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Operator: Ladies and gentlemen, please standby we're about to begin. Welcome to Teekay Corporation and Teekay Offshore Partners Conference Call Regarding Its Strategic Partnership with Brookfield. 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 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'd like to turn the call over to Kenneth Hvid, Teekay's President and Chief Executive Officer. Please go ahead.

Scott Gayton: Before Mr. Hvid begins, I would like to direct all participants to our web site at www.teekay.com where you'll find a copy of this strategic partnership with Brookfield presentation. Kenneth Hvid, Vince Lok and Ingvild Sæther 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 presentation available on our website. I will now turn the call over to Mr. Hvid to begin.

Kenneth Hvid: Thank you (Scott). Hello everyone and thank you for joining us today. On the call with me today is Teekay Corporation's CFO Vince Lok; Teekay Offshore Group's CEO, Ingvild Saether, and CFO, David Wong; and Chris Brett, President of Teekay Offshore Production; as the well as Scott Gayton VP of Finance.

Turning to Slide 3 of the presentation, we're excited to be talking to you today about a transformative transaction where we agreed to have Brookfield join us as a strategic partner and co-sponsor of Teekay Offshore.

The combination of Teekay's operation platform and leading market positions together with Brookfield's global business platform and its many different touchpoints in the energy sector and deep access to capital is a complementary fit for Teekay offshore. And upon completion, we will have created one of the world's strongest offshore marine infrastructure companies.

Brookfield was specifically we attracted to Teekay Offshore because of our world leading position in the offshore production and logistics space, our strong operating platform, our high-quality contracts with blue chip customers totaling approximately $6-1/2 billion in forward fixed rate revenues and attractive long-term industry fundamentals.

Out of the range of alternatives that were evaluated to address Teekay Offshore's liquidity needs, we believe this comprehensive solution, which keeps Teekay Offshore's business platform and signification forward cash flows intact, represents the best outcome for all of our long-term stakeholders.

The $640 million investment by Brookfield and Teekay into new Teekay Offshore equity along with other financing initiatives that Vince will discuss later on in the call, significantly strengthens Teekay Offshore's balance sheet and improves our liquidity position. This sets the partnership up to be more sustainable longer term and better positions Teekay Offshore for an energy market recovery.

Importantly, this transaction fully finances TOO's current in-progress growth projects which we'll be delivering over the next few quarters. These projects are expected to contribute approximately $200 million of incremental annual cash flow from vessel operations or CFVO off a base of approximately $550 million of annual CFVO currently.

Longer term, the strong co-sponsorship of Brookfield and Teekay provides enhanced financial backing and access to capital that we believe will position Teekay Offshore to better service its customers and take advantage of future growth opportunities. This includes our recent order for two, plus two options, state of the art shuttle tanker new buildings, which Ingvild will touch on later in the presentation.

Lastly, we believe Brookfield brings strong strategic alignment and complementary capabilities, which includes operational and capital allocation expertise; experience in many of the same geographies TOO currently operates in, including a large footprint in Brazil, the UK and Canada, all of which are core markets for Teekay Offshore; a partnering model that is very much like Teekay's; and a track record of investing in the energy value chain which we expect Teekay Offshore to benefit from.

Turning to Slide 4, as a result of this transaction, TOO will now benefit from two strong co-sponsors. Immediately after closing the transaction Brookfield will own 49% of TOO's general partner, or GP, and Teekay will retain a 51% ownership interest.

On closing, Brookfield will have the right to elect four members to the nine-member TOO board. Subject to the receipt of consents by TOO under certain existing agreement, Brookfield will have the option to increase its GP ownership stake to 51%. As part of the transaction, TOO will create a new wholly owned entity named Teekay Shuttle Tankers, which will house TOO's shuttle tanker business going forward.

The creation of Teekay Shuttle Tankers will streamline our organization structure and facilitate the expansion of our Norwegian bonds. Lastly, TOO's management and operations will remain intact.

Importantly, vessels and offshore units will continue to operate under the Teekay brand with Teekay on the funnel which will be key to our customers going forward.

