long-term basis, spot voyages (typically consisting of a single voyage) and time charters of four years or less have become a feature of the market in recent years. However, it should be noted that the LNG spot market is different from the tanker spot market. In the tanker market, the term spot trade refers to a single voyage, which is arranged at a short notice. In the LNG market, it relates to the transport of one or more cargoes, sometimes within a specified time period between one and six months, with a set-up time of possibly several months.

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Newbuilding Prices

Similar to other types of vessels, newbuilding prices for LNG carriers rose steeply in the late 1980s and early 1990s, and then began to drift downwards in the mid-1990s and fall sharply in the late 1990s. At the beginning of 1992, the price of a 125,000 cbm ship from a Far East yard was reported to be approximately $270 million to $290 million, compared with a low of $120 million at the end of 1986. However, by early 2000 new orders were being struck at a new low of around $150 million.

After the lows of early 2000, prices crept above $165 million in the first half of 2001, but fell back to the $160 million to $165 million range in the second half of the year. Further pressure on newbuilding prices in general pushed typical prices closer to $160 million in 2002, and by 2003 prices fell to just above $150 million. However, a host of factors, including constrained shipbuilding capacity, currency movements and high steel prices led to an increase in prices in 2004 to around $180 million. Prices rose above $200 million in 2005 and renewed pressure on shipbuilding prices pushed prices close to $220 million in 2006.

LNG Carrier Newbuilding Prices: 2000-2013(1)

(U.S.$ Million)

(1) Price for 160-173,000 cbm ship from 2009 to 2013, prior prices based on 125-155,000 cbm ship

Source: Drewry

Prices for larger sized LNG carriers of 210-220,000 cbm were around $215 million when first ordered in late 2004 and increased to $235 million in the summer of 2005. The latest batch of orders in early 2007 for four 210,100 cbm vessels at South Korean yards, were reportedly placed at $246 million each.

Newbuilding prices reached an all-time high mark of $250 million around mid-2008, influenced by a number of factors, including the declining dollar exchange rate, easy availability of finance, high steel prices and tight shipbuilding capacity. However, newbuilding prices then fell in the wake of little new ordering, but leveled out in 2012. In 2013 prices firmed slightly, but they still remain below the last market peak.

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LNG Safety

LNG shipping is generally safe relative to other forms of commercial marine transportation. In the past forty years, there have been no significant accidents or cargo spillages involving an LNG carrier, even though over 40,000 plus LNG voyages have been made during that time.

LNG is non-toxic and non-explosive in its liquid state. It only becomes explosive or inflammable when heated and vaporized, and then only when in a confined space within a narrow range of concentrations in the air (5% to 15%). The risks and hazards from an LNG spill vary depending on the size of the spill, environmental conditions and the site at which the spill occurs.

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BUSINESS

Overview

We are a growth-oriented limited partnership focused on owning and operating LNG carriers. Our vessels are employed on multi-year time charters, which we define as charters of two years or more, with international energy companies such as BG Group and Gazprom, providing us with the benefits of stable cash flows and high utilization rates. We intend to leverage the reputation, expertise, and relationships of our Sponsor and our Manager, in maintaining cost-efficient operations and providing reliable seaborne transportation services to our customers. In addition, we intend to make further vessel acquisitions from our Sponsor and from third parties. There is no guarantee that we will grow the size of our fleet or the per unit distributions that we intend to pay or that we will be able to make further vessel acquisitions from our Sponsor or third parties

Our Sponsor entered the LNG sector in 2004 by ordering the construction of three LNG carriers, the *Clean Energy*, the *Ob River*, and the *Clean Force*, from Hyundai Heavy Industries Co. Ltd. or HHI, one of the world s leading shipbuilders of LNG carriers. On October 29, 2013, we acquired from our Sponsor these vessels, which we refer to as our Initial Fleet, in exchange for 6,735,000 of our common units and all of our subordinated units. The LNG carriers that comprise our Initial Fleet have an average age of 6.3 years and are under time charters with an average remaining term of 3.5 years, as of October 28, 2013.

We believe that we will have the opportunity to grow our per unit distributions by making acquisitions of LNG carriers from our Sponsor or from third parties. Our Sponsor took delivery of two newbuilding LNG carriers in July 2013 and one in October 2013 from HHI, and has contracts for the construction of an additional four LNG carriers with HHI, scheduled to be delivered to our Sponsor in 2014 and 2015. We will receive the right to purchase these seven vessels, which we refer to as the Optional Vessels, at a purchase price to be determined pursuant to the terms and conditions of the Omnibus Agreement within 24 months of their delivery to our Sponsor.

We intend to make minimum quarterly distributions to our unitholders of $ per unit, or $ per unit on an annualized basis. As our fleet expands, our board of directors will evaluate future increases to the minimum quarterly distribution based on our cash flow and liquidity position.

Our Initial Fleet

Our Initial Fleet consists of three LNG carriers currently operating under multi-year charters with BG Group and Gazprom. The *Clean Force* and the *Ob River* have been assigned with Ice Class designation for hull and machinery and are fully winterized, which means that they are designed to call at ice-bound and harsh

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environment terminals and to withstand temperatures up to minus 30 degrees Celsius. According to Drewry, the *Clean Force* and *the Ob River* are two of only five LNG carriers in the global LNG fleet that are currently in operation which have been assigned an Ice Class designation, or equivalent rating. This means that only 1.4% of the LNG vessels in the global LNG fleet have this designation, and we are the only company in the world that is currently transiting the Northern Sea Route with LNG carriers. We believe that these specifications enhance our trading capabilities and future employment opportunities because they provide greater flexibility in the trading routes available to our charterers.

We believe that the key characteristics of each of the vessels in our Initial Fleet include the following:

optimal sizing with a carrying capacity of approximately 150,000 cbm (which is a medium- to large-size class of LNG carrier) that maximizes operational flexibility as such vessel is compatible with most existing LNG terminals around the world;

each vessel is a sister vessel, which are vessels built at the same shipyard, HHI, that shares (i) a near-identical hull and superstructure layout, (ii) similar displacement, and (iii) roughly comparable features and equipment;

utilization of a membrane containment system that uses insulation built directly into the hull of the vessel with a membrane covering inside the tanks designed to maintain integrity and that uses the vessel s hull to directly support the pressure of the LNG cargo (see The International Liquefied Natural Gas (LNG) Shipping Industry The LNG Fleet for a description of the types of LNG containment systems);

double-hull construction, based on the current LNG shipping industry standard; and

a 99.5% utilization rate over 2012 and 2011.

According to Drewry, there are only 39 LNG carriers currently in operation, including the vessels in our Initial Fleet, with a carrying capacity of between 149,000 and 155,000 cbm and a membrane containment system, representing 9.0% of the global LNG fleet and a total of 113 LNG carriers on order of which eight are being constructed with these specifications.

