TEEKAY TANKERS LTD.

Moderator: Bruce Chan
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12:00 pm CT

Operator: Welcome to the Teekay Tankers Ltd.'s Third Quarter 2013 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 questions participants will be asked to press star 1 to register for a question. For assistance during the call please press star 0 on your touch-tone 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.

Ryan Hamilton: Before Mr. Chan begins I'd like to direct all participants to our Web site at www.teekaytankers.com where you'll find a copy of the third quarter 2013 earnings presentation. Mister 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 2013 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, Ryan. Hello everyone. And thank you for joining us. With me here in Vancouver is Vince Lok, Teekay Tanker's Chief Financial Officer, and Bryan Fortier Group Controller of Teekay Corporation.

During today's call I will be taking you through Teekay Tankers' third quarter earnings results presentation which can be found on our Web site. Beginning with our recent highlights on slide three.

Teekay Tankers generated an adjusted net loss of five cents per share compared to our adjusted net loss of eight cents per share recorded in the second quarter. And cash available for distribution of ten cents per share in the third quarter up from the seven cents per share in the second quarter.

These increases were primarily due to stronger Aframax and Suezmax spot tanker rates earned in the third quarter, despite a heavier than normal dry dock schedule that saw three vessels dry docking for a combined 90 days during the quarter.

In keeping with our current fixed dividend policy the company declared a dividend of three cents per share for the third quarter representing Teekay Tankers' 24 consecutive quarterly dividend which was paid on October 25 to all shareholders of record on October 16. Teekay Tankers dividend is currently fixed at an annual level of 12 cents per share payable quarterly.

During this period of cyclical weakness in the tanker markets we continue to focus on managing our fleet employment mix to ensure we preserve cover from fixed rate charters to support and provide stability to our cash available for distribution and case dividend.

During the third quarter we extended a fixed timed charter contract on one of our Aframax tankers, the (Canada) Spirit for an additional year securing more fixed rate cash flow at a rate that is above the current spot tanker market average.

This time Charter will enable Teekay Tankers to maintain strong fixed rate cover of approximately 40% for the 12 months commencing October 1, 2013, and 34% for fiscal 2014. Compared to the averages for the third quarter, fourth quarter to date realized Aframax and Suezmax rates have been lower while LR2 rates have been higher based on a weighted average of approximately 40% of spot revenues days booked.

Our fourth quarter Suezmax bookings have averaged approximately $10,800 per day down from $13,800 per day in the third quarter. And our fourth quarter Aframax bookings have averaged approximately $10,400 per day down from $13,600 per day in the third quarter. Based on approximately 60% of spot revenue days booked. Our fourth quarter LR2 bookings have averaged approximately $14,800 per day up from $12,500 per day in the third quarter.

Turning to slide four, I will take a moment to update you on our term loan investments secured by two 2010 built VLTCs that we detailed during the second quarter earnings conference call.

The table on this slide summarizes the latest status of the VLTC vessels that secure Teekay Tankers' VLTC mortgage loans as well as a separate mortgage loan investment by our sponsor Teekay Corporation. All of these loans are currently in default by the borrowers.

During the second quarter Teekay took over commercial and technical management of two of the three vessels. A Elephant which is securing one of Teekay Tankers' loan investments and C Elephant which is securing Teekay Corporation's loan investment.

Since Teekay took over technical and commercial management these two vessels have earned positive cash flow above their respective daily cash break even included OpEx and interest expense and have been actively trading in the VLTC spot tanker market. All amounts earned over Teekay Tankers' cash breakeven of $10,700 per day goes towards the recovery of the loan investment.

At the moment B Elephant remains under detention in Egypt following an incident which took place under the management of the borrower. The ship's insurers continue to work with the authorities to negotiate a settlement to expedite the release of this vessel as soon as possible. Once this vessel is released Teekay will take over commercial and technical management and trade the vessel in the spot tanker market with the other two ships.

In the third quarter Teekay Tankers recorded an additional loan loss provision of $10.4 million on its mortgage loans secured by A Elephant and B Elephant due to updated assumptions related to future earnings for the B Elephant, which is currently detained, the expected sale proceeds for both vessels and estimated costs to realize on the collateral of these loans.

However based on the $24.8 million in cash interest payments received from the borrower to date and considering the loan loss provisions we have taken Teekay Tankers expects to earn an annualized rate of return of approximately 6.5% on these loans from the loan advancement date until recovery.