Slide 5 of the presentation provides a brief overview of our new strategic partner. Brookfield Asset Management, is a leading global alternative asset manager which more than 100 years of experience as the leading global investor, operator and manager of real assets. With more than 100 offices in more than 30 countries worldwide, Brookfield focuses on investing in long- life high-quality assets across real estate, renewable power, infrastructure and private equity with over $250 billion under management and these and other sectors.

Through his size and market access, Brookfield has strong access to a diverse range of low cost capital sources. It is important to note that Brookfield is coming into the partnership not as a purely financial sponsor but as a true partner in operations. Brookfield has extensive experience in owning and operating businesses in the energy supply chain, including an extensive network of natural gas transmission pipelines, national gas storage operations, district energy systems delivering heating and cooling, oil and gas exploration and production and well and drilling services.

We believe that with Brookfield's extensive track record as an owner and operator and their investment model, which involves bringing deep expertise for growing the businesses to deliver solid, long-term returns, will be a strong complement and a cultural fit with Teekay.

I'll now turn the call over to Vince to discuss the financial aspects of the transaction.

Vince Lok: Thanks Kenneth. Turning to Slide 6, we have provided an overview of the key elements of the comprehensive solution we have achieved through the partnership with Brookfield. I won't go into all the details in this slide, which were also disclosed in our press release. However, this transaction will transform TOO's capital structure in many ways to the benefit of our long-term unit holders.

First, the $640 million investment in TOO common equity will make Brookfield and Teekay the two largest unit holders of TOO post transaction with ownership interest of 60% and 14% respectively. This will ensure TOO has a stable and committed equity base going forward. Brookfield and Teekay will be receiving performance based warrants as part of this investment. The warrants are convertible into common units if TOO's common unit price reaches $4 or more, which is an increase of almost 60% from the $2.50 per unit.

We have reduced the common unit distribution, which is a requirement of this transaction to 1 cent per quarter, which will lead to savings of over $50 million in cash per annum, which will be reinvested into the business or to further strengthen our balance sheet and liquidity position.

Second, the transaction reduces our high cost preferred equity capital at a discount, thereby simplifying our capital structure and achieving further cash savings of $28 million per annum. Third, the transaction will result in increasing the duration of our capital structure by extending the maturities of various debt facilities, bonds and interest swaps as detailed on this slide.

And finally, the transaction enhances TOO's capacity for growth. The net proceeds for the TOO equity issuance will fully finance TOO's current in progress growth projects. And looking ahead, with two strong co-sponsors, TOO will be better positioned to pursue future growth opportunities.

As a tangible example, we have now placed orders for two shuttle tanker new buildings, which will come with options for two additional vessels. Ingvild will talk more about TOO's current and future growth projects later on the call.

Turning to Slide 7, we have provided a summary of TOO's current and pro forma capitalization, which incorporates each of the transaction elements I highlighted on the previous slide. Of the $640 million proceeds from the new equity issuance, approximately $250 million will be used to repurchase the Series

C1 and D preferred units and the remainder will initially go to cash, increasing TOO's cash balance from over $200 million pre-transaction to just over $600 million pro forma.

Our expected near term uses of cash include funding the remaining equity CAPEX on our existing in progress growth projects, paying down existing debt and swaps, primarily to extend duration and reduce interest costs. And the remainder will be allocated towards building liquidity to support future growth opportunities.

Turning to Slide 8, the transaction with Brookfield and the creation of Teekay Shuttle Tankers will enable us to extend TOO's debt maturity profile. We currently have $460 million of bank loan maturities coming due during the remainder of 2017 and 2018. Post transaction, the amounts of Teekay Offshore bank debt due during the next 18 months will be reduced by approximately $150 million, down to $310 million.

Similarly, most of the $30 million and $184 million of NOK bond payments required in the second half of 2017 and 2018 is expected to be rolled into a new $250 million bond at Teekay Shuttle Tankers, which will have a maturity date in 2022.

Finally, as I noted earlier, Brookfield is extending the $200 million inter-company loan, which is being acquired from Teekay as part of this transaction, out to 2022 and the termination options on long-dated interest swaps will be extended out to 2021.

