TEEKAY TANKERS LTD.

Moderator: Vince Lok
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12:00 pm CT

Operator: Welcome to Teekay Tankers Ltd. second quarter 2011 earnings results conference call.

During the call, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question and answer session. At that time if you have a question, participants will be asked to press star one to register for a question.

For assistance during the call, please press star zero on your touchtone phone. As a reminder, this call is being recorded.

Now for opening remarks and introductions, I would like to turn the call over to Mr. Bruce Chan, Teekay Tankers Ltd. Chief Executive Officer. Please go ahead.

Kent Alekson: Before Mr. Chan begins, I would like to direct all participants to our Web site at www.teekaytankers.com where you will find a copy of the second quarter of 2011 earnings presentation.

Mr. Chan will review this presentation during today's conference call.

Please allow me to remind you that our discussion today contains forward looking statements.

Actual results may differ materially from results projected by those forward looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements is contained in the second quarter of 2011 earnings release and earnings presentation available on our Web site.

I will now turn the call over to Mr. Chan to begin.

Bruce Chan: Thanks Kent. Hello everyone and thank you very much for joining us.

With me here in Vancouver is Vince Lok, Teekay Tankers' Chief Financial Officer; Brian Fortier, Corporate Controller of Teekay Corporation and Peter Evensen, Teekay Corporation's CEO.

I'd now like to discuss Teekay Tankers results for the second quarter of 2011.

The associated presentation can be found on our Web site. I will begin on slide number three of the presentation by reaffirming what we believe are a few of TNK's key attributes and how during the second quarter of 2011, these continued to be strong despite current weakness in spot tanker rates and the volatility in the financial markets.

For the quarter and excluding the impact of non-cash items that have been summarized in appendix A to the earnings release, we earned adjusted net income of $4.3 million or 7 cents per share.

Interestingly, Teekay Tankers is one of the only companies in the tanker space to have not changed our dividend policy during the past few years. We continue to pay out essentially all of our cash flow in the form of dividends and in the second quarter, we generated $13.2 million of cash available for distribution after reserves for debt payments and dry docking, which translates into a second quarter dividend of 21 cents per share to be paid out to shareholders on August 26th.

I stress that this dividend is paid out from cash generated and after debt payments so it is liquidity neutral. We are in a strong financial position with total liquidity of almost $295 million that provides us with the financial flexibility to take advantage of growth opportunities that may be presented in the future.

We believe the tactical management of our fleet continues to benefit shareholders. Our fixed rate fleet earned an average of $24,941 per day compared with our spot rate fleet that earned significantly less at $16,899 per day.

While our spot fleet earned less than our fixed rate fleet, our spot earnings still well outperformed our peers and indices, thanks in large part to our sponsor Teekay Corporation's size and scale through its commercial tonnage pools.

As I will detail on the following two slides, our fixed rate coverage for the rest of 2011 is estimated to be a healthy 60 percent and for the next 12 months to be 55 percent thanks in part to a number of charter agreements entered into over the past few weeks.

Turning to slide four of the presentation, you will see the details for two charters-out and two charters-in which when combined into one transaction, provide TNK with a locked-in profit of $6,000 per day for the next four to six months with the flexibility to take advantage of any potential upside in the market.

Starting with the top box, we have time-chartered-out two of our own Aframaxes at fixed time-charter rates of $17,200 and $17,250 per day, well in excess of current spot rates for a fixed period of 12 months each. These two out charters provide additional certainty in generating positive cash flow in order to maintain our dividend in a weak tanker market.

Concurrently, we have time-chartered-in or leased from other owners two Aframaxes at $14,000 per day, one for the next four months and the other for the next six months. Importantly, as I will detail on the next slide, each charter-in comes with options to extend for an additional 16 or 18 months. These are the first charter-ins Teekay Tankers has completed so I want to take a moment to discuss the benefits of chartering ships at this time.

Firstly, no capital is required to gain tanker market exposure thus preserving our balance sheet for possible growth opportunities that may appear in the near to medium term. The second benefit is with multiple short tenured options to extend the charters-in, we can actually manage our exposure to the spot market depending on our outlook.