In summary while we work through the process with the borrowers our plan is to trade the vessels taking advantage of the recent spike in VLTC spot tanker rates which are currently in excess of $30,000 per day bringing us closer to realizing the value of the loans while providing us with time to evaluate options on how best to realize our investment in the loans.

Turning to slide five I will provide a brief status update on the LR2 product tanker order from STX Offshore and Ship Building. As I mentioned during our second quarter conference call due to financial difficulties STX recently underwent a reorganization with its creditors and has so far failed to provide refund guarantees for the vessels we ordered in April of this year.

This was a condition of our ship building agreement. And as a result we have not made any instalment payments for the new buildings to preserve our rights under the ship building contract. In October 2013 we exercised options to order four additional LR2 new buildings under the STX contract.

STX is also in default of these additional four ships. And it does not appear likely that they will meet their obligations to build these ships. We are currently evaluating our alternatives including taking legal action against STX for damages.

Turning to slide six we take a look at the crude and product tanker sport markets for the third quarter. In the crude tanker market the third quarter started out strong due to peak summer demand. However continued reduction in US crude oil imports due to rising domestic production, the onset of fall refinery maintenance and reduced OpEx supply all put downward pressure on rates through the latter half of the third quarter.

During the early part of the fourth quarter there has been an in VLTC rates driven by an uptick in Chinese stockpiling and increased refinery throughput ahead of stronger winter demand. While Suezmax rates have begun to recover from their Q3 lows as a result of the stronger VLTC market renewed disruptions in Libyan production could result in continued downward pressure on Suezmax rates in the fourth quarter.

In the product sector, LR2 tanker rates in the third quarter returned to levels last seen in the first quarter of 2013 as a result of an attractive East/West gas/oil arbitrage. Rates corrected slightly as the arbitrage closed but remained steady heading into the middle of the fourth quarter.

On slide seven we provide an outlook for seasonal crude tanker rates heading into the latter half of the fourth quarter of 2013. Crude tanker demands strengthened toward the end of the third quarter with the onset of normal winter seasonal demand and increased refinery throughput as refineries came back online after autumn maintenance.

We expect that the usual winter weather delays will provide some upside support to rates towards the end of the fourth quarter when tanker rates are typically strongest in the Northern Hemisphere, especially in December.

Based on estimates from the international energy agency global oil demand in the third quarter averaged 1 million barrels per day higher than the second quarter. And is expected to grow by an additional 0.7 million barrels per day in the fourth quarter.

Potentially offsetting the seasonally hiring tanker demand is the recent reduction on the call on OPEC partially as a result as US increased domestic production. US seaborne crude imports averaged 5.2 million barrels per day during the first seven months of 2013 versus 6.2 million barrels per day in 2012 representing an 18% reduction year on year. This is the lowest level of US seaborne crude imports since 1991.

As I noted earlier this has already had an impact on the Suezmax sector in the form of weaker US Atlantic Coast imports of West African crude toward the end of the third quarter. If this continues the seasonal gains we expect could be tempered going into the fourth quarter.

Looking at the overall market supply of uncoated tankers on slide eight, the Aframax and Suezmax segments are both expected to experience limited fleet growth going into 2014 and 2015 as the current order book starts to come off and scrapping of older vessels picks up.

Presently the uncoated Aframax order book stands at 32 vessels or only 5% of the existing fleet compared to the LR2 order book which stands at 49 vessels or 20% of the existing fleet. In addition a total of 120 Aframaxes are currently aged 15 years or older with a further 50 vessels expected to reach 15 years by the end of 2015.

As charters seek out newer vessels with the potential to provide greater fuel efficiency older vessels are increasingly under pressure for scrapping. Factors such as the high cost of dry docking combined with the cost of operations relative to potential returns in the current weak spot market have encouraged many owners to scrap tankers before the end of their typical useful life.

As a result we are currently forecasting the Aframax fleet to shrink by approximately 16 vessels in 2013 and 14 vessels in 2014. Looking at the global Suezmax fleet although the segment is expected to grow by approximately 17 vessels in 2013 and two vessels in 2014 since many of the Suezmax vessels on order for 2014 and into 2015 are at yards currently struggling with financial and structural problems, expected fleet growth could be significantly reduced if those orders are cancelled or are significantly delayed.

In the bottom graph on the slide the shaded sections on the bars for 2013 through to 2015 indicate the orders that are presently in question and the dotted line indicates what the next fleet growth would be if those orders fail to deliver.