In total, as a result of the debt pay down and extensions, we'll have reduced amortization and/or maturities over the next 2-1/2 years by over $700 million, which will provide Teekay Offshore with a very manageable debt maturity profile. Importantly, the delever aging and maturity extensions provided by this transaction should also benefit Teekay Offshore when it comes to refinance its two bond maturities in 2019.

Turning to Slide 9, in addition to extending our maturity profile, our primary consideration or decision to partner with Brookfield was delevering Teekay Offshore's balance sheet to position the company for future sustainability. As illustrated by the light blue bars in the graph on this slide, we expect to leverage on the basis of net debt to last 12 months (or LTM) CFVO to decrease from just over six times currently to under 5-1/2 times pro forma for this transaction.

However, taking into consideration the impact to repurchasing the series preferred equity units, TOO's leverage on adjusted net debt to LTM CFVO basis, which includes the preferred units in this ratio, as shown in the dark blue bars on this graph, indicate an even more significant reduction in leverage, coming down from approximately 7.25 times pre-transaction to approximately six times pro forma, a reduction of 1-1/4 turns.

Looking ahead, we expect our leverage to tick up slightly as we take delivery of growth projects later this year and into next year. However, soon after, it will continue to reduce as these projects start to cash flow. De-levering our balance sheet will be especially important as we get closer to refinancing TOO's US and remaining Norwegian bond maturities in 2019.

Something that is not evident from these ratios but perhaps just as important is that by partnering with Brookfield and keeping our businesses intact, the quality of TOO's underlying cash flow is considerably stronger compared to what it would have been had we gone down the path of selling assets or businesses to generate liquidity.

I will now turn the call over to Ingvild who will discuss some of the business aspects of our strategic partnership with Brookfield.

Ingvild Saether: Thank you Vince. So why did Brookfield choose to invest in Teekay Offshore? Let's start with the main reason. Turning to Slide 10, you can see that we have 6.5 billion in forward fixed rate revenue with blue chip customers. These high quality contracted cash flow were one of the main reasons.

Teekay Offshore's existing growth project is expected to increase our annualized run rate cash flow by an additional $200 million. It will grow the annual cash flow to almost $800 million once all growth projects are operating on their fixed rate charter contracts.

Brookfield's co-sponsorship is a strong endorsement of the business we have built. They are not only buying steel, but the platform we have developed, the leading market positon we have established, the Teekay brand that Kenneth talked about, and the people who operate all these assets.

So this is a very proud day for us. On Slide 11, we have provided an updated summary of Teekay Offshore's existing growth projects. A key benefit of the transaction with Brookfield is that it fully finances all of Teekay Offshore's existing growth projects, which are currently in progress. This removes the financing risk related to these projects.

Approximately $330 million of the $520 million of remaining capital expenditures have already been financed with dedicated loan facilities. The remaining $190 million of CAPEX will now be funded from the proceeds from the $640 million equity investment being made by Brookfield and Teekay.

While we're on this slide, I will take a moment to update you on the status on some of our key projects. The Libra FPSO is now at the Libra field in Brazil. It's undergoing field installation and testing. This is expected to be completed by early September. It will then commence operations under a 12 year fixed rate charter contract with Petrobras and its international partners.

The Gina Krog FSO left the shipyard in early July and is in transit to the North Sea. Following hookup on the field, the vessel will commence a three year charter with extensions in early October. Gina Krog started producing at the end of June. Teekay Offshore has provided Statoil with FSO services through an interim shuttle tanker solution.

Finally, we are also making progress on the Petrojarl I FPSO upgrade project. An important new development is that we have now signed an amended charter contract with QGEP and its partners. The charter amendment pushes back the start of this five-year charter in exchange for a reduction in the contract rate over the first 18 months.

After the first 18 months, the contract will revert to a contract rate higher than the original contract rate plus an oil price and production tariff mechanism. This will give us the potential to recover more than the discount provided. So following completion of the upgrade work, the Petrojarl I FPSO is now expected to commence operations on the Atlanta field in the Santos Basin offshore Brazil in early 2018.

Now, turning to Slide 12, another important benefit of this transaction is that the strong co-sponsorship provided by both Brookfield and Teekay will allow us to pursue attractive investment opportunities to maintain and grow our business.