The graph on slide six illustrates the transactions detailed on the previous slide. The solid blue line represents the average charter rates earned on our two charters-out at $17,000 per day and the solid red line represents the average charter-in rates we have to pay for the firm period of the charters, approximately $14,000 per day. The result is that we have essentially locked in $3,000 per day fixed profit for two ships or $6,000 per day for the initial four to six month firm period of the in-charters.

After the firm period of the charters-in, we will be able to choose what is the best given the tanker market outlook at that time. The dotted red line depicts what the rate would be to extend the in-chartered vessel. If we believe tanker rates will be above the dotted red line, then we may decide to exercise the options and earn a positive spread above our charter-in rate. Or should we expect tanker rates to be weak, we can let the options lapse and return the vessels to the owners.

So in summary, this charter arrangement provides us with a fixed profit or spread of $6,000 per day for the next four to six months and thereafter provides us with flexibility to tactically manage our fleet to take advantage of any upside in tanker rates or to continue with the higher percentage of fixed revenues should the tanker market remain weak.

On slide number six, we have updated the profile of our fleet for this transaction as you can see in the red boxes. Our fixed coverage for the remainder of 2011 is approximately 60 percent and for the next 12 months is estimated to be 55 percent. The matrix on slide number seven provides our actual Q3 2011 guidance on dividends.

For the quarter to date, we have booked approximately 45 percent of our Aframax and Suezmax spot revenue days at $11,000 and $10,000 per day respectively which reflects the weak markets we are currently experiencing. While rates have been volatile during the quarter, with approximately 65 percent fixed coverage, we do not anticipate significant fluctuation from these levels as we move towards the end of the quarter.

Slide number eight takes a look at the current tanker spot rate environment. A combination of weak tanker market fundamentals and seasonal factors had a negative impact on spot tanker rates during the course of the second quarter and this weakness has extended into the third quarter. In terms of the fundamentals, the market continues to be impacted by an oversupply of vessels relative to demand.

In the first half of 2011, a total of $22 million deadweight of new ships delivered into the global fleet leading to net tanker fleet growth of approximately 3.4 percent.

We estimate that tanker demand growth over the same period was in the range of 1 to 2 percent with the Fukushima earthquake in Japan having a negative impact during the second quarter. As a result, tanker fleet utilization has declined through the first half of 2011, putting downward pressure on spot tanker rates.

The spot market was further impacted by the onset of spring refinery maintenance programs in the second quarter and a resultant drop in global oil demand, which is usual for this time of year and explains why spot tanker rates in Q2 are usually lower than in Q1. In addition, a number of one-off events had a negative impact on spot tanker rates during the quarter, particularly in the Atlantic basin.

Firstly, the absence of Libyan crude oil exports due to the ongoing civil war proved detrimental for tanker demand in the Mediterranean and with no resolution to the conflict in sight, we expect this situation to persist for some time. Secondly, oil production in the North Sea has been affected by a heavier than usual field maintenance program coupled with production problems on certain fields. Finally, the recent IEA emergency stock release has had a negative albeit temporary impact on crude oil imports and therefore tanker demand, particularly into the United States.

Looking ahead, we expect fleet supply to continue to impact spot tanker rates through the second half of the year though as we move towards the fourth quarter, we expect that normal winter seasonality patterns such as weather delays and higher oil demand compared to summer months will start to emerge. Turning to slide nine, we take a look at the longer term outlook and in particular at tanker fleet supply.

We believe that the seeds of the tanker market recovery are being sewn by the current low level of tanker ordering with just 3.5 million deadweight of new orders placed since the start of 2011, which is less than 1 percent of the total tanker fleet. If this pace of ordering carries on for the rest of the year, it will be the lowest annual level of new tanker ordering since 1985.

Tanker owners are being deterred from ordering by the relatively high price of new buildings compared to the current spot and time charter rates with new building prices being supported by rising shipyard construction costs including steel plate and labor. As a result, new building prices have remained relatively stable in recent months while second hand values have declined, making new buildings a less attractive proposition compared to quality on the water assets.