Currently the Suezmax order book stands at 54 vessels or 11% of the fleet. However if we remove all of the at risk orders, the total number of vessels on order drops to 38 or 7.5% of the existing fleet. As these charts demonstrate fleet growth for both Aframax and Suezmax tankers is set to be lower in 2014 and 2015. Overall the Aframax fleet is expected to shrink by approximately 2% in 2014 and 1% in 2015. While the Suezmax fleet is expected to only grow by 1% or less in both 2014 and 2015.

Looking at the demand side, global oil demand is currently expected to grow by 1.1 million barrels per day in 2014 compared to expected growth of 0.9 million barrels per day in 2013 which should translate into stronger tanker demand growth. When combined with lower fleet growth due to fewer deliveries and increased scrapping, we expect that crude tanker fleet utilization will improve in 2014 and should result in a gradual improvement in rates.

Turning to slide nine, Teekay Tankers remains financially sound. At September 30, 2013 Teekay Tankers had 226 million of total liquidity and the amounts we expect to recover on our VLTC mortgage loan investment will further add to Teekay Tankers available liquidity.

Our move to a fixed dividend policy in the first quarter will also enable us to retain a greater portion of our cash from operations as the market recovers which can be applied towards future growth opportunities.

In addition Teekay Tankers benefits from a favorable debt amortization profile and low principal repayments through to 2017. This enables us to retain a greater portion of our operating cash flow for future growth. Finally our covenant light debt facilities mean we have no covenant concerns and considerable financial flexibility.

With that, Operator, we are now available to take questions.

Operator: Thank you very much. Ladies and gentlemen if you would like to ask a question, please signal by pressing the star key followed by the digit 1 on your telephone keypad. If you are using a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment.

If you have signaled for a question prior to hearing these instructions on today's call please repeat the process now by pressing star 1 again. We will pause for just a moment to allow everyone an opportunity to signal for questions.

And our first question comes from Michael Webber from Wells Fargo. Please go ahead sir.

Donald McLean: Hey guys this is Donald McLean for Michael.

Bruce Chan: Good morning.

Donald McLean: So my first question is around the STX (Nuevilles). I know you mentioned that you exercised the options just as a way to preserve the rights under the contract, but is it indicative of maybe any optimism around maybe eventually getting those guarantees?

Bruce Chan: It was more around preserving the rights. And as we said that they have not met the obligations under those options either. So that's we are saying that it's unlikely that those ships will be built.

Donald McLean: Okay. That makes sense. And then I guess given that scenario, how I guess, how tied are your growth options to that STX order? Is there a way for you to gain any growth to the, in the LR2 market outside of STX?

Bruce Chan: Yes. I mean the STX orders were for LR2s. And what we've now had is a little bit of benefit of hindsight as we've seen this year's order book for LR2s develop. When we order, first placed those orders there were less than 20 LR2s on order.

And now there's 50 or so. And so it's a sector that's becoming more finely balanced. And we'll have to look at other opportunities relative - both in the LR2 area, but in crude which maybe have better economics going forward.

Donald McLean: Got it. And last question is just, is there any timeframe for an Egyptian resolution?

Bruce Chan: No.

Donald McLean: Okay. That's it. I'll turn it over.

Bruce Chan: Thanks.

Operator: Thank you. The next question comes from Jon Chappell from Evercore. Please go ahead sir.

Jon Chappell: Thank you. Good morning guys.

Bruce Chan: Good morning John.

Jon Chappell: Bruce just to follow up on that last question. So it sounds like you're maybe not going to pursue the LR2 growth initiative. But when you think about, you know, that pretty compelling slide that you had of the Afros, and the Suezmaxes and where asset prices are today I would imagine you are going to return to a growth model at some point in the near future.

Is that going to be new builds in those categories where you can maybe focus on modernizing your fleet and energy efficient designs? Or would you want to get second hand tonnage because maybe the different return profiles of those assets?

Bruce Chan: Jon I think that's the key question on the crude side is you, we better look at the new building prices and the eco-fuel efficient designs relative to the, what may be even more depressed second hand modern ships on the water which we know through our technical abilities can eco-refit a lot of those ships to narrow the gap between a new building eco and a second hand ship on the water.

And so the math may very well favor on the water assets going forward and our return to growth and renewing the fleet, Jon.

Jon Chappell: Okay, that's something you'll be kind of examining and maybe acting on in the near future?

Bruce Chan: That is something we are certainly looking at.