I am pleased to announce today that this is already bearing fruit. Based on the projected demand in our North Sea shuttle tanker business, Teekay Offshore has ordered two DP2 shuttle tanker newbuildings with options for another two vessels with Samsung Heavy Industries in South Korea.

Vessels will be based on the Teekay New Shuttle Spirit design. This design makes use of proven technology to increase fuel efficiency and reduce emissions through the use of LNG as fuel. We are convinced that the world needs greener solutions. Today Teekay is taking a significant leadership step in that direction.

These vessels will reduce emissions equal to 50,000 cars per vessel, per year, compared to existing tonnage. And, it’s cheaper for the customer too. The two newbuilding shuttle tankers are scheduled to deliver in late 2019 and early 2020. They will enter into service under our existing master agreement with Statoil. The delivery of these newbuildings will then free up two existing vessels which will provide much needed capacity for our North Sea COA fleet.

Have a look at the graph at the bottom right of this slide. Even if we only consider demands from projects that are already sanctioned, there is a projected shortfall of shuttle tanker capacity in the North Sea for the next several years. So this means there will be more opportunities to invest.

So, on a history day for Teekay Offshore, I will now turn it over to Kenneth for final remarks.

Kenneth Hvid: Thank you Ingvild. So wrapping on Slide 13, we really believe this strategic partnership is a very exciting opportunity for both Teekay Offshore as well as Brookfield. The combination of Teekay's operational platform and Brookfield's global business platform and access to capital simply creates one of the world's strongest marine offshore infrastructure companies.

Teekay Offshore's stable and growing cash flows are supported by a large and diverse portfolio of fixed rate contracts. The significant and equity investment by Brookfield and Teekay announced today will ensure that Teekay Offshore's existing growth projects will deliver as planned. Long term fundamentals in the offshore oil market remain attractive and I expect it to drive demand for new investment in the sector.

With Brookfield as a co-sponsor, Teekay Offshore will have the financial backing and access to capital to take full advantage of future growth opportunities in our core businesses. Finally, as the two largest equity holders, the co-sponsors Brookfield and Teekay will be focused on the sustainability of Teekay Offshore to generate strong returns over the long term and maximize shareholder value.

Thank you for joining us on the call today and I would like to ask all of you that questions focused primarily on today's announcement and that we keep the more operational and project related questions for the earnings call which we have scheduled a week from now.

Operator, we're now ready to take questions.

Operator: Yes, sir. Thank you. Ladies and gentlemen, if you do wish to ask a question please signal by pressing star 1 on your telephone keypad. Please also make sure that your mute function is turned off to allow your signal to reach our equipment. Once again, that's star 1 will place you into the queue.

We'll take our first question from Michael Webber with Wells Fargo.

Michael Webber: Hi, good morning guys. How are you?

Kenneth Hvid: Good morning. Pretty good today I would say, Mike.

Michael Webber: Good. Good. Just a handful from me. The deal today I think was bigger and more comprehensive I think than we as the market necessarily expected. I'm just kind of curious maybe to start out over the past few months can you talk a bit about the background of the deal and how it came together, how it felt?

And then specifically, I think Vince mentioned in his prepared remarks, you know, kind of a pivot away from simply selling the shuttles or spinning off a FPSO. Just any kind of background around that would be helpful in terms of how we ended up with the solution we've got today would be helpful.

Kenneth Hvid: Yes, certainly. I think over the past quarters we certainly had a number of discussions on our earnings calls in terms of the liquidity situation for Teekay Offshore that we needed to address and that we were exploring a number of different options. And as you rightfully say, this is extremely comprehensive. So it's really an alternative that we've been working flat out trying to really come up with the right solution for Teekay Offshore over the past, especially six months I would say.

So if you just look at it, I think in broad terms, we really had three different options that we were looking at. The first one was the obvious one is that you start looking at what can we do to close the gap that we have in terms of securing additional debt like financing.