Looking at the chart on the bottom left of the slide, we can see that the tanker order book as represented by the green bars, has shrunk considerably over the past two to three years and now stands at approximately 102 million deadweight, the lowest level since March 2006. When measured as a percentage of the fleet, as represented by the line on the chart, the order book is at its lowest point since 2002 at just 22 percent. In the Aframax segment, the orderbook as a proportion of the fleet is even smaller at just 12 percent.

The lack of ordering in recent months means that the tanker orderbook for 2013 delivery is just 25 million deadweight, considerably smaller than the 40 million deadweight which we expect to deliver in both 2011 and 2012.

Furthermore, most shipyards already have full orderbooks through 2013 thanks to a large increase in orders for LNG carriers, container ships and offshore vessels since the start of the year. We therefore do not expect many more new tank orders to be placed for 2013 delivery which should insure that fleet growth in that year is relatively low in the order of 3 to 4 percent.

Slide ten brings together our outlook on tanker demand and supply growth and indicates that depending on world economic growth and demand for oil, we expect tanker market fundamentals should start to improve towards the end of 2012. On the chart, the green bars represent tanker demand growth and the orange bars represent fleet growth while the vertical lines for the years 2011 to 2013 show the range of values which could arise depending on various up and downside factors.

For 2011, we expect that tanker fleet growth will exceed demand growth and this view is being borne out by what we have seen so far this year. We anticipate that the fleet will grow by around 6 percent this year while demand growth will be in the order of 4.5 percent, depending on the extent to which oil demand and therefore tanker ton-mile demand grows for the second half of the year.

Looking ahead to 2012, we expect a relatively balanced market with both tanker fleet and demand growth of around 6 percent. We calculate tanker fleet growth using third party fleet data along with internal assumptions on the level of orderbook slippage and vessel scrapping, while for demand, we take a range of external oil market forecasts and apply assumptions to translate these forecasts into tanker demand.

For 2012, we anticipate that fleet growth will fall within a range of 5 to 6.5 percent, but on the demand side, we acknowledge that there is more uncertainty, particularly with regards to the global economy and how this will affect oil demand.

Within the 2012 forecast, we expect that fleet growth will begin to slow during the second half of the year while demand growth will be more even meaning that the market should start to move back in ship owner’s favor towards the end of the year.

Looking further ahead to 2013, fleet supply growth for the reasons outlined in the previous slide is expected to slow considerably to just 3 to 4 percent while demand is expected to remain in the 5 to 6 percent range driven by oil demand growth in the non-OECD countries.

In summary, given our outlook on the market, we believe that TNK is well positioned to take advantage of the potential tanker market recovery from end 2012 by increasing our exposure to the spot market as out-charters expire.

Lastly, I wanted to take a moment to review Teekay Tankers' strong financial position on slide number 11, which we view as a competitive advantage. Due primarily to the contribution from our fixed rate tanker fleet, our cash flow or dividend breakeven is currently below zero and we expect this to be maintained throughout the rest of this year. This means that even if our spot ships earn zero dollars per day in cash flow, we would still generate positive cash flow in order to pay a dividend.

At the end of June, we had roughly $295 million of total liquidity and we have a conservative net debt to capitalization of approximately 39 percent with minimal debt repayments through to 2015.

New this quarter, we have a committed term sheet to finance the VLCC new building we own through a 50 percent joint venture with Wah Kwong of China that has a five year charter when it is delivered in 2013.

We believe this financial strength is the hallmark for Teekay Tankers and will allow us to acquire assets at an optimal point in the cycle, which will give us increased operating leverage to an eventual recovery and tanker rates.

Operator, we are now available to take questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, please press star one on your touchtone phone. To withdraw your question, press the pound sign. If using a speakerphone, please lift your handset before answering your request. Please stand by for the first question.

The first question comes from (Ansley) ((inaudible)) from Price Waterhouse. Please go ahead.

Mr. ((inaudible)), please go ahead.

We will now go to the second question. Mr. ((inaudible)), you can press star one again to requeue for questions.

The next question comes from (Al Till) from (Till Investments). Please go ahead.

Pardon me; the next question comes from Michael Webber from Wells Fargo. Please go ahead.

Michael Webber: Hey good morning guys, how are you?

Bruce Chan: Good morning Michael, how are you?