Jon Chappell: Alright. And will you stick to your knitting with kind of the midsized crude tankers? Or would you - seems like there's a little bit more interest now in the VLCCs and most of the other asset classes. And maybe that works to your advantage. But, you know, would you go kind of further along the asset class scale?

Bruce Chan: We'll certainly look at different ones. But our priority is still sticking to the knitting we have, the scale, and the commercial knowledge, and the customer relationships in those sectors. And as you can see when you don't have a large scale in an area like on the VLCCs you take a little bit more volatility in earnings. So I think preferring, our preference is to stick to our core traditional segments of Aframax and Suezmax.

Jon Chappell: Okay. And one question on STX as well. I mean it seems - you haven't put any down payments down so you're really not out of pocket anything. But you're going to potentially, you know, pursue damages.

How do you kind of determine what those damages are? Is it, you know, what you missed out on marking those asset prices that you were liable to lock in to market today? And realistically, you know, what are your odds of recovering any damages, not just based on that claim but also, you know, going against somebody who may not be the most liquid entity in the world?

Bruce Chan: Yes. I mean, to your first point on the valuation, that's, the legal experts have reviewed that. And that's how they would calculate it. As for the likelihood, that's hard to say. I mean I think they are, they went through a voluntary restructuring so in some ways they've been recapitalized.

And they're still trying to build ships. So it's not like a shipyard that's gone completely out of business. But it's very hard to assess the likelihood of success in any of that type of legal claims. It's just hard to put a probability on that.

Jon Chappell: Okay. Then just one last one and I'll turn it over. Regarding the provision in the third quarter what really changed? I mean is it strictly the fact that Elephant B is still detained in Egypt? Because it seems like asset prices are going up. It seems like there's a little bit more optimism about the market going forward and what you could potentially earn by operating those assets.

And if that is the case, you know, what's kind of the end game here? You know, you say you're going to operate these ships but, you know, based on what you had just said that's not really your core competency. And as far as asset classes are concerned do you want to have both of them together? So you can dispose of them in block? Or would you want to actually operate them for a little while?

Bruce Chappell: I'll answer the last half of the question and Vince can answer the first part about the impairment. In terms of our long term realization, right now, I mean, rates are spiking. And into the winter VLCC rates could be strong.

And so we're looking for opportune times to recognize on that value. We're certainly not distressed sellers of assets. And so we will pick the right time to look to dispose of those assets. But then that also gives you capital to redeploy in your core areas. So it's really a matter of most effectively deploying the capital as opposed to keeping these assets just because we happen to have them.

And as we said before the reason why we stick to our knitting is because we have the scale. But the correlation between the various asset segments are highly correlated. So we'd rather probably redeploy in areas that are a core area of business.

As for the impairment I'll hang that over to...

Vince Lok: Yes. Actually it's a lost provision, Jon as opposed to impairment. And most of the 10 million is related to B Elephant given its situation, given that it's still detained in Egypt and we're not able to generate cash flows towards our accrued interest in all that.

And we made some estimates as to, you know, what it would cost for us to get that ship out of Egypt and get it ready for trading and all that. So most of that is related to B Elephant. And you're right about, in terms of VLCC sector.

Certainly the rates have increased recently and if they continue to do so and vessel values follow that may change our estimates upwards in future quarters. And part of that loss provision actually can be reversed. So it's different from vessel impairments where it's only one way. Whereas loss provisions can go up or down.

Jon Chappell: All right. Just one last quick follow up for you Vince. What's the assumptions in that provision as far as the release of the ship from Egypt? I mean if it's still detained, you know, come

February when you're reporting fourth quarter earnings is there going to potentially be another provision? Or have you kind of kitchen sinked this where it can only go in your favor the sooner that it's released?

Vince Lok: I think we've taken a fairly conservative approach when coming with this provision in the third quarter. And it hopefully captures, you know, all the, you know, the eventual outcome of getting the ship out. So I'm not expecting any large, further any large impairments hopefully next quarter. So hopefully we'll get that ship released out of Egypt and start trading it fairly soon.

Jon Chappell: Okay. Thanks Vince. Thanks Bruce.

Bruce Chan: Thanks Jon.

Operator: Thank you. Ladies and gentlemen. If there are any additional question please press star 1 at this time. And our next question comes from Ken Hoexter from Bank of America Merrill Lynch. Please go ahead sir.

Ken Hoexter: Hey Bruce. Hey Vince. It's Ken Hoexter. Just on the ownership of the VLCC, the Chinese joint venture, the 50% ownership, if you would look to sell the contracted ones, the Elephants in terms of an improving market would you look to unload the contract for the joint venture as well? Or is that core because it's under a five year time charter so you want to just sit on the income for a while? Just understanding the mix of your comment on expertise versus the financial benefit of that.