And the – as you've heard us talk about in the past that Teekay has a lot of – Teekay Offshore has a lot of growing cash flows and in theory we should really be able to take on more additional debt here. But, at the same time, we've also talked about some of the project challenges we had which simply left us with a bigger gap to fill. So we concluded that putting on more debt on Teekay Offshore was simply not an optimal solution to make Teekay Offshore sustainable over the long term.

So then we turned to what would we do and this is what you heard us talk the most about. What would we do in terms of monetizing some of our high quality cash flows that we have in our portfolio today? We have some great assets in our FPSO business, which are attractive for investors to come in and look at. And we have our shuttle tanker business.

So I think it's not a market secret that there were a number of people looking at our shuttle tankers specifically. We received a lot of good offers. But, as Vince said in his comment, a sale of even a portion of our shuttle tanker business would've resulted in Teekay Offshore becoming a smaller business, and essentially you would say lower quality of earnings in our view.

So, we would have become more exposed to market volatility. And that really brought us to the third option which we evaluated in parallel where Brookfield is now coming in as TOO's largest investor. We knew that we have – I think you in your remark you called it a $500 million to $600 million bogey.

And indeed, it's a meaningful investment that we're putting in here. And we believe that by capitalizing TOO with long term capital really allows us to maximize the value of the business over the long term and sets us up to claim the market leadership position that we all aspire to at Teekay.

Michael Webber: Okay. That's helpful. I appreciate that Kenneth. A couple more, just around the deal specifically I believe you guys watched the secured bond offering this morning. Just curious, maybe Vince or Kenneth with the major milestones we should be looking at for the deal in order to get it to closure.

Scott Gayton: Yes. Hi, Mike, it's Scott here. On the back of the announcement on the equity side last night we did publicly launch the bond in Norway. We had already as of about a week ago we did do a wall cross with a number of our larger investors. And I do expect that we will be in a position to close the books on that bond, let's say, tomorrow morning New York time.

Michael Webber: Okay, that's helpful. Then in terms of just the broader deal, are there any specific milestones that we should be looking for for the deal to close in Q3?

Vince Lok: Yes, Mike, all the definitive documentation has been signed. That was a big milestone yesterday. So, closing conditions are mainly some regulatory approvals. We have the Norwegian bond that Scott talked about. There are some sort of key customer consents.

The regulatory review will take probably around 45 days and that's probably the major gating item, so that's why we're targeting a September close.

Michael Webber: Okay. That's very helpful. And then just one more and I'll turn it over. But, just around kind of how to think about TOO from here. You know, Vince, you mentioned a focus on deleveraging kind of with an eye onto the 2019 refi for the US debt.

But at the same time, you know, it's been, you know, it's kind of a jam packed announcement today. You're growing on the shuttle tanker side by two and potentially two more but at the same time obviously cutting the common distribution down to a penny.

So, just trying to think over the next 18 months to two years how should we think about TOO as an MLP. Is there any – is it feasible to even think about distribution growth? And if we can, in a sense Brookfield would be talking control theoretically of the GP, is that just ultimately their decision?

Vince Lok: Yes, Mike. Yes, the distribution cut was – is part of the transactions with Brookfield here. And we – it is a prudent thing to do to preserve more cash to further strengthen the balance sheet.

I think going forward, the focus over the next 18 to 24 months, as you said, really is to first of all deliver on our existing growth projects; get those assets to cash flow, which will further delever the balance sheet and put us in a very strong position to refinance the bonds in 2019.

I think that's really the near term focus, as well as look for other opportunities that may come our way now that we have greater access to capital. So I think for the near term, we don't expect any changes to the distribution policy.

Obviously going forward that's something we'll – that Brookfield will be making a, you know, driving that decision, you know, together with Teekay, I'm sure as we – as the business continues to de-lever and the balance sheet gets stronger, we continue to generate strong cash flows. I think that there's obviously some upside to that going forward.

Kenneth Hvid: Mike, I would just add that obviously, it's been clear on our past calls here that we've had that we've been focused on executing on our projects. I would say if we look out at – take a market outlook here, we're actually really excited about the opportunities that are going to come our way in the next couple of years.