Michael Webber: Doing all right, doing all right, a couple of questions for you here. First on the charter-in deal, I guess specifically can you, you guys are the only ones that hold those options right? Those vessels can't be put to, you're the holder of the options on the assets?

Bruce Chan: That's correct.

Michael Webber: All right, can you talk a little bit about how you guys kind of found that kind of dislocation and maybe the timing of the charter-ins versus the charter-outs?

If I remember correctly, I think the Everest was chartered-out during the first quarter on the first quarter call, can you talk about just maybe the mechanics of how that works and how you guys are able to define that in the market?

Bruce Chan: The timing was actually pretty close and we did pair that transaction specifically. It's largely in part again due to our sponsors' ability to find relationships with customers that are looking for ships operated by Teekay and then other owners that don't have that capability or scale and trying to derisk their exposure to the market and are willing to take shorter period fixed rates cover. As they don't have the ability to effectively charter those as larger fleets like Teekay can. So that just leads to this period in time in weak markets, this natural kind of spread ability for us to take advantage of.

Michael Webber: Fair enough, if I think about maybe the charter-in deal in I guess a bit of a different way, if you just kind of isolate the charter-outs as just kind of part of your normal business operation, and just isolate the charter-ins versus where the market is, you guys are kind of paying around $3,000 a day basically for the optionality for the next 12 to 18 months which certainly looks like it could pay off, though we do get a pretty good move in rates.

You mentioned little bits in your commentary earlier in terms of what you're expecting for the fourth quarter and 2012. Can you give us a little bit more detail I guess on what you're expecting specifically for the next maybe six months in terms of whether or not we do get a seasonal move and if we do, to what degree?

Obviously we're probably pretty far away from historical peaks or any degree of that kind of strength, but do we see rates for Aframaxes move back closer to $20,000 a day, is that something you guys think could happen toward the back half of the year?

Bruce Chan: To answer the first part of your question, in terms of the looking at them in isolation, I think that's right if you look at it from today's current spot rates. That's kind of the absolute lowest seasonal low rates of … as well those in-charters have just started. So they, hopefully that's going to be further through this seasonal period and they'll have more of the winter period to pick up on. So I don't know if it's a whole 3,000. If you look at it more of an average rate that we've earned this year, it's almost at the money.

Michael Webber: Okay.

Bruce Chan: Then in terms of going forward, you're right. The seasonal factors will emerge as usual and you'll get weak periods due to weather or increased demand, but will it hit those higher, longer periods of strength? That's tougher to predict given the higher amount of supply that's on the water as compared to previous years.

I think what it does provide for TNK is again that fix, we take out the low lows by having the fix rate and just provides us with the optionality of taking that exposure if there is unexpected surprises on the positive side for the winter.

Michael Webber: Got you, all right, no that's helpful. If I just think about your all's pure play performance during the quarter and this is mostly the Teekay pool, you guys outperformed a couple of your competitors here, both on the Aframax and the Suezmax, can you talk a little bit about what went into that and maybe some of the details I guess in terms of anything special in the quarter in terms of triangulation or what you guys are able to do from a cargo perspective?

Bruce Chan: Right, I think that's right, we have, our sponsor has a host of reasons why we've done well. It's been a combination of well-timed fleet positioning into the markets that have outperformed as well as the combination of having contracts in those markets allowing to triangulate as well as a continual focus on bunker consumption and speeds which all add up to more net earnings per day. So I think our sponsor, through the scale and contracts, has been hugely successful the first half of 2011.

Michael Webber: Got you. I guess one more and I'll turn it over, just in terms of acquisitions, you guys have said the last couple of quarters and you guys are a buyer and it still appears that Teekay isn't a seller down here which would make sense. What are you guys seeing in terms of acquisitions right now and then in terms of your leverage specifically, to what point would you be comfortable kind of getting that number up to, I guess from a net debt perspective, I guess as we look out the next 12 to 18 months.

Bruce Chan: Right, I think there are going to be opportunities. We've been very patient at Teekay Tankers and I still think we are going to see, given our current spot and time charter rates and the amount of cash flow that companies are in negative territory with, we're going to see a downward correction in secondhand asset prices again, with not a lot of risks that we're going to have a spike up in asset prices.