The following table sets forth additional information about our Initial Fleet as of September 30, 2013:

Vessel Name	Shipyard	Year Built	Capacity (cbm)	Ice Class	Flag State	Charterer
Clean Energy	HHI	2007	149,700	No	Marshall Islands	BG Group
Ob River(1)	HHI	2007	149,700	Yes	Marshall Islands	Gazprom
Clean Force	HHI	2008	149,700	Yes	Marshall Islands	BG Group

(1) Formerly named *Clean Power*.

Contract Backlog

Our contract backlog includes commitments represented by signed charters. As of October 28, 2013, our contract backlog was approximately $297 million and was attributable to revenues that we expect to generate from our Initial Fleet. We calculate our contract backlog by multiplying the contracted daily rate by the minimum expected number of days committed under signed charters, excluding non-exercised options to extend and assuming full utilization for the full term of the charter. The actual amount of revenues earned and the actual periods during which revenues are earned may differ from the amounts and periods shown in the table below, due to, for example, off-hire for maintenance projects, downtime, scheduled or unscheduled dry-docking and other factors that result in lower revenues than our average contract backlog per day.

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The firm commitments that comprise our contract backlog as of October 28, 2013 were as follows:

Vessel Name	Charterer	Contract Backlog (in millions)	Contract Start Date	Earliest Charter Expiration	Latest Charter Expiration Including Non-Exercised Options
Clean Energy	BG Group	$107.5	February 2012	April 2017	August 2020[(2)]
Ob River[(1)]	Gazprom	$122.4	September 2012	September 2017	May 2018[(3)]
Clean Force	BG Group	$66.8	October 2010	September 2016	January 2020[(4)]

(1) Formerly named *Clean Power*.

(2) BG Group has the option to extend the duration of the charter for an additional three-year term until August 2020 at an escalated daily rate, upon notice to us before January 2016.

(3) Gazprom has the option to extend the duration of the charter until May 2018 on identical terms, upon notice to us before March 2017.

(4) On January 2, 2013, BG Group exercised its option to extend the duration of the charter by an additional three-year term at an escalated daily rate, commencing on October 5, 2013. BG Group has the option to extend the duration of the charter by an additional three-year term at a further escalated daily rate, which would commence on October 5, 2016, upon notice to us before January 5, 2016. The latest expiration date upon the exercise of all options is January 2020.

Our Chartering Strategy and Customers

We seek to employ our vessels on multi-year time charters with international energy companies that provide us with the benefits of stable cash flows and high utilization rates. We charter our vessels for a fixed period of time at daily rates that are generally fixed, but which could contain a variable component to adjust for, among other things, inflation and/or to offset the effects of increases in operating expenses.

The *Clean Energy* and the *Clean Force* are currently chartered to BG Group under time charter contracts with an average remaining term of approximately 3.2 years and a contractual backlog of $174.2 million, in aggregate, based on the earliest redelivery permitted under our charters as of September 30, 2013. BG Group engages in exploration and production of gas and oil reserves, export, shipping and import of LNG, pipeline transmission and distribution of gas, and various gas-powered electricity generation projects. BG Group operates in 23 countries on five continents. BG Group operates in the Atlantic Basin, with liquefaction and/or regasification activities on stream or in development in Chile, Egypt, Italy, Nigeria, the United Kingdom and the United States.

The *Ob River* is currently chartered to Gazprom under a time charter contract with an average remaining term of approximately 3.9 years and a contractual backlog of $122.2 million based on the earliest redelivery permitted under our charters as of September 30, 2013. Gazprom is a global energy company focused on geological exploration, production, transportation, storage, processing and marketing of gas and other hydrocarbons as well as electric power and heat energy production and distribution. Gazprom possesses the world s largest natural gas reserves estimated by Gazprom at 35 trillion cubic meters. In November 2012, *Ob River* became the world s first LNG carrier to complete an LNG shipment via the Northern Sea Route, demonstrating its extensive ice class capabilities, achieving a significant reduction in navigation time and generating significant cost savings for Gazprom.

The Optional Vessels

The Optional Vessels consist of seven fully winterized newbuilding LNG carriers, four of which have been contracted to operate under multi-year charters with Gazprom, Statoil and Cheniere. Each of the seven newbuilds has or is expected to have upon their delivery Ice Class designation, or its equivalent, for hull and machinery. Three of these vessels were delivered to our Sponsor in July 2013 and October 2013, and the remaining four vessels are scheduled to be delivered to our Sponsor as follows: two in 2014 and two in 2015. The three vessels delivered in 2013 are sister-vessels, each with a carrying capacity of 155,000 cbm and the four remaining vessels with expected deliveries in 2014 and 2015 are sister-vessels, each with a carrying capacity of 162,000 cbm. In the event we acquire the Optional Vessels in the future, we believe the staggered delivery dates of these newbuilding LNG carriers will facilitate a smooth integration of the vessels into our fleet, contributing to our annual fleet growth through 2017.

The Optional Vessels are compatible with a wide range of LNG terminals, providing charterers with the flexibility to trade the vessels worldwide. Each vessel is equipped with a membrane containment system. The compact and efficient utilization of the hull structure reduces the required principal dimensions of the vessel compared to earlier LNG designs and results in higher fuel efficiency and smaller quantities of LNG required for cooling down vessels tanks. In addition, the Optional Vessels will be equipped with a tri-fuel diesel electric propulsion system, which is expected to reduce both fuel costs and emissions.

The following table provides certain information about the Optional Vessels as of September 30, 2013.

Vessel Name / Hull Number	Shipyard	Delivery Date / Expected Delivery Date	Capacity Cbm	Ice Class	Sister Vessels	Charter Commencement	Charterer	Earliest Charter Expiration	Latest Charter Expiration
Yenisei River[(1)]	HHI	Q3-2013	155,000	Yes	B	Q3 2013	Gazprom	Q3 2018	Q3 2018
Arctic Aurora[(1)]	HHI	Q3-2013	155,000	Yes	B	Q3 2013	Statoil	Q3 2018	Renewal Options[(2)]
Lena River[(1)]	HHI	Q4-2013	155,000	Yes	B	Q4 2013	Gazprom	Q4 2018	Q4 2018
Clean Ocean	HHI	Q1-2014	162,000	Yes	C	Q2 2015	Cheniere	Q2 2020	Q3 2022
Clean Planet	HHI	Q3-2014	162,000	Yes	C				
Hull 2566	HHI	Q1-2015	162,000	Yes	C				
Hull 2567	HHI	Q2-2015	162,000	Yes	C				

(1) In July 2013, our Sponsor took delivery of the *Yenisei River* and the *Arctic Aurora*, which were subsequently delivered to their charterers. In October 2013, our Sponsor took delivery of the *Lena River*, which was subsequently delivered to its charterer.

(2) Statoil has revolving consecutive one-year renewal options following the initial five year period.