And I would say the big frustration for us was that we knew that we were going to be so focused on using all our available cash here to basically deliver on our projects. And maybe we could end up being in a position where we could actually not pursue the opportunities that we really believed that's going to come our way.

So that's one of the things that also attracted Brookfield here that I think between us, we are really excited about the opportunity to be in this positon. Which I think really sets us apart from a number of our competitors out there. And I think we'll simply see a lot of interesting opportunities that we'll be able to pursue jointly over the coming years here.

Michael Webber: Yes, and it's helpful just to kind of redefine the landscape. So, I appreciate it. I'll turn it over. Thanks for the time guys.

Kenneth Hvid: Thanks Mike.

Operator: Next question comes from Spiro Dounis with UBS Securities.

Spiro Dounis: Hi, good afternoon everyone. Thanks for taking the question. Wanted to start off with the relationship I guess on a go forward basis here with Brookfield. I think today's announcement, I guess, obviously on its face now it seems to de-risk a lot of the downside here.

But as we think about funding future growth, is Brookfield the first source of capital, a participating source of capital, are they more a last resort? How are you thinking about them on a go forward basis?

Kenneth Hvid: Yes. Hi, Spiro, it's Kenneth here. So, first of all, as you point out, it's incredibly important when you go into a partnership like this that you feel that you have the right fit. And we worked closely with Brookfield over – very intensely over the last six months. I think it's best to say that we started looking at them when we set up our – the daughter company structure years back, a decade ago.

And we know that Brookfield has been following Teekay as well. So, that really sets us up for something that exciting because there is kind of a mutual respect that we start out with. I would say that through this transaction we've also established that there's also a very good cultural fit. And that makes us what we think is really compatible sponsors for Teekay Offshore.

So both of us have a partnership model. And we're both ambitious organizations that really just want to maximize on the position that we have in the marketplace. How we end up financing the projects as we move forward will be something we'll address and when we see those opportunities. I think the exciting part of this for Teekay Corporation is that we are also significantly strengthening the Teekay Corporation balance sheet here.

We – as you know, we are getting liquidity back from the intercompany loan, there are certain guarantees and there's just a number of benefits that really allows us to start thinking about how we can best support our daughter companies and really be an active sponsor for all our daughter companies going forward, of course, with Teekay Offshore.

So I would say that there is no recipe for exactly how we're going to do the capital allocation split between us going forward. We'll do what makes the most sense. Over the years, we will obviously generate a lot of cash flow through the business. And I think we'll do just fine.

Spiro Dounis: Okay. That makes sense. And then if maybe we could try address maybe if there's a cynical view out there it might be that, you know, hey, I've seen this slide deck before last year. Thought we were out of the woods. You know, did the capital raise and it didn't end up being the case. Now part of that obviously was the Arendal Spirit termination that kind of came out of nowhere.

But, do you think about the milestones going forward that you believe you need to hit to basically get this stock back to, you know, trading without some sort of liquidity overhang? What are the milestones you think you need to hit going forward over the next, let's say, 18 months to really get things to normalize?

Kenneth Hvid: Yes, as you point out and as we said, both in our comments and have talked about in the past calls we've been on, we've had some surprises internally in Teekay on some of our projects. I think we are well on our way. We're in the final innings on delivering all of them. So, we can see the end of that and that really was the biggest hurdle that we talked about.

I will also say from a macro point of view, the industry has had real hurdles. When we went into this downturn in 2014, Teekay Offshore went into it with quite a significant order book.

And fortunately it was up against some real contracts where our customers actually want to take delivery of the assets and they will be cash flowing. But I think it's fair to say that when we're sitting there in 2014, people did not expect the macro downturn to be as prolonged as its been. So we've had to adjust our costs along the way.

But, when you talk about hurdles going forward, I think we just got over one of our absolute major hurdles here and I really think that this was the major one. And given what's going to happen over the next quarter or two, I think you will – we're very excited about how we're setting up Teekay Offshore to go into 2018 here.

Vince Lok: And I wouldn't necessarily compare this to what we did last year. I think this is very different. I think what we did last year was a bit of, you know, extending the runway, sort of kicking the can a little bit. Whereas this – in this comprehensive solution there really is a longer term fix here in terms of strengