TEEKAY TANKERS

TEEKAY TANKERS LTD.

Moderator: Bruce Chan
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12:00 pm CT

Operator: Welcome to Teekay Tankers LTD's Third Quarter 2011 Earnings Results conference call. During the call, all participants will be in a listen-only mode. Afterwards, you'll be invited to participate in the 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's Chief Executive Officer. Please go ahead, sir.

(Kent): 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 third 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 third 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: Thank you, 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 Tanker's results for the third quarter of 2011. The associated presentation can be found on our Web site.

I will begin on slide 3 of the presentation by reviewing our recent highlights. Unlike many of our peers, Teekay Tankers has been able to maintain it's full payout dividend policy for the benefit of our shareholders because we have differentiated ourselves by focusing on fixed rate contracts.

This tactical fleet management has helped us maintain our financial strength during the current weak spot tanker market. For the quarter and excluding the impact of non-cash items which have been summarized in Appendix A to the earnings release, we are in adjusted net income of $1.3 million of two cents per share.

Teekay Tankers is one of the few companies in the tanker space to have maintained it's dividend policy during the past few years despite the negative macro factors facing the industry.

We continue to payout essentially all of our cash flow in the form of dividends. In the third quarter, we generated $9.9 million of cash available for distribution after reserves for debt payments and ((inaudible)) which translates into a third quarter dividend of 15 cents per share to be paid on November 28th to shareholders of record on November 21st.

As this dividend payment is based on actual cash generated and after debt payments, it is a liquidity neutral event and is a testament to the merits of our preference for fixed rate coverage at this point in the tanker cycle.

We believe our practice of tactically managing our fleet continues to benefit shareholders. For the third quarter, our fixed rate fleet earned an average of $23,170 per day compared to our spot rate fleet which are insignificantly less at $9,484 per day.

As I will detail on the following two slides, our fixed rate coverage for the next 12 months is estimated to be a healthy 55 percent. Our fixed coverage for the fourth quarter of 2011 is estimated to be 60 percent, an increase from 53 percent previously forecasted for this quarter.

Teekay Tankers remains financially strong. Our total liquidity of approximately $292 million, which is virtually unchanged since early 2011, provides us with financial flexibility that will enable us to take advantage of growth opportunities that may arise in the future.

Despite being well positioned to add new vessels to our fleet, we have seen vessel values continue to fall and spot tanker rates continue to weaken over the past several quarters reaffirming our decision to defer any investment until market factors demonstrate better return on invested capital prospects for shareholders.

During the quarter, we recorded a non-cash goodwill write-down relating to GAP accounting requirements for assets acquired from Teekay Corporation. This write-down is an accounting adjustment only as the goodwill was never actually paid for by Teekay Tankers.

And as such, it is a non-cash adjustment which does not impact our operations, cash flows, liquidity, loan covenants or cash available for distributions.

Turning to slide 4 of the presentation, we have provided the details of our two new fixed rate after match charters. The 2005 ((inaudible)) Helga Spirit has entered into a 36-month fixed rate contract at a rate of approximately $18,000 per day, while the (Keema) Spirit has entered into a 24-month fixed rate charter at a rate of approximately $17,000 per day.

The ability to lock in these fixed rate charters at rates significantly above current spot market rates highlights the value of Teekay Tankers' sponsorship relationship with Teekay Corporation.

By leveraging Teekay Corporation's operational excellence and strong customer relationships, Teekay Tankers has increased its fixed rate business during the quarter bucking many of the industry trends negatively affecting the tanker sector including poor cash flow generation due to weak spot tanker rates, inability to take on fixed cover due to scarcity of good charters and a lack of access to capital due to depressed share prices and falling asset values.

Slide number 5 provides an updated snapshot of our fleet employment outlook with spot traded vessels at the top of the chart and our fixed rate contracts towards the bottom.

A few points to note on this slide, the Sanko Brave and Stavanger Bell, two vessels that were time chartered in as part of an in-charter, out-charter deal last quarter will be redelivered to their owners later in the fourth quarter and early in the first quarter respectively.