Rights to Purchase Optional Vessels

We will receive the right to purchase the Optional Vessels from our Sponsor at a purchase price to be determined pursuant to the terms and conditions of the Omnibus Agreement, which we intend to enter into with our Sponsor and our General Partner at the closing of this offering. These purchase rights will expire 24 months following the respective delivery of each Optional Vessel from the shipyard. If we are unable to agree with our Sponsor on the purchase price of any of the Optional Vessels, the respective purchase price will be determined by an independent appraiser, such as an investment banking firm, broker or firm generally recognized in the shipping industry as qualified to perform the tasks for which such firm has been engaged, and we will have the right, but not the obligation, to purchase each vessel at such price. The independent appraiser will be mutually appointed by our Sponsor and our conflicts committee. Please see Certain Relationships and Related Party Transactions Agreements Governing the Transactions Omnibus Agreement Rights to Purchase Optional Vessels for information on how the purchase price is calculated.

The purchase price of the Optional Vessels, as finally determined by an independent appraiser, may be an amount that is greater than what we are able or willing to pay or we may be unwilling to proceed to purchase such vessel if such acquisition would not be in our best interests. We will not be obligated to purchase the Optional Vessels at the determined price and, accordingly, we may not complete the purchase of such vessels, which may have an adverse effect on our expected plans for growth. In addition, our ability to purchase the

Optional Vessels, should we exercise our right to purchase such vessels, is dependent on our ability to obtain additional financing to fund all or a portion of the acquisition costs of these vessels. As of the date of this prospectus, we have not secured any financing in connection with the potential acquisition of the Optional Vessels, other than amounts that may be available under our New Senior Secured Revolving Credit Facility following the application of the proceeds from such facility as described in Use of Proceeds, since it is uncertain if and when such purchase options will be exercised. Our Sponsor has entered into loan agreements in connection with the seven Optional Vessels. In the event we acquire the Optional Vessels in the future, we may enter into agreements with our Sponsor to novate these loan agreements to us. Any such novation would be subject to each respective lender s consent. Please see Risk Factors Our Sponsor may be unable to service its debt requirements and comply with the provisions contained in the credit agreements secured by the Optional Vessels. If our Sponsor fails to perform its obligations under its loan agreements, our business and expected plans for growth may be materially affected.

Our Relationship with our Sponsor and members of the Prokopiou Family

We believe that one of our principal strengths is our relationships with our Sponsor, our Manager and members of the Prokopiou Family, including Mr. George Prokopiou, the Chairman of our board of directors, and his daughters Elisavet Prokopiou, Johanna Prokopiou, Marina Kalliope Prokopiou, and Maria Eleni Prokopiou, (who in addition to Mr. Prokopiou, own interests in our Sponsor), which provide us access to their long-standing relationships with major energy companies and shipbuilders and their technical, commercial and managerial expertise. As of September 30, 2013, our Sponsor s LNG carrier fleet consisted of three LNG carriers and four newbuildings on order, excluding the vessels in our Initial Fleet. While our Sponsor intends to utilize us as its primary growth vehicle to pursue the acquisition of LNG carriers employed on time charters of four or more years, we can provide no assurance that we will realize any benefits from our relationship with our Sponsor or the Prokopiou Family and there is no guarantee that their relationships with major energy companies and shipbuilders will continue. Our Sponsor, our Manager and other companies controlled by members of the Prokopiou Family are not prohibited from competing with us pursuant to the terms of the Omnibus Agreement which we will enter into with our Sponsor and our General Partner at the closing of this offering. Our General Partner, which is wholly-owned by our Sponsor, owns 100% of the 30,000 general partner units, representing a 0.1% general partner interest in us, or the General Partner Units, and 100% of the incentive distribution rights. Please see Summary of Conflicts of Interest and Fiduciary Duties below and Conflicts of Interest and Fiduciary Duties.

Our founder and Chairman, Mr. George Prokopiou, started his career in shipping in 1974. Mr. Prokopiou, founded Dynacom Tankers Management and Sea Traders. Dynacom Tankers Management is a company engaged primarily in the management and operation of tanker vessels. Sea Traders is a company engaged primarily in the management and operation of dry bulk carriers.

Positive Industry Fundamentals

We believe that the following factors collectively present positive industry fundamental prospects for us to execute our business plan and grow our business:

Natural gas and LNG are vital and growing components of global energy sources. According to Drewry, global demand for LNG is forecasted to increase by approximately 146 million tonnes (7 trillion cubic feet), an increase of 44%, during the period from 2012 to 2018. We can provide no assurance that such growth will occur. Natural gas accounted for 24% of the world s primary energy consumption in 2012, and is expected to increase to 25% in 2013. Over the last two decades, natural gas has been one of the world s fastest growing energy sources, increasing at twice the rate of oil consumption over the same period. We believe that LNG, which accounted for 32% of overall cross-border trade of natural gas in 2012, according to Drewry, will continue to increase its share in the mid-term future. A cleaner burning fuel than both oil and coal, natural gas has become an increasingly attractive fuel source in the last decade.

Demand for LNG shipping is experiencing growth. The growing distances between the location of natural gas reserves and the nations that consume natural gas have caused an increase in the percentage of natural gas traded between countries. This has resulted in an increase in the portion of natural gas that is being transported in the form of LNG, which provides greater flexibility and generally lowers capital costs of shipping natural gas, as well as a reduction in the environmental impact compared to transportation by pipeline. Increases in planned capacity of liquefaction and regasification terminals are anticipated to increase export capacity significantly, requiring additional LNG carriers to facilitate transportation activity. According to Drewry, based on the current projections of liquefaction terminals that are planned or under construction, liquefaction capacity is expected to increase by approximately 29% by 2016. Approximately one million tonnes of LNG export capacity creates demand for approximately one to two LNG carriers with carrying capacity of 160,000 to 165,000 cbm each. According to Drewry, as of August 2013, global liquefaction capacity was 290.6 million tonnes, and an additional 84.0 million tonnes of liquefaction capacity was under construction and scheduled to be available by the end of 2016. Over the past three years, global LNG demand has continued to rise, but at a slower pace than previously predicted. Drewry estimates that LNG trade decreased by 1.2% in 2012 primarily due to delays at many liquefaction plants under construction and lower production as a result of planned and unplanned outages at various LNG facilities and weakness in the world economy. Based on current construction projects in Australia and the United States, LNG supply is expected to increase, and to have a beneficial impact on demand for shipping capacity, however, continued economic uncertainty and continued acceleration of unconventional natural gas production could have an adverse effect on our business.

A limited newbuilding orderbook and high barriers to entry should restrict the supply of new LNG carriers. According to Drewry, the current orderbook of LNG carriers represents 33.9% of current LNG carrier fleet carrying capacity. During the period from 2002 to 2012, the newbuilding orderbook of LNG carriers represented on average approximately 47.1% of the LNG carrier fleet carrying capacity. As of August 2013, 113 LNG carriers, with an aggregate carrying capacity of 18.3 million cbm, were on order for delivery for the period between 2013 to 2017, while the existing fleet consisted of 363 vessels with an aggregate capacity of 53.9 million cbm. We believe that the current orderbook is limited due to constrained construction capacity at high-quality shipyards and the long lead-time required for the construction of LNG carriers. While we believe this has restricted additional supply of new LNG carriers in the near-term, any increase in LNG carrier supply may place downward pressure on charter rates. In addition, we believe that there are significant barriers to entry in the LNG shipping sector, which also limit the current orderbook due to large capital requirements, limited availability of qualified vessel personnel, and the high degree of technical management required for LNG vessels.