So we're just waiting for the right opportunities. There hasn't been a lot. There's been more activity this last quarter, but there's not a significant liquid market in secondhand resales, but we think they'll come. So being patient is our view right now and using debt at a low cost is going to be the right thing as we head towards the stronger market, but we're not in a huge rush to do that right now.

Michael Webber: Fair enough, if I think about some of the larger assets, it still seems like we're 5 to 7 percent away from kind of the last, the last kind of mini-trough in terms of asset values. Is that the kind of downside you think we have in asset values or you think it's more than that?

Bruce Chan: Right now, that's what we're seeing and then we'll have to see how that plays out and just see how long this weak market lasts for.

Michael Webber: Fair enough. I guess one more I guess housekeeping question, I think within your deck you mentioned that you guys had an initial term sheet on the VLPC and just as a reminder, what kind of leverage are you guys looking at on that asset?

Vince Lok: We'd be looking at advanced ratio of about 70 percent on the contract value and that's going to be in the JV on a 50/50 basis so it's going to be off balance sheet.

Michael Webber: Great. All right, I appreciate the time guys, thanks.

Bruce Chan: Thank you.

Operator: The next question comes from Ken Hoexter from Merrill Lynch. Please go ahead.

Scott Webb: Hi great thanks, its Scott Webb in for Ken. Hey Bruce, when you think about the recent charters signed and the chartering-in of vessels, it's effectively neutral to the charter coverage, at least for the next six months so with 45 percent of spot days already signed this quarter at very low rates around 10 or 11,000 a day, why not reduce market exposure further? Can you just talk about the thinking behind that decision to keep such high exposure at least in the very near term?

Bruce Chan: Right, well when you look at the spread between the two, I guess, if you had just done the out-charter and the in-charter, that spread of 3,000 kind of brings those in-charters to a neutral level for the quarter. Then it just gives Teekay Tankers that optionality of then extending going forward if the market looks like it's going to rebound or as you say correctly, if the market continues to be weak, just take the fixed cover and don't pair it up with the in-charter. So to gain that optionality for having one quarter of being neutral on the revenue is, we felt was the right value.

Scott Webb: Taking that a step further, I mean it assumes that you anticipate the market strengthening, at least in the fourth quarter then, substantially from where we are today. You don't anticipate the market remaining flat at all from third quarter?

Bruce Chan: Right, this is the absolute seasonal lowest part of the year and if you look at the first two quarters, which weren't high by any stretch of historical basis, we earned $15,000 a day on

Aframaxes. So, even if you just got back up to what the market did earlier this year, there's $4 or $5,000 a day right there.

Scott Webb: Sure, Okay and then can you talk a little bit about the liquidity of the charter market today? Is it a lot harder to lockup even short-term charters? How does that vary between Suezmaxes and Aframaxes?

Bruce Chan: Yes, there has been, on the Aframax side, a little bit more liquidity than on Suezmaxes. That's traditionally the case. Having said that, people who are wanting to out-charter are having a very hard time doing that and so rates for our-chartering are much lower and the oil companies and traders know that this is the low part of the market and are trying to get ships in at very low rates. So the terms are being, are shorter because people don't want to lock in at the lower rates for too long. So you're seeing very little liquidity on longer term charters except for those that are absolutely desperate to take cash flow in at lower rates.

Scott Webb: And your view is that it's really a seasonal effect as to where we are right now and not more of a, not driven by more of a macro view from, of the tanker market over a longer time period?

Bruce Chan: Yes, the spot rates right now are definitely, in terms of seasonality, the longer term time charters are shaded by the current earnings and trying to get some cash flow immediately. Not only is it seasonal factors, but we're also, just in the last quarter, we faced a lot of one-off headwinds from the IEA release to the Libya crisis and Japan, so there's a whole complex of factors that have come into play right now.

Scott Webb: Okay, terrific, well thanks for all the color.

Bruce Chan: Thank you.

Operator: Thank you. The next question comes from Justin Yagerman from Deutsche Bank. Please go ahead.

Josh Casavant: Good morning, it's Josh Casavant for Justin.