Bruce Chan: Yes. I think the two are unrelated. The VLCC loans were at a period in the market where we were seeing cyclical weakness and we wanted to make fixed rate returns. And even with the latest impairment, or, sorry loss provision, it still returns a very good kind of fixed income over that period.

Whereas the transition into the joint venture VLCC that's, as you say, a five year charter with some profit share components too as the market recovers. And so that was part of our strategic plan to have that type of exposure going forward. And so the two are unrelated. We wouldn't look to dispose of the 50% JV VLCC.

Ken Hoexter: I guess to follow the questions, before if the - if you're not looking to expand in the LR2 now given what's gone in on terms of the order book would you look to - if you entered the VLCC market would it be through other joint ventures like this one? Or would you move upmarket? I know you said that you've got an expertise in the Afro/Suez. So just wondering, you know, is this your kind of toe hold to get an expansion in that matter?

Bruch Chan: Yes. I mean our expertise in Suezmax and Aframax just as our commercial pools and ability to operate both our ships and other people's ships. The VLCCs, certainly our joint venture partner is very good at VLCCs and they have a few. And they're on timed charter. And if there are other opportunities to grow there we would certainly look at those. But it's not a core area of expansion.

Ken Hoexter: Okay. I know you mentioned the switch to the STX. You mentioned you didn't have, you didn't put anything down additional for the expansion. What are you out in terms of down payments for the original?

(Crosstalk)

Bruce Chan: We haven't put anything down for any of the orders.

Ken Hoexter: Okay. So what was the - at this point then, what was the violation at the yard? Was there a progress they were supposed to make? Just understanding what in terms of the first four, what had they missed in terms of targeting at this point?

Bruce Chan: What they've missed on all of the orders, and the first four was the refund guarantees. So before we made any installment payments they were required to provide refund guarantees which they have not been able to do.

Ken Hoexter: Okay. And then lastly, just you talked in terms of looking at the market overall. You talked about an increase of 1.1 million barrels per day. How much - when you start thinking about local production versus seaborne oil and maybe a shifting I guess against you in terms of the ton mileage how do you step back and think about the ton mile changes over the last few years given the shell development in the US?

Bruce Chan: Right. I mean certainly the general trend over the last few years has been less, clearly less, US imports. And then the question is where do the other OPEC oil go? Is it West Africa China which is a long haul? And China is still very positive in that. This month I think they're now the biggest importer of oil in the world.

They surpassed the US imports. And so their growth story is really where the oil is going. And then, you know, going forward you just see continued discussion around the impact of the shell oil but potential for more product exports from the US as well as potentially crude exports because of the fact that it's just going to be too much oil.

And we need to connect the price of US oil with the rest of the world. So that is a, kind of the longer term ton mile story might more exports from the US.

Ken Hoexter: Just to wrap up then. There used to be multiplier you'd put on in terms of oil growth turns into sea going growth. And there was an x multiplier you'd put on, you used to put on ton mileage demand. Has that - have you shifted a kind of target number there?

Bruce Chan: No we used to always have a range there. And, you know, it wasn't ours. It was kind of what the analysts, oil shipping analysts would put out there. And most of them have fluctuated within that range. So the fact that OPEC oil has been reduced has changed the multiplier and the actual oil demand but not the multiplier itself. But what the multiplier is being applied against.

Ken Hoexter: Okay. All right. I appreciate the time. Thanks for the insight.

Bruce Chan: Thanks Ken.

Operator: Thank you. The next question comes from Jon Chappell from Evercore. Please go ahead sir.

Man 1: Jon might have already gone I think. All right. Because I already asked this question.

Operator: Okay. Okay. The next question is from John Reardon from Crowell Weedon. Please go ahead sir.

John Reardon: Hi Bruce.

Bruce Chan: Hi John.

John Reardon: Bruce one of the things you mention in your release is that you were able to fix an Aframax at above market rates for an additional year. I'm just kind of curious what allows you to do that? Is it because Teekay is a more reliable operator than some of the other people?

Also could you please comment on what you think the recent strength in VLCC rates have been? And finally earlier this year the Chinese announced a big expansion of their refining capacity. Is that still on schedule? There I'm done.