Stringent customer certification standards favor established, high-quality operators. Major energy companies have developed stringent operational, safety and financial standards that LNG operators generally are required to meet in order to qualify for employment in their programs. Based on our Manager s track record and long established operational standards, we believe that these rigorous and comprehensive certification standards will be a barrier to entry for less qualified and less experienced vessel operators and will provide us with an opportunity to establish relationships with new customers.

Increasing ownership of the global LNG carrier fleet by independent owners. According to Drewry, as of August 2013, 64% of the LNG fleet was owned by independent shipping companies, 21% was owned by LNG producers and 8% was owned by energy majors and end-users, respectively. We believe that private and state-owned energy companies will continue to seek high-quality independent owners, such as ourselves, for their growing LNG shipping needs in the future, driven in part by large capital requirements, and level of expertise necessary, to own and operate LNG vessels.

We can provide no assurance that the industry dynamics described above will continue or that we will be able to capitalize on these opportunities. Please see Risk Factors and The International Liquefied Natural Gas (LNG) Shipping Industry.

Competitive Strengths

We combine a number of features that we believe distinguish us from other LNG shipping companies.

Management

Broad based Sponsor experience. Under the leadership of Mr. George Prokopiou, our founder and Chairman, we, through our Sponsor and Manager, have developed an extensive network of relationships with major energy companies, leading LNG shipyards, and other key participants throughout the shipping industry. Although we were formed in May 2013, we believe that these longstanding relationships with shipping industry participants, including chartering brokers, shipbuilders and financial institutions, should provide us with profitable vessel acquisition and employment opportunities in the LNG sector, as well as access to financing that we will need to grow our Company. Since entering the shipping business in 1974, Mr. Prokopiou has founded and controlled various companies, including Dynacom Tankers Management, a Liberian company engaged in the management and operation of crude oil tankers and refined petroleum product tankers, Sea Traders S.A., or Sea Traders, a Panamanian company that manages and operates drybulk carriers and container vessels, and our Manager.

Strong management experience in the LNG shipping sector. Our management has managed and operated LNG carriers since 2004, and we believe that, through our Sponsor and Manager, and our Chairman we have acquired significant experience in the operation and ownership of LNG carriers. Our senior executives have an average of 25 years of shipping experience, including experience in the LNG sector. Furthermore, one of the vessels in our Initial Fleet, the *Ob River*, while operated by our Manager, became the world s first LNG carrier to complete an LNG shipment via the Northern Sea Route, that is a shipping lane from the Atlantic Ocean to the Pacific Ocean entirely in Arctic waters, which demonstrated its extensive Ice Class capabilities. During this voyage, it achieved a significant reduction in navigation time, compared to the alternative route through the Suez Canal, and accordingly, generated significant cost savings for its charterer, Gazprom. We believe this expertise, together with our reputation and track record in LNG shipping, positions us favorably to capture additional commercial opportunities in the LNG industry.

Cost-competitive and efficient operations. Our Manager will provide the technical and commercial management of our Initial Fleet and any other vessels we may acquire in the future. We believe that our Manager, through comprehensive preventive maintenance programs and by retaining and training qualified crew members, will be able to manage our vessels efficiently, safely and at a competitive cost.

Demonstrated access to financing. Our Sponsor funded the construction of the Optional Vessels through debt financing as well as equity provided by entities owned and controlled by members of the Prokopiou Family. Should we exercise our right to purchase any of the seven Optional Vessels, our Sponsor may novate to us the loan agreements secured by the Optional Vessels, subject to each respective lender s consent. We believe that our access to financing will improve our ability to capture future market opportunities and make further acquisitions, which we expect will increase the minimum quarterly distribution to our unitholders. In addition, upon the completion of this offering, our Sponsor has agreed to provide us with a $30.0 million revolving credit facility to be used for general partnership purposes, including working capital. This revolving credit facility will have a term of five years and will bear interest at LIBOR plus a margin. As of October 28, 2013, we had outstanding borrowings under our secured loan facilities of $346.1 million.

Fleet

Modern and high specification fleet Two of the three vessels in our Initial Fleet, the *Clean Force* and the *Ob River*, have been assigned with the Ice Class designation, or its equivalent, for hull and machinery and are fully winterized, which means that they are designed to call at ice-bound and harsh environment terminals and to withstand temperatures up to minus 30 degrees Celsius. In addition, all of the Optional Vessels are being and have been constructed with the same characteristics and all of the Optional Vessels have or are expected to have upon their delivery the Ice Class designation, or its equivalent. We believe that these attractive characteristics should provide us with a competitive advantage in securing future charters with customers and enhance our vessels earnings potential. According to Drewry, the *Clean Force* and the *Ob River* are two of only five LNG carriers in the global LNG fleet that are currently in operation which have been assigned an Ice Class designation, or its equivalent, and we are the only company in the world that is currently transiting the Northern Sea Route with LNG carriers. This means that only 1.4% of the LNG vessels in the global LNG fleet have this designation. We believe that these specifications enhance our trading capabilities and future employment opportunities because they provide greater flexibility in the trading routes available to our charterers. In addition, each of the Optional Vessels is being constructed with an efficient tri-fuel diesel electric propulsion system, which will significantly reduce both fuel costs and emissions. There is no guarantee that we will ever purchase the Optional Vessels and for so long as we do not own these vessels, we will be in competition with these vessels.

Sister vessel efficiencies. The seven Optional Vessels consist of two series of sister vessels, vessels of the same type and specification, and our Initial Fleet of three LNG carriers are also sister vessels, which we believe will enable us to benefit from more chartering opportunities, economies of scale and operating and cost efficiencies in ship construction, crew training, crew rotation and shared spare parts. We believe that more chartering opportunities will be available to us because many charterers prefer sister vessels due to their interchangeability and ease of cargo scheduling associated with the use of sister vessels.

Built-in opportunity for fleet growth. In addition to our Initial Fleet, we will have the right to purchase the Optional Vessels from our Sponsor. We believe the staggered delivery dates of the seven Optional Vessels will facilitate a smooth integration of these vessels into our fleet if we purchase and take delivery of the vessels. Additionally, we will have the right to acquire from our Sponsor any LNG carrier it owns and employs under a charter with an initial term of four or more years. We believe these acquisition opportunities will provide us with a way to grow our cash distributions per unit. However, we can make no assurances regarding our ability to acquire these vessels from our Sponsor or our ability to increase cash distributions per unit as a result of any such acquisition. As of the date of this prospectus, we have not secured any financing in connection with the potential acquisition of the Optional Vessels or other vessels, other than amounts that may be available under our New Senior Secured Revolving Credit Facility following the application of the proceeds from such facility as described in Use of Proceeds, since it is uncertain if and when such purchase options will be exercised. Please see Certain Relationships and Related Party Transactions Omnibus Agreement.