This will reduce our spot traded fleet from eight to six vessels. The new charters for the (Keema) Spirit and Helga Spirit are highlighted by the red boxes. As you can see, these two charters significantly extend our fixed rate coverage into future quarters.

All towed, our fixed coverage for the remainder of 2011 is approximately 60 percent with the next 12 months estimated to be 55 percent.

The matrix on slide 6 provides our guidance on the Teekay Tankers dividend payment for Q4 2011 based on our current fleet employment profile. For the fourth quarter to date, we have booked approximately 45 percent of our ((inaudible)) spot revenue days and 33 percent of our Aframax spot revenue days at average rates of $5,000 and $12,000 per day respectively.

With the recent rate volatility combined with various one off-fleet repositioning days, we expect that the quarter will average a few thousand dollars per day hire for Aframax than what we have booked to date.

In addition, with over 60 percent of our Q4 days fixed at attractive rates, Teekay Tankers is largely insulated from the current poor spot market conditions. Together, our fixed rate revenues, attractive low cost, low amortizing financing and positive cash flow from operations enables us to keep our dividend policy intact despite the challenging conditions in the spot tanker market.

Turning to slide number 7, we take a look at the current tanker spot rate environment. The third quarter of 2011 saw extremely low tanker spot rates due to accommodation of weak tanker market fundamentals and various seasonal and one-off factors.

Looking at the fundamentals, the market continues to be affected by an oversupply of vessels relative to demand. In 2011 to date, the tanker fleet has grown by 21 million dead weight tons or approximately 4.7 percent while over the same period, tanker demand has grown by approximately two percent.

Tanker demand growth has been impacted by a slowing global economy in recent months as well as a decline in average voyage distances as oil has been moving shorter haul.

An example of this is China where long haul movements from the Atlantic Basin have formed just 29 percent of total imports this year versus 33 percent in 2010.

Higher fleet growth compared to demand have led to a decline in tanker fleet utilization in 2011 which has resulted in lower spot tanker rates. Rates were further impacted during the third quarter by a number of seasonal and one-off factors.

The decision by the IEA to release 60 million barrels of emergency crude oil had a negative impact on tanker demand during the third quarter, as due to heavy refinery maintenance season in both the East and the West.

In the Atlantic, the absence of Libyan crude oil exports as well as oil field maintenance and unplanned outages in the North Sea further weighed upon spot tanker rates.

During the early part of the fourth quarter, tanker spot rates have remained generally weak. Though rates in the Black Sea and Mediterranean experienced a brief, but sharp spike during October due to an increase in transit delays through the Turkish Straits.

We expect that these short sharp rate spikes will occur throughout the winter months as the results of seasonal factors such as bad weather in the – in the Turkish Straits and U.S. Gulf as well as the onset of ice conditions in the Baltic Sea.

In addition, given that global oil stocks have declined by around 100 million barrels since the third quarter of 2010 and are now sitting below the five year average, we believe that there is potential for some restocking of global inventories in the coming months.

Turning to slide 8, we can see the effect that a weak tanker spot market has had on asset prices during 2011. On average, crude tanker prices have declined by around 20 to 25 percent since the start of the year, particularly over the last three months during which time we have seen a number of sales concluded at levels progressively lower than last done.

Most of the transactions have been in the 10 to 15 year segment with very few sales completed for modern vessels five years or younger. In fact, of the 50 of so crude tankers which have been sold on the secondhand market during 2011, just 10 are modern vessels aged five years or younger.

Looking ahead, we do not foresee a rebound in asset prices in the short-term and see potential for further sales at distressed prices as we move into 2012. In this context, Teekay Tankers' decision to defer investment in new assets over the past year has proved correct and we believe that looking ahead we will see some attractive investment opportunities.

On slide 9, we take a look at trends in the tanker order book and why we believe the spot tanker market is on track for a recovery over the next 12 to 18 months. The pace of new tanker orders continues to be extremely low with owners being deterred from ordering by the relatively high price of new buildings compared to vessels in the secondhand market.