Bruce Chan: I'm still writing down your questions. Okay. You're first one on the extension above market rates. It is partly our relationships and long term quality and relationships with those customers. It also has to do with being the incumbent ship. And being, you know, something that's a known quantity to the customer. And so they're more willing to pay for that certainty and known ship. So there's that factor involved.

In terms of VLCC recent strength it's largely due to Chinese stockpiling increased imports. Again this month becoming the largest importer of crude oil in the world. Other seasonal factors as well as Saudi, you know, Saudi Arabia now exporting more oil after their seasonal demand of their own internal usage has declined. So all of those things have resulted in stronger VLCC rates.

As for Chinese refining capacity, the most - it is on schedule. They have been, even more recently been reported to be having, allowing more product exports which has been helping the regional trade in that area in the short term. In the long run it's so hard to predict what's going on in China. But so far signs are that they are increasing their refining capacity and actual throughput to meet their own internal domestic demand.

John Reardon: One follow up question Bruce. This morning ship finance and front line announced that they're basically going to demolish two of their, of the older VLCCs in the front line fleet that ship finance had been leasing to them. When you look out on, you know, the universe out there do you see more shippers in a position where they're going to have to start scrapping their ships?

And secondly do you see the banks which have - like the German banks have been kind of doing extend and pretend. Do you see them having to kind of finally bite the bullet and say okay hand it over? What do you think about that?

Bruce Chan: Sure. On the first question. Yes. We saw that report. And that's obviously positive. As for them choosing to do it out of, because they want to help boost the market or because just pure economics I think it's economics.

And everyone's facing it. The dry docking or special survey that's required at age 15 can be expensive. And you weigh that off versus the two or three years that you have to recover that and the outlook for the market relative to scrapping prices. And it comes down to math. And so people are certainly, who are doing the math are incentivized to scrap or sell those ships for virtually scrap or send them to demolition as you said.

As for the banks and are they in the same position? They certainly are. As you said it's amend and pretend. And that's largely a result of denial. Bankers always sometimes don't necessarily see the costs that are coming out.

So certainly they face the same math as all the ship owners do. And that's going to cause more difficulties in terms of their loans when they need to come up with actual new capital to put the ships through dry dock. So in some ways they may face a even tougher decision.

John Reardon: Thanks Bruce.

Bruce Chan: Thank you.

John Reardon: Thank you.

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

(Taylor Mulheron): Hi this is (Taylor Mulheron) on for Justin.

Bruce Chan: Good morning.

(Taylor Mulheron): I just wanted to ask you a question about OpEx. So I remember back, looking back at Q2 it was a little bit higher than people had been expecting. And now here in Q3 it came in a little bit below what you had guided to. So I was kind of curious if you'd give any color about what's driving the variability? And then, you know, looking forward what the best way for us to think about that is.

Bruce Chan: Yes. The best operating expenses did come in lower than expected in Q3 which was a nice pleasant surprise. Most of the variance really relates to timing of repairs and maintenance. And some of that maintenance is typically done also while the ship is in, while ships are in dry dock. It's more cost effective. So in Q3 we just, you know, we ended up spending a little less than expected.

I think for Q4 we do have three ships dry docking also in Q4. And - but I wouldn't expect the OPEX to return to the high levels of Q2. I think Q4 might go up a little bit from Q3 maybe between 1/2 million to 1 million. But that should be a pretty good run rate to use.

(Taylor Mulheron): Okay. Great. And then just kind of looking at the market in general. And this is a bit more of a near term question. But when you talk about the strong Q4 ahead, you know, it's already been pretty strong quarter to date.

And so I was curious, you know, whether you expect that build to be on top of what's already happened particularly in the Suezmax market. Or, you know, kind of steady from here just when thinking about rates.

Bruce Chan: Yes. It's tough to say. I mean the winter market usually doesn't materialize until December. So anything that's come on now has been just more early refineries coming back online. The Suezmax's main benefit as we're seeing today with the stronger VLCC market from West Africa East that's having a knock on effect on Suezmaxes. But also as we said in the prepared remarks the Libyan reduction in production has had a negative effect on Suezmaxes.

So it's really going to be the combination of those positives and negatives so it's really hard to say what's going to happen there for the rest of the quarter.

(Taylor Mulheron): Great. Appreciate your time. Thanks.

Bruce Chan: Thank you.

Operator: Thank you. Ladies and gentlemen if there are any additional questions please press star 1 at this time. Mister Chan there are no further questions at this time. You may continue.

Bruce Chan: All right. Thanks Operator. And thank you everyone. We'll speak to you next year.

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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