Commercial

Capitalize on growing demand for LNG shipping. We believe our Sponsor s and our Manager s industry reputation and relationships position us well to further expand our fleet to meet the growing demand for LNG shipping. We intend to leverage the relationships that we, our Sponsor and our Manager have with a number of major energy companies beyond our current customer base and explore relationships with other leading energy companies, with an aim to supporting their growth programs.

Pursue a multi-year chartering strategy. We currently focus on, and have entered into, multi-year time charters with international energy companies, which provide us with the benefits of stable cash flows and high utilization rates. All of the vessels in our Initial Fleet are currently time chartered on multi-year contracts, which should result in 100% of our calendar days being under charter coverage in 2013, 2014 and 2015 and as of October 28, 2013, are expected to provide us with total contracted revenue in excess of $297 million, excluding options to extend and assuming full utilization for the full term of the charter. The actual amount of revenues earned and the actual periods during which revenues are earned may differ from the amounts and periods described above due to, for example, off-hire for maintenance projects, downtime, scheduled or unscheduled dry-docking and other factors that result in lower revenues than our average contract backlog per day. In the LNG sector, shipowners generally tend to employ their vessels on multi-year charters for steady and secure returns. Charterers also want to have access to vessels for secured supply of cargoes at pre-determined charter rates which can meet their contractual sale and purchase commitments.

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Strengthen relationships with customers. We, through our Sponsor and our Manager, have, over time, established relationships with several major LNG industry participants. The vessels in our Initial Fleet have, in the past, been chartered to numerous major international energy companies and conglomerates, in addition to our current charterers, BG Group and Gazprom. We expect that BG Group and Gazprom will further expand their LNG operations, and that their demand for additional LNG shipping capacity will also increase. While we cannot guarantee that BG Group and Gazprom will further expand their LNG operations or that they will use our services, we believe we are well positioned to support them in executing their growth plans if their demand for LNG carriers and services increases in the future. We intend to continue to adhere to the highest standards with regard to reliability, safety and operational excellence.

Borrowing Activities

For a complete description of our credit facilities and the financial and restrictive covenants contained therein, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Our Borrowing Activities.

On October 25, 2013, we entered into a binding commitment letter with one of our lenders, an affiliate of Credit Suisse, for a new $262.13 million senior secured credit facility, which we refer to as the New Senior Secured Revolving Credit Facility. A portion of the proceeds of the New Senior Secured Revolving Credit Facility, together with the net proceeds of this offering, will be used to repay all of our existing outstanding indebtedness under our existing credit facilities, certain of which contain provisions that prohibit us from paying distributions to our unitholders, effective upon the closing of this offering. The material terms of this new credit facility will permit, among other things, distributions to our unitholders and the other transactions contemplated herein and are more fully set forth under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities New Senior Secured Revolving Credit Facility.

We have guaranteed three credit agreements of our Sponsor, with outstanding borrowings of an aggregate of up to $795.9 million, which are secured by five of the Optional Vessels, the *Yenisei River*, the *Lena River*, the *Clean Ocean*, the *Clean Planet* and the *Arctic Aurora*. The guarantees have been provided through certain of our subsidiaries, including the subsidiaries that own the vessels comprising our Initial Fleet. On , 2013, our Sponsor entered into binding agreements with its lenders to amend these three credit agreements at or prior to the closing of this offering to, among other things, release us from our obligations as guarantor effective upon the closing of this offering. As a result of the amendment to these three credit agreements, effective as of the closing of this offering, we will be released from our obligations as guarantor under the loan agreements and will no longer guarantee any of our Sponsor s debt. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Sponsor s Credit Agreements.

The consummation of this offering is contingent upon our entry into the definitive facility agreement and related security documents for the New Senior Secured Revolving Credit Facility and the amendment of our Sponsor s three credit agreements to release us from the guarantees described above.

As of June 30, 2013, we were in breach of the minimum liquidity requirement relating to our $193 Million Ob River Credit Facility, which requires us to maintain minimum liquidity of $30 million, while we maintained $2.8 million in cash and cash equivalents. We were in compliance with the remaining financial and liquidity covenants in our loan agreements but we were not in compliance with certain restrictive covenants relating to our credit agreements, which are described under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities Waivers, Consents and The Violation of Certain Covenants Under Our Credit Facilities.

On July 19, 2013, one of our lenders declared an event of default under one of our credit facilities. On October 29, 2013, our lenders (i) provided us with their consent to issue guarantees under three of our Sponsor s credit facilities and to repay the $140 Million Shareholder Loan, and (ii) waived their rights in respect of our non-compliance with the minimum liquidity requirement of $30.0 million contained in the $193 Million Ob River Facility until September 30, 2014, which are described in Note 7 of our audited consolidated financial statements included elsewhere in this prospectus. Following the receipt of the waivers and the consents described above, all of our debt was classified as current and non-current liabilities as of June 30, 2013 and December 31, 2012 and 2011, in accordance with its scheduled repayment as it was no longer considered callable by our lenders. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Our Borrowing Activities Waivers, Consents and The Violation of Certain Covenants Under Our Credit Facilities.

Upon completion of this offering and the related transactions, we plan to fund the loan interest and scheduled loan repayments with cash expected to be generated from operations.

Vessel Management

Our Manager provides us with commercial and technical management services for our Initial Fleet and certain corporate governance and administrative and support services, pursuant to three identical agreements with our three wholly-owned vessel owning subsidiaries, or the Management Agreements. Our Manager is wholly-owned by Mr. George Prokopiou and has been providing these services for the vessels in our Initial Fleet for over eight years. In addition, our Manager performs the commercial and technical management of each of the Optional Vessels, which also includes the supervision of the construction of these vessels. Through our Manager, we have had a presence in LNG shipping for over eight years, and during that time we believe our Manager has established a track record for efficient, safe and reliable operation of LNG carriers.

We pay our Manager a technical management fee of $2,500 per day for each vessel, pro-rated for the calendar days we own each vessel, for providing the relevant vessel owning subsidiaries with services, including engaging and providing qualified crews, maintaining the vessel, arranging supply of stores and equipment, arranging and supervising periodic dry-docking, cleaning and painting and ensuring compliance with applicable regulations, including licensing and certification requirements.

In addition, we pay our Manager a commercial management fee equal to 1.25% of the gross charter hire, ballast bonus which is the amount paid to the ship owner as compensation for all or a part of the cost of positioning the vessel to the port where the vessel will be delivered to the charterer, or other income earned during the course of the employment of our vessels, during the term of the management agreements, for providing the relevant vessel-owning subsidiary with services, including chartering, managing freight payment, monitoring voyage performance, and carrying out other necessary communications with the shippers, charterers and others.