As a result, secondhand prices have declined at a much quicker rate compared to new building prices making ordering new ships a less attractive proposition compared to buying on the water assets.

In 2011 to date, only 4.5 million dead weight tons of conventional tanker orders have been placed which is the lowest level of ordering since 1985. As a result, the tanker order book has halved in size since the recent peak in the third quarter of 2008 and currently stands at around 95 million dead weight tons.

Expressed another way, the tanker order book is now just 20 percent of the size of the existing tanker fleet, the lowest level since 2003, and down from 49 percent in the third quarter of 2008.

In addition to the shrinking order book, we are also starting to see an increase in the scrapping of first generation double hull vessels, particularly in the Aframax segment.

In 2011 to date, a total of 17 double hull Aframaxes with an average age of 21 years have been sold for scrap compared to just two double hull Aframaxes scrapped in 2010.

We believe that a weak spot tanker market together with relatively high scrap prices of over $500 per lightweight ton, which equates to approximately $9 million for a standard sized Aframax, will encourage more owners to scrap vessels over the coming months and will further improve the tanker supply situation.

When taken together, the slowdown in deliveries and increase in scrapping should lead to a reduction in tanker fleet growth in the coming years declining from around six percent in 2011 to around five percent in 2012 and around three to four percent in 2013.

Slide number 10 is an update of the slide we showed last quarter which outlines our case for a tanker market recovery commencing towards the end of 2012. On the chart, the green bars represent tanker demand growth and the orange bars represents 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.

In 2011, we project that the tanker fleet will grow by around 5.7 percent while tanker demand will grow by around 3.5 percent with some potential downside from the global economy during the fourth quarter.

In combination, we calculate that tanker fleet utilization will drop by approximately two percent in 2011 which explains the decline in spot tanker rates over the course of the year.

Looking ahead to 2012, we see a much more balanced market with both tanker supply and demand growth of around five percent. At the moment, most of the major forecasting agencies are projecting oil demand growth of between 1.1 and 1.4 million barrels per day next year with growth being driven by non-OECD countries led by China.

In addition, we believe that with voyage distances having contracted in 2011, they will once again lengthen in 2012 due to the narrowing of the Brent Dubai oil price spread which should encourage the flow of long haul oil from the Atlantic to the Pacific.

On the fleet supply side, we project that tanker deliveries will reduce in 2012 as the order book starts to run off while tanker scraping will remain at a similar level to what we have seen in 2011 leading to net fleet growth of five percent.

Although our base case calls for a more balanced market next year, there is a degree of uncertainty on the demand side which could lead to lower tanker demand growth than we currently anticipate.

The ongoing turmoil in the Eurozone and the – and the impact this could have on the global economy and oil demand in 2012 is the wild card in this equation.

Moving on to 2013, we believe that fleet growth will slow considerably to around 3.5 percent which would represent the lowest level of tanker fleet growth since 2003.

We anticipate that this lower level of fleet growth will help to kick start a recovery in tanker fleet utilization which will lead to higher sustained spot rates. This assumes tanker demand continues to show steady growth of around five percent per annum driven largely by growth in China.

Lastly, on slide number 11, I wanted to take a moment to review Teekay Tanker's strong financial position 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 our breakeven will be maintained at this level throughout the rest of 2011.

This means that even if our spot traded tankers earn zero dollars per day in revenue, we would still generate positive cash flow and be able to payout a dividend.

At the end of September, we had roughly $292 million of total liquidity and we have a conservative net debt to capitalization excluding the $115 million a first priority VLCC mortgage loans of approximately 31 percent with minimal debt repayments through to 2015.

We believe this financial strength is a differentiator for Teekay Tankers and will allow us to focus on seeking attractive asset acquisition opportunities at an optimal point in the cycle which will allow us to gain increased operating leverage to an eventual recovery in tanker rates.

Operator, we are now available to take questions.

Operator: Ladies and gentlemen, if you'd like to ask a question, please press star one on your touchtone phone. To withdraw your question, press the pound sign. If you are using a speakerphone, please lift your handset before entering your request. We will pause for a moment to assemble the cue.