Bruce Chan: Hey Josh.

Josh Casavant: Hey, I just wanted to kind of continue along the lines of the chartering-in transaction. Would you guys ever consider opportunistically chartering-in tonnage without time-charter-out coverage and kind of further to your point on the illiquidity of the long term time-charter market? Would you guys ever look to maybe step in and be a liquidity provider and maybe take a bit of a short-term negative cash flow in exchange for some attractive longer term charter-in rates?

Bruce Chan: I think those are good questions. When it comes to the shorter term in-charters with options, that's something we would look at. Again, because of our ability to trade in a system with contracts and access to cargoes, we have less waiting time and our earnings on our spot Aframaxes are well above indices and peers and so we have the ability to take in on short charter without pairing it to the out-charter if we think we can get low enough rates with sufficient opportunity for optionality to extend. In terms of being a liquidity provider again, based on the market fundamentals, we view that as just another way of adding to our length and creating spot exposure.

With the options, you can also, with other owners as the market gets weak, in historical times, you've been able to in-charter for periods with options to purchase ships, again creating additional ways to create more exposure to the eventual return in the tanker market.

Josh Casavant: Got it, thanks for that. And with regard to the three ships that are coming off higher, it looks like the Nassau, the Kareela and the Kyeema, any thoughts on employment? I know they're not coming off charter in the next month or so, but I guess at the end of 2011 ((inaudible)).

Bruce Chan: Yes, it's still too early to say. Obviously as they get closer to those dates, you start talking to the existing charter about their requirements, but usually those types of charters don't work this early and that's in our favor because this is, as we said, this is the seasonally low part of the market.

Josh Casavant: Got it, and you guys provided some fixture rates for Q3 to date with the Aframaxes outperforming the Suezmaxes, I guess when I look at just rates and where they've been, it's not, I guess they've been pretty close to parity. Do you expect that trend to continue at least, that we see Aframaxes outperforming?

Bruce Chan: That's hard to say. I think it's been a variety of factors, the U.S. imports because of the IEA release has really taken more of an impact on Suezmaxes from West Africa to the U.S. But in the long term, the fundamentals have traditionally had Suezmaxes higher so I don't know if we could make a call that they're not going to be in sync like that. The other thing is in terms of the market in general, the Suezmaxes tend to trade more in the west or the Atlantic and Aframaxes trade worldwide. We've had most of ours in the Pacific where the markets have been stronger, again, due to factors in the Pacific and China and Japan. So, I don't know if those factors are sustainable over the long-run.

Josh Casavant: Got it, that's all I had, thanks for the time.

Bruce Chan: Thank you.

Operator: The next question comes from Justin Yagerman from Deutsche Bank again. Thank you, please go ahead.

Josh Casavant: I asked my questions.

Operator: Yes, I'm sorry about that. The next question comes from Martin Roher from MSR Capital Management. Please go ahead.

Martin Roher: Thank you operator. Teekay has certainly been more creative in the range of ways you've allocated capital compared to the other shipping companies. They two charter-in transactions you just discussed, the first mortgage loans you did a while back, the question I have is, as you look at the opportunities being created in the current downturn, do you have a preference for the type of transactions that you're looking to do or hoping to do? Are you looking to buy a fleet, is it one-off deals or is it hard to say?

Bruce Chan: I think our preference is given the weak market to create dividend stability in the short term and create the ability to have optionality or increased exposure more in the future as we get closer to the period where we think tanker rates will expand. So right now, ultimately, we will own more assets, but right now, it's more of an opportunistic optionality way of bridging that gap between a weak market and being able to pay a dividend and then more outside opportunity as we get closer to the eventual recovery.

Martin Roher: Thank you very much and good luck.

Bruce Chan: Thank you.

Operator: Your next question comes from Jon Chappell from Evercore Partners. Please go ahead.

Jon Chappell: Thanks, good morning Bruce.

Bruce Chan: Good morning.

Jon Chappell: There's obviously been a lot of pain in the tanker market and I think people are anticipating distress in asset prices and you kind of already talked about the potential for that and the ability for TNK to move on that. But is there any distress in liquidity that you or Teekay has seen from other owners, whether it be private owners or public owners where you have the potential to do the type of debt deals you did with the VLCC mortgages?