Under the terms of the Management Agreements, we may terminate the Management Agreements upon written notice if our Manager fails to fulfill its obligations to us under the Management Agreements. The Management Agreements terminate automatically following a change of control in us. If the Management Agreements are terminated as a result of a change of control in us, then we will have to pay our Manager a termination penalty equal to the estimated remaining fees payable to our Manager for no less than for a period of 36 months and not more than a period of 60 months. For this purpose a change of control means (i) the acquisition of fifty percent or more by any individual, entity or group of the beneficial ownership or voting power of the outstanding shares of us or our vessel owning subsidiaries, (ii) the consummation of a reorganization, merger or consolidation of us and/or our vessel owning subsidiaries or the sale or other disposition of all or substantially all of our assets or those of our vessel owning subsidiaries and (iii) the approval of a complete liquidation or dissolution of us and/or our vessel owning subsidiaries. Additionally, the Management Agreements may be terminated by our Manager with immediate effect if, among other things, (i) we fail to meet our obligations and/or make due payments within ten business days from receipt of invoices, (ii) upon a sale or total loss of a vessel (with respect to that vessel), or (iii) if we file for bankruptcy.

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We expect to pay an aggregate of approximately $2.8 million to our Manager in connection with the management of our Initial Fleet under the Management Agreements for the twelve months ending December 31, 2014.

In addition to such fees, we expect to pay for any capital expenditures, financial costs, operating expenses and any general and administrative expenses, including payments to third parties, in accordance with the Management Agreements.

The term of the Management Agreements with our Manager will expire on December 31, 2020, and will renew automatically for successive eight-year terms thereafter unless earlier terminated. The technical management fee of $2,500 per day for each vessel is fixed until December 31, 2013 and will thereafter increase annually by 3%, subject to further annual increases to reflect material unforeseen costs of providing the management services, by an amount to be agreed between us and our Manager, which will be reviewed and approved by our conflicts committee.

Pursuant to the terms of the Management Agreements, liability of our Manager to us is limited to instances of negligence, gross negligence or willful default on the part of our Manager. Further, we are required to indemnify our Manager for liabilities incurred by our Manager in performance of the Management Agreements, except in instances of negligence, gross negligence or willful default on the part of our Manager.

Additional LNG carriers that we acquire in the future may be managed by our Manager or other unaffiliated management companies.

How The Liquefied Natural Gas (LNG) Shipping Industry Works and Specifics about our Initial Fleet

Time Charters

We provide the LNG marine transportation services of the *Clean Energy, Clean Force* and the *Ob River* under time charters with BG Group and Gazprom, respectively. A time charter is a contract for the use of the vessel for a fixed period of time at a specified daily rate. Under our time charters, the vessel owner provides crewing and other services related to the vessel s operation, the cost of which is included in the daily rate, and the customer is responsible for substantially all of the vessel voyage costs (including fuel, port and canal fees and LNG boil-off). The following discussion describes the material terms of our LNG carrier time charters.

Initial Term; Extensions

Clean Energy. The initial term of the charter with BG Group began in February 2012 and will terminate during the second quarter of 2017. BG Group has the option to extend the duration of the charter by an additional one three-year term at a further escalated daily gross rate, for the period up to August 2020.

Clean Force. The initial term of the charter with BG Group commenced in October 2010 and will terminate during the fourth quarter of 2016. This charter was subject to an outstanding option on the part of BG Group to extend the charter for one or two three-year periods by providing nine months notice prior to the end of each period. On January 2, 2013, BG Group exercised its first option to extend the duration of the charter until September 2016. The *Clean Force* charter provides that if BG Group exercises its option to extend the charter beyond its initial term, the hire rate for the first three-year extension period will be increased by approximately 38% and by approximately an additional 16% for the second three-year extension period. The latest expiration date upon exercising of all options is January 2020.

Ob River. The initial term of the charter with Gazprom Group began in September 2012 and will terminate in the second quarter of 2018 assuming latest redelivery.

Hire Rate

Hire rate refers to the basic payment from the customer for use of the ship. Under all of our time charters, the hire rate is payable to us monthly in advance in U.S. dollars.

Expenses

Under all of our LNG carrier charters, we are responsible for vessel operating expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils, brokers, commissions and communication expenses and the cost of providing all of these items and services. The customer generally pays the voyage expenses, which include all expenses relating to particular voyages, including any bunker fuel expenses, LNG boil-off, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions.

Off-hire

When the vessel is off-hire or not available for service the charterer generally is not required to pay the hire rate and we are responsible for all costs. Prolonged off-hire may lead to vessel substitution or termination of the time charter.

A vessel generally will be deemed off-hire if there is a specified time it is not available for the customer s use due to, among other things:

- operational deficiencies, dry-docking for repairs, maintenance or inspection, equipment breakdowns, or delays due to accidents, crewing strikes, certain vessel detentions or similar problems; or

- our failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew

Vessels are drydocked at least once during a five-year class cycle for inspection of the underwater parts and for repairs related to inspections. Our vessels are considered to be off-hire under our time charters during such periods.

Ship Management and Maintenance

Under the charters, we are responsible for the technical management of our vessels, including engaging and providing qualified crews, maintaining the vessel, arranging supply of stores and equipment, periodic dry-docking, cleaning and painting and ensuring compliance with applicable regulations, including licensing and certification requirements. Our Manager provides these services to our subsidiaries for all our vessels.

Termination and Cancellation

Under our time charters, each party has certain termination rights which include, among other things, the automatic termination of a charter upon loss of the relevant ship. Either party may elect to terminate a charter upon the occurrence of specified defaults or upon the outbreak of war or hostilities involving two or more major nations, such as the United States or the Peoples Republic of China, if such war or hostilities materially and adversely affect the trading of the ship for a period of at least 30 days. In addition, our charterers have the option to terminate a charter if the relevant ship is off-hire for any reason other than scheduled dry-docking for a period exceeding 90 consecutive days, or for more than 90 days or 110 days, depending on the charter, in any one-year period. Certain of our charters give the charterer a termination option for shorter periods of off-hire, if such off-hire is due to an uncured breach of our obligations to maintain the applicable ship.

Newbulding vessels construction

A newbuilding vessel is defined as a new vessel currently under construction in a shipyard or just completed. A purchaser may decide to enter the shipbuilding market instead of acquiring a second hand vessel

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for several different reasons, including the desire to construct a new vessel with certain technical specifications to meet specific business objectives. Unlike a second hand vessel which is readily available in the open market, a newbuilding vessel is acquired through a shipbuilding contract between the purchaser and the shipyard and the delivery ranges between 1-3 years depending on, among other things, on the shipyard orderbook and capacity. In connection with the contracting of newbuildings, purchasers generally are required to make installment payments prior to their delivery. Purchasers typically must pay a percentage of the purchase price upon signing the purchase contract. Purchasers are also required to pay similar installments throughout the construction of the vessel, which are usually connected with certain shipbuilding milestones.