Your first question comes from (John Chapelle) from (Evercore Partners). Please go ahead.

(John Chapelle): Thank you. Good morning, guys.

Bruce Chan: Good morning.

(John Chapelle): Bruce, my first question has to do with the Gemini pool, and I don't know if Peter or Vince would want to pipe in from the Teekay Corp. side of things, but obviously you've had a couple of defections earlier this week, so I've got a two-fold question. First, what's the strategy of the Gemini pool going forward and do you have other potential participants that you can add?

And second, when we think about the fleet age now of the Gemini pool, does the loss of those older – the loss of that older tonnage actually help or hurt the potential rates and premiums that the pool could earn versus the market?

Bruce Chan: Well, I'll take the first part of that and then Peter and Vince could add in if they wanted to.

Teekay overall is still very committed to Gemini. Our – both Teekay, Teekay Tankers and Tobias Koenig, which is the third partner in the Gemini pool, are – is committed to it.

And as you say, the loss of the frontline and NAT fleets actually improves the fleet age of their – of the Gemini pool. We are in discussions with another major owner of Suezmax's, the fleet which is very modern.

And so we'll be hopefully announcing something in the coming weeks on that. And so overall, the loss of the NAT and the frontline fleets was a group decision of all of our – of all of the partners and yet, you know, Teekay still remains fully committed to Gemini going forward.

Peter Evensen: And I think I would add that what we have seen if you look at our Aframax pools and our Taurus LR2 pools, we have a lot of owners coming in and I think we've added about 16 ships on the Aframax side.

So from our point of view, we think Gemini will emerge from this with a more modern fleet and that'll only help us in terms of being able to fix the ships and so going forward, that's just how we set up Gemini which is it has the ability for people to move in and move out.

(John Chapelle): Got it. Thanks, Peter. Bruce, another question. I don't want to ask about the timing of acquisitions because obviously it's still a big unknown, we don't know an asset price there on the bottom, but I just wanted to ask kind of your target age range for potential acquisitions, kind of debating between the deals that you may be able to get in older vessels right now, the ones that are actually on the market, versus the efficiency or cost benefits of younger ships.

Bruce Chan: That's a good question and something we certainly look at and obviously watch the curve of the prices between newer, modern, less than five year tonnage and older tonnage.

I would say our preferences is for that five years and younger segment at the – you have a much longer opportunity to generate cash flow for shareholders as well as you eluded to that the better operating cost, a profile of those assets over the – over the short to medium term.

So that is our preference. Of course, if the – if the curve or the prices of older, you know – less modern tonnage becomes compelling, then that's something we would look at, but all things else being equal, we would prefer the more modern tonnage.

(John Chapelle): Okay. And then finally, kind of the old rule of thumb for Teekay several years ago was after the Aframax fleet was operating in the Atlantic and then half in the Pacific, given that chart you showed on page seven with the Bosphorus or Turkish Strait related spikes in rates up against kind of the – sorry for the term – but putrid rates that you booked so far on the Aframax fleet so far in the fourth quarter, can you just kind of update us on the geographical mix of your Aframax and your – and your Suezmax fleets?

Bruce Chan: Yes, on the – on the Aframax fleets, for the first part of the year it was primarily in the Pacific. As the fleet has grown with new partners, we've – and also our own repositioning, we've had a little bit more exposure to the Atlantic, about – say about 20, 25 percent of our fleet, and that's a constantly changing mix, as you know.

And, you know, I think as we see the factors for the fourth quarter of the winter, they tend to be more prominent in the Atlantic where weather delays in the Bosphorus, as you said, and also what Peter said earlier just takes longer to cross the Atlantic in the – in the winter than it does in the summer.

Those are the types of factors. Libyan production coming back are all positive for – we see for a better winter in the Atlantic. So that's the mix. Again, on any given quarter, it's tough to switch between the various regions and we tend to benchmark our own performance over more than just any single quarter, but at least over a couple of quarters or over the last 12 months.