Bruce Chan: We haven't seen a lot more of that. Its, I think owners are just looking to make enough cash to make it through to the next quarter and hope rates improve. We haven't seen a lot more of those types of debt deals in the recent past.

Jon Chappell: Okay, and then another, or a first cost question, I noticed in your dividend matrix that the reserve for dry docking is now 2 million a quarter for the third quarter as opposed to the 1.2 million in the matrix from the last quarter. Without taking addition of any new own ships, what's the reason for the increase and is that the type of run rate we should look at going forward?

Vince Lok: Hi Jonathan. Yes, I think that’s a good run rate per quarter going forward. We decided to change the reserve for dry docking more on a sort of a longer term outlook for the next five years on a rolling basis. So that’s reflecting that 2 million reserve starting in the third quarter. So that’s a good run rate I think for now.

Jon Chappell: Okay, thanks Vince. Finally, talking to some other public owners and private owners, it seems that cost efficiencies are really in focus now. I know there's very little you can do as far as ((inaudible)) or crew or whatever, but if rates continue to stay this poor, are there any cost savings you could potentially have? Your GNA was down a little bit quarter over quarter. You're clearly trying to save some money with the new conference call system here. Any other cost savings or efficiencies you can see that can improve the margin in a weak rate environment?

Bruce Chan: Yes, good question. In terms of cost savings, I think the number one thing we're focused on is bunkers which doesn't show up in the, below the line, but in the net revenues. Because bunkers are such a huge proportion of our costs right now and I think that where that shows up is in our earnings. Everyone can talk about bunker savings, but it shows up in the net TCE.

It doesn't show up on any line item so it's really how did you earn relative to indexes and peers and that's where your bunker savings comes in. So I think we've done a pretty good job of being focused on that and we continue to be focused on that even as bunker prices have come down a little bit recently which is good news. It's still the number one area where we can move the needle on the bottom line.

Jon Chappell: How are you saving on those? Is it where you're buying, how you're buying, Teekay's global fleet scale?

Bruce Chan: It's all of that. It's also just vigilance on the rate speeds to make sure you get to the places you need to, but not early or late. It's some new technologies on the way we coat the bottoms, the propellers, monitoring the fuel on the ships to know when the ships maybe are underperforming or things are wrong with the engine. So it's everything from slowing down to better maintenance to innovative things on the ships that require, that enables us to burn less tons per mile travel.

Jon Chappell: And there's clearly limits on your slow steaming in the latent part of the voyage, but are you kind of accelerating slow steaming on the ballast legs?

Bruce Chan: Yes, absolutely. I think everyone out there is going slow when they can, but it's also, there's differing slows, depending on the ship's capabilities and how you've modified engines and things. So if people have invested in the technologies to do it right, you can save even more money.

Jon Chappell: Thanks Bruce and thanks Vince.

Bruce Chan: Thank you.

Operator: Ladies and gentlemen, as a reminder if you would like to ask a question, please press star one on your touchtone phone.

There are no further questions, oh, we have a question from Daniel Goldsmith from ((inaudible)). Please go ahead.

Daniel Goldsmith: Merrill Lynch, yes, my question is based on the slides, it appears that you're projecting a dividend for the third quarter of between 14 and 16 cents, is that correct or did I miss something there?

Bruce Chan: Based on the current rates of what we fixed to date, then that would be the range of dividend if those were to stay the same for the rest of the quarter.

Daniel Goldsmith: And are you expecting those rates to stay the same or is there a reason to expect that they might change?

Bruce Chan: That's hard to say. So far this quarter, that's what it is and we don't see a lot of other factors that may change in terms of variability around that. But in such a short term, it's very hard to predict.

Daniel Goldsmith: Okay, thank you.

Bruce Chan: Thank you.

Operator: There are no further questions at this time. Please continue.

Bruce Chan: Thanks everyone for your support and I look forward to talking to you next quarter.

Operator: Ladies and gentlemen, this concludes the conference call for today. We thank you for your participation. You may now disconnect your line and have a great day.

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