Classification, Inspection and Maintenance

Every large, commercial seagoing vessel must be classed by a classification society. A classification society certifies that a vessel is in class, signifying that the vessel has been built and maintained in accordance with the rules of the classification society and the vessel s country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

For maintenance of the class certificate, regular and special surveys of hull, machinery, including the electrical plant and any special equipment classed, are required to be performed by the classification society, to ensure continuing compliance. Vessels are dry-docked at least once during a five-year class cycle for inspection of the underwater parts and for repairs related to inspections. Vessels under five years of age can waive dry docking in order to increase available days and decrease capital expenditures, provided the vessel is inspected underwater. If any defects are found, the classification surveyor will issue a recommendation which must be rectified by the shipowner within prescribed time limits. The classification society also undertakes on request of the flag state other surveys and checks that are required by the regulations and requirements of that flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as in class by a classification society, which is a member of the International Association of Classification Societies (the IACS). In 2012, the IACS issued draft harmonized Common Structure Rules that align with IMO goal standards, and are expected to be adopted in 2013. All of the vessels in our Initial Fleet are certified by Lloyds Register, have been awarded ISM certification and are currently in class.

Our Manager carries out inspections of the ships on a regular basis; both at sea and while the vessels are in port. The results of these inspections, which are conducted both in port and underway, result in a report containing recommendations for improvements to the overall condition of the vessel, maintenance, safety and crew welfare. Based in part on these evaluations we create and implement a program of continual maintenance and improvement for our vessels and their systems.

Safety, Management of Ship Operations and Administration

Safety is our top operational priority. Our vessels are operated in a manner intended to protect the safety and health of the crew, the general public and the environment. We actively manage the risks inherent in our business and are committed to preventing incidents that threaten safety, such as groundings, fires and collisions. We are also committed to reducing emissions and waste generation. We have established key performance indicators to facilitate regular monitoring of our operational performance. We set targets on an annual basis to drive continuous improvement, and we review performance indicators monthly to determine if remedial action is necessary to reach our targets. Our Manager s shore staff performs a full range of technical, commercial and business development services for us. This staff also provides administrative support to our operations in finance, accounting and human resources.

Crewing and Staff

As of September 30, 2013, we did not employ any offshore staff. Our Manager provides us with commercial and technical management services, including all necessary crew-related services, to our vessel-owning subsidiaries pursuant to the Management Agreements. Please see Certain Relationships and Related Party Transactions Vessel Management.

Risk of Loss, Insurance and Risk Management

The operation of any vessel, including LNG carriers, has inherent risks. These risks include mechanical failure, personal injury, collision, property loss, vessel or cargo loss or damage and business interruption due to political circumstances in foreign countries or hostilities. In addition, there is always an inherent possibility of marine disaster, including explosion, spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. We believe that our present insurance coverage is adequate to protect us against the accident related risks involved in the conduct of our business and that we maintain appropriate levels of environmental damage and pollution insurance coverage consistent with standard industry practice. However, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

We have obtained hull and machinery insurance on all our vessels against marine and war risks, which include the risks of damage to our vessels, salvage or towing costs, and also insure against actual or constructive total loss of any of our vessels. However, our insurance policies contain deductible amounts for which we will be responsible. We have also arranged additional total loss coverage for each vessel. This coverage, which is called hull interest and freight interest coverage, provides us additional coverage in the event of the total loss of a vessel.

We have also obtained loss of hire insurance to protect us against loss of income in the event one of our vessels cannot be employed due to damage that is covered under the terms of our hull and machinery insurance. Under our loss of hire policies, our insurer will pay us the daily rate agreed in respect of each vessel for each day, in excess of a certain number of deductible days, for the time that the vessel is out of service as a result of damage, for a maximum of 120 days. The number of deductible days varies from 14 days to 120 days, depending on the type of damage, machinery or hull damage.

Protection and indemnity insurance, which covers our third party legal liabilities in connection with our shipping activities, is provided by a mutual protection and indemnity association, or P&I club. This includes third party liability and other expenses related to the injury or death of crew members, passengers and other third party persons, loss or damage to cargo, claims arising from collisions with other vessels or from contact with jetties or wharves and other damage to other third party property, including pollution arising from oil or other substances, and other related costs, including wreck removal. Subject to the capping discussed below, our coverage, except for pollution, is unlimited.

Our current protection and indemnity insurance coverage for pollution is $1 billion per vessel per incident. The thirteen P&I clubs that comprise the International Group of Protection and Indemnity Clubs insure approximately 90% of the world s commercial tonnage and have entered into a pooling agreement to reinsure each association s liabilities. Each P&I club has capped its exposure in this pooling agreement so that the maximum claim covered by the pool and its reinsurance would be approximately $5.45 billion per accident or occurrence. We are a member of the North of England P&I Club. As a member of these P&I clubs, we are subject to a call for additional premiums based on the clubs claims record, as well as the claims record of all other members of the P&I clubs comprising the International Group. However, our P&I clubs have reinsured the risk of additional premium calls to limit our additional exposure. This reinsurance is subject to a cap, and there is the risk that the full amount of the additional call would not be covered by this reinsurance.

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Environmental and Other Regulation

General

Governmental and international agencies extensively regulate the carriage, handling, storage and regasification of LNG. These regulations include international conventions and national, state and local laws and regulations in the countries where our vessels now or, in the future, will operate or where our vessels are registered. We cannot predict the ultimate cost of complying with these regulations, or the impact that these regulations will have on the resale value or useful lives of our vessels. Various governmental and quasi-governmental agencies require us to obtain permits, licenses and certificates for the operation of our vessels.

Although we believe that we are substantially in compliance with applicable environmental laws and regulations and have all permits, licenses and certificates required for our vessels, future non-compliance or failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of our vessels. A variety of governmental and private entities inspect our vessels on both a scheduled and unscheduled basis. These entities, each of which may have unique requirements and each of which conducts frequent inspections, include local port authorities, such as the U.S. Coast Guard, harbor master or equivalent, classification societies, flag state, or the administration of the country of registry, charterers, terminal operators and LNG producers.

International Maritime Regulations of LNG Vessels

The IMO is the United Nations agency that provides international regulations governing shipping and international maritime trade, including the International Convention on Civil Liability for Oil Pollution Damage, the International Convention on Civil Liability for Bunker Oil Pollution Damage, and the International Convention for the Prevention of Pollution from Ships, or the MARPOL Convention. The flag state, as defined by the United Nations Convention on Law of the Sea, has overall responsibility for the implementation and enforcement of international maritime regulations for all ships granted the right to fly its flag. The Shipping Industry Guidelines on Flag State Performance evaluates flag states based on factors such as sufficiency of infrastructure, ratification of international maritime treaties, implementation and enforcement of international maritime regulations, supervision of surveys, casualty investigations, and participation at IMO meetings. The requirements contained in the International Management Code for the Safe Operation of Ships and for Pollution Prevention (the ISM Code) promulgated by the IMO, govern our operations. Among other requirements, the ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a policy for safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and also describing procedures for responding to emergencies. We are compliant with the requirement to hold a Document of Compliance under the ISM Code.