(John Chapelle): And when – and when you say, "Atlantic," is that just the cribs or is that the blend of cribs, North Sea, Mediterranean?

Bruce Chan: It's both. We consider the – just the Atlantic as a blend between the Mediterranean and the Caribbean and the North Sea.

(John Chapelle): Okay. Thanks a lot, Bruce. You were helpful.

Bruce Chan: Thank you.

Operator: Your next question comes from (Michael Weber) from Wells Fargo. Please go ahead.

(Michael Weber): Hey. Good morning, guys. How are you?

Bruce Chan: Very well, thank you.

(Michael Weber): Good. Bruce, I wanted to follow-up on the question around acquisitions and deployment of the 290 odd million of liquidity. And Peter, we heard of the Teekay call mentioning that, you know, Teekay would potentially be a seller of current levels if you – if they could replace the cash flow with a more fixed rate and more fixed rate charter.

So – and again, kind of – trying to avoid timing because this is very difficult in this environment, but, I guess, Bruce, as you look at potential acquisitions and deploying net capital, in terms of what you're seeing and were your preferences, are we talking more kind of one off acquisitions or one vessel here or there or you thinking more kind of on block deals?

And do you think you could see something in the range of four to five tankers in 2012?

Bruce Chan: Yes, I think again, as you say, the timing is tough and as well as the size of the deal. I think you'll be – it depends on the circumstances. I think we will see more on block deals come into the market and that could provide attractive opportunities and of it – in and of itself because of sister ship benefits or certain scale qualities.

But as Peter said on his call, and not speaking for him, but, you know, Teekay Corporation ships have added benefit for Teekay Tankers as well because if they're selling them at market values, they may come with charters which is – fits into the Teekay Tankers' tactical fleet management profile whereas third party ships, especially distressed ones, wouldn't.

So it's kind of a tradeoff between those two and – but I would see an environment where there will be opportunities taking multiple ships.

(Michael Weber): Got you. That's helpful. And kind of along those same lines, you know, considering some of the lending restrictions we're seeing out of Europe right now, have you guys been approached for more mortgage type deals like you've done in the past?

And I guess when you think about those versus, you know, potential on block transactions on the tanker side, I mean, how are you prioritizing those potential sources of growth right now?

Bruce Chan: It's a good question and a good tradeoff question. Yes, we are seeing more being approached by people to provide those types of first priority mortgage loans, both ship owners and potentially shipyards.

That is something that we have looked at. As our current portfolio starts to run off, do we want to renew that? It does add some nice cash – fixed rate cash flow versus the tradeoff of the – you know, it's still restricted liquidity essentially while you're loaning it so – versus the tradeoff of getting invested into assets that have a longer run profile.

(Michael Weber): Right. Okay. That's helpful. And I guess just finally you mentioned in the ((inaudible)) in the release to get ((inaudible)) two new charters had fixed rates. Just curious. Is the – I guess the availability of profit sharing agreements right now, I mean, obviously are the ones you signed or completely fixed.

What sort of costs are we looking at right now in terms of profit sharing agreements on similar type charters and, I guess, what would that have cost you and was that something you guys kind of looked at more seriously?

Bruce Chan: Well, yes, we would've looked at profit sharing agreements if they were available. I would say these two charters that we got at those rates were the only two charters at those rates available in the last few months. So there was no alternative.

(Michael Weber): Right.

Bruce Chan: People that are getting profit sharing, we're seeing fixed firm periods, you know, for the one year at $12 -- $11, $12, $13,000 per day. So if they get profit sharing above that, they need it because the base rate is so low.

(Michael Weber): Right. So that's a pretty expensive option at that point?

Bruce Chan: That's a pretty expensive option at that point.

(Michael Weber): Right. Okay. Great. That's all I've got. Thanks a lot for the time, guys.

Bruce Chan: Thank you.

Operator: Your next question comes from (Ken Hokster) from Merrill Lynch. Please go ahead.

(Ken Hokster): Hey, good afternoon. It's (Ken Hokster) here with (Scott Weber) as well. So can we just talk about the two that you leased in that you're returning fairly quickly?

Is that an indication that you looked at the market, you couldn't get, you know, above that, those $14,000 charter end rates? I'm just wondering why the move to return them at this stage?

Is it just where rates are? Just no way to recover those costs?

Bruce Chan: Well, it's a combination of where rates are, but also where the current end charter rates are. You know, the options now are ((inaudible)) amount of money relative to where firm periods are now.

I think we're looking at – in the market, you're seeing fixtures anywhere from $10 to $12,000 a day for short periods for four to six months and so it's better not to renew those options, but just to try to go out into the market if you wanted to increase spot exposure and get much lower rates within a renewed set of options going down the road.

So that is something that we will be looking at and, you know, when you contrast that to our current out charters at $17 or $18,000 per day, it just, you know – that's where the market is right now.

(Ken Hokster): Wonderful. And can you just remind us at the ((inaudible)) are there still any suitable dropdown vessels and what the split is between the type?

Bruce Chan: There are definitely suitable dropdown vessels. Teekay Corporation owns 17 ships, a mix of primarily Aframax and Suezmax, but also three M.R. size ships as well and so some of them – and they also have very nice fixed rate contracts as well on over half of that fleet. So there are definitely some – and some of them also have the same financing structures that we had in place when we drop downed assets in the past. So there's definitely some potential dropdown candidates there.

(Ken Hokster): Hey, Bruce, when you think about the spike in rates that we're seeing now, you know, what's your thoughts on this? I mean, a lot of people are kind of arguing right now whether it's short-term, whether we're seeing something that wasn't that?

What is – what's your thoughts when you look at this spike in rates?

Bruce Chan: Well, you know, it's – in some ways it's encouraging to see rates could go from such low levels like basically below operating costs of $50, $60,000 per day in a short time.

It shows that there is still finally balance, supply demand when certain circumstances hit and it goes well for the future. I mean, those – that type of volatility we would never have seen in the 90s or the 80s.

I mean, we were – back then rates would change by a few thousand dollars a day from Pete to trough and now, we're seeing $60,000 a day ranges.

But the – from the cup half – or glass half empty perspective, those spikes aren't lasting very long. Sometimes they're very positional and you have to, you know, just be lucky as actually of having a ship in the right spot.

If you try to chase it and get ships there, you would just miss it. And so – and rates as we're seeing now in the Caribbean and the – and the Mediterranean, for Aframax are back down to almost zero.

So it's – they're both great when they happen, but they're just not happening for very long.

(Ken Hokster): Understood. Appreciate the time. Thanks, Bruce.

Bruce Chan: Thank you.

Operator: Your next question comes from (Justin Yagerman) from Deutsche Bank. Please go ahead.

(Josh Katzerfun): Hi, this is (Josh Katzerfun) for (Justin). I just wanted to start off with, I guess, the – some comments you just made on the chartered end fleet. I just wanted to confirm are you guys positively considering, you know, now replacing those two vessels with cheaper charter in tonnage or is this kind of a strategy you're maybe putting to the sidelines for now?

Bruce Chan: You know, it's a strategy we're constantly going to look at because if you can get in our view firm rates or firm period rates for end charters short – for short periods like three, four, six months at low rates relative to where the market is, you know, if you can take not a lot of risk on the firm period and gain options on the back end, then that we view as a way of adding potential exposure if the market were to improve.

So it's something we look at. We don't want to take a lot of additional exposure. We would only be looking at it if we can take end ships at rates that – where we feel that over the base committed period would be, you know, pretty neutral and really be trying to play on the option on the upside.

(Josh Katzerfun): Yes, that's some interesting color. And maybe just to switch topics a little bit, for the two VLCC mortgages, can you maybe talk about what type of, you know, covenants you have against your borrower and, you know, just how your borrower's performing and, I guess, how you measure those credit metrics?

Bruce Chan: Well, when we put those loans in place, they were – we only lent $57 and a half million against the VLCCs. So in our view, they were deep in the money and we don't see values getting down anywhere to that point, but the important thing is that we have a strong enough borrower that has been making all the payments even though we know that they have – that these ships haven't earned it.