Vessels that transport gas, including LNG carriers are also subject to regulation under the International Gas Carrier Code (or the IGC Code) published by the IMO. The IGC Code provides a standard for the safe carriage of LNG and certain other liquid gases by prescribing the design and construction standards of vessels involved in such carriage. Compliance with the IGC Code must be evidenced by a Certificate of Fitness for the Carriage of Liquefied Gases of Bulk. Each of our vessels is in compliance with the IGC Code and each of our newbuilding/conversion contracts requires that the vessel receive certification that it is in compliance with applicable regulations before it is delivered. Non-compliance with the IGC Code or other applicable IMO regulations may subject a shipowner or a bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports.

The IMO also promulgates ongoing amendments to the International Convention for the Safety of Life at Sea 1974 and its protocol of 1988, otherwise known as SOLAS. SOLAS provides rules for the construction of and equipment required for commercial vessels and includes regulations for safe operation. It requires the provision of lifeboats and other life-saving appliances, requires the use of the Global Maritime Distress and Safety System which is an international radio equipment and watchkeeping standard, afloat and at shore stations,

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and relates to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (or STCW) also promulgated by the IMO. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

In the wake of increased worldwide security concerns, the IMO amended SOLAS and added the International Ship and Port Facilities Security Code (ISPS) as a new chapter to that convention. The objective of the ISPS, which came into effect on July 1, 2004, is to detect security threats and take preventive measures against security incidents affecting ships or port facilities. Our Manager has developed Security Plans, appointed and trained Ship and Office Security Officers and all of our vessels have been certified to meet the ISPS Code. See Vessel Security Regulations for a more detailed discussion about these requirements.

SOLAS and other IMO regulations concerning safety, including those relating to treaties on training of shipboard personnel, lifesaving appliances, radio equipment and the global maritime distress and safety system, are applicable to our operations. Non-compliance with these types of IMO regulations may subject us to increased liability or penalties, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to or detention in some ports. For example, the U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in U.S. and European Union ports.

The MARPOL Convention establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged form.

The IMO amended Annex I to MARPOL, including a new regulation relating to oil fuel tank protection, and the new regulation applies to various ships delivered on or after August 1, 2010. It includes requirements for the protected location of the fuel tanks, performance standards for accidental oil fuel outflow, a tank capacity limit and certain other maintenance, inspection and engineering standards. IMO regulations also require owners and operators of vessels to adopt Ship Oil Pollution Emergency Plans. Periodic training and drills for response personnel and for vessels and their crews are required.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulation may have on our operations.

Air Emissions

In September 1997, the IMO adopted MARPOL 73/78 Annex VI Regulations for the prevention of Air Pollution (or Annex VI) to MARPOL to address air pollution from ships. Annex VI came into force on May 19, 2005. It applies to all ships, fixed and floating drilling rigs and other floating platforms and sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts, and prohibits deliberate emissions of ozone depleting substances, such as chlorofluoro carbons. Annex VI also includes a global cap on sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. The certification requirements for Annex VI depend on size of the vessel and time of periodical classification survey. Ships weighing more than 400 gross tons and engaged in international voyages involving countries that have ratified the conventions, or ships flying the flag of those countries, are required to have an International Air Pollution Prevention Certificate (or an IAPP Certificate). Annex VI has been ratified by some but not all IMO member states. Annex VI came into force in the United States on January 8, 2009. All the vessels in our Initial Fleet have been issued with IAPP Certificates.

On July 1, 2010 amendments to Annex VI to the MARPOL Convention that require progressively stricter limitations on sulfur emissions from ships proposed by the United States, Norway and other IMO member states

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took effect. Beginning on January 1, 2012, fuel used to power ships may contain no more than 3.5% sulfur. This cap will then decrease progressively until it reaches 0.5% by January 1, 2020. However, in Emission Control Areas (or ECAs), limitations on sulfur emissions require that fuels contain no more than 1% sulfur and will be further reduced to 0.1% on January 1, 2015. For example, in August 2012, the North American ECA became enforceable. The North American ECA includes areas subject to the exclusive sovereignty of the United States and Canada. Consequently, in August 2012, when the North American ECA became effective, the sulfur limit in marine fuel will be capped at 1%, which is the capped amount for all other ECA areas since July 1, 2010. The amendments also establish new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. Further, the European directive 2005/33/EU, which became effective from January 1, 2010, bans the use of fuel oils containing more than 0.1% sulfur by mass by any merchant vessel while at berth in any EU country. Our vessels have achieved compliance , where necessary, by being arranged to burn gas only in their boilers when alongside. Marine Gas Oil and Low Sulfur Marine Gas Oil, or MGO and LSMGO, respectively, have been purchased as the only fuel for the Diesel Generators.

Additionally, as discussed above, more stringent emission standards could apply in coastal areas designated as ECAs, such as the United States and Canadian coastal areas designated by the IMO s Marine Environment Protection Committee (MEPC), as discussed in U.S. Clean Air Act below. U.S. air emissions standards are now equivalent to these amended Annex VI requirements, and once these amendments become effective, we may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems.

Ballast Water Management Convention

The IMO has negotiated international conventions that impose liability for oil pollution in international waters and the territorial waters of the signatory to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships Ballast Water and Sediments (or the BWM Convention) in February 2004. The BWM Convention s implementing regulations call for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with a requirement for mandatory ballast water treatment. The BWM Convention will not become effective until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world s merchant shipping. The Convention has not yet entered into force because a sufficient number of states have failed to adopt it. The IMO has passed a resolution encouraging the ratification of the Convention and calling upon those countries that have already ratified to encourage the installation of ballast water management systems on new ships. As referenced below, the U.S. Coast Guard issued new ballast water management rules on March 23, 2012. Under the requirements of the convention for units with ballast water capacity more than 5000 cubic meters that were constructed in 2011 or before, ballast water management exchange or treatment will be accepted until 2016. From 2016 (or not later than the first intermediate or renewal survey after 2016), only ballast water treatment will be accepted by the Convention.

Bunkers Convention/CLC State Certificate

The International Convention on Civil Liability for Bunker Oil Pollution 2001 (or the Bunker Convention) entered into force in State Parties to the Convention on November 21, 2008. The Convention provides a liability, compensation and compulsory insurance system for the victims of oil pollution damage caused by spills of bunker oil. The Convention requires the ship owner liable to pay compensation for pollution damage (including the cost of preventive measures) caused in the territory, including the territorial sea of a State Party, as well as its economic zone or equivalent area. Registered owners of any sea going vessel and seaborne craft over 1,000 gross tonnage, of any type whatsoever, and registered in a State Party, or entering or leaving a port in the territory of a State Party, will be required to maintain insurance which meets the requirements of the Convention and to obtain a certificate issued by a State Party attesting that such insurance is in force. The State issued certificate must be carried on board at all times.

Although the United States