We track where the ships are going all the time. So we're very well aware of that. But that's exactly what's happening in the V.L. market now which is that the earnings of the VLCCs aren't up – aren't cash flowing as we'd like to say.

So you have to – so then you're looking at what the burn rate is. I think in the present market private ship owners are in a better position to make those payments then public people who have a limited liability corporation.

So that's why we've done the deal with a private ship owner who's in – who has the ability to reach into his pocket and make those payments.

(Josh Katzerfun): Got it. So I was asking maybe more for kind of your own type of distressed transaction, but I guess that's not the case.

Bruce Chan: We're not looking upon that as a distressed transaction. We saw that as a good use of our capital within the marine environment. It's something we know very well, so it's for three years and the payments have been made so far. We made the loans last year and the payments have been made so far.

(Josh Katzerfun): Great. That's all I have. Thank you for your time.

Bruce Chan: Thank you.

Operator: Your next question comes from (Duncan Payne), a private investor. Please go ahead.

(Duncan Payne): Thank you. My question has to do with the dividend matrix. I see that the number for 10,000 and 10,000 has gone down three cents over the last quarter and net went down over the prior quarter and my question is what accounts for that decline? Is it because, for example, you're turning in the charters or you have more off time or the fixed rate has gone down? What explains that decline?

Bruce Chan: They're primarily and almost exclusively what determines that decline is as our fixed rate charter portfolio renews, it's renewing at lower rates. So at any given spot rate, your dividend matrix at any – is declining.

(Duncan Payne): Okay. And is this basically a straight line charts of the spot rates were to go down to zero you'd still be paying a minimum dividend of somewhere, say, around eight cents or something like that?

Bruce Chan: I'll have to see what – it's pretty linear because it's off of a base, but there – and there's some profit share on the higher end. So the curve...

(Duncan Payne): Yes.

Bruce Chan: But it – but it – by in large, it's pretty linear. I mean, we would pay a dividend even if spot rates went to zero.

(Duncan Payne): Okay. And last question, can you help me understand more why you're booking Aframax at $5,000 a day and the Suezmax at ((inaudible)) and the next page the chart shows the spike?

Is that spike an average of world rates or is it limited to some geographies? Can you kind of help me understand that discrepancy?

Bruce Chan: Sure. It's all of the above a little bit. I mean, this – the rates are an average of various routes, number one. Number two, it's lagged a little bit from when we actually booked ships, right, to when we show them.

So – but, like, if you book a ship and then a few weeks later the ship actually goes and performs the voyage as well, sometimes it just depends as we mentioned earlier these spikes are encouraging, but you also have to be a little bit lucky on where your ships are.

If your ship isn't actually in the area of the spike, you may miss it or you'll get a bunch of them. So over a period of time, it averages out, but on any given 30 or 40 day period, it can – it can fluctuate.

(Duncan Payne): And I assume that there's also some difference between generally speaking the spot rates you can get out of the Gemini pool because of the characteristics of the ships in that pool versus the characteristics of the ships that go into the calculation of these worldwide rates?

Bruce Chan: A little bit, although the Gemini pool is a very modern pool of similar type ships, so, you know, it's not necessarily a function of the ship type. It's more of a function of where the ships happen to be given where the rates are moving up and down.

(Duncan Payne): As opposed to the age of the ships or anything else like that?

Bruce Chan: Age of the ship is definitely a factor, although all of the ships are modern and all of our fleets in less than 15 years. So they – that is less of a factor for our fleets, but...

(Duncan Payne): I understand.

Bruce Chan: ... for other people it can be a factor if a – if their fleets are getting into the high – mid to high teens in terms of age. They will see decreased earnings capacity.

(Duncan Payne): Okay. Thank you very much. That's all I have.

Bruce Chan: Thank you.

Operator: Ladies and gentlemen, if you would like to ask a question, please press star one on your touchtone phone. There are no question at this time. Please continue.

Bruce Chan: That's great, everyone. Thank you for your support and we look forward to speaking to you next year.

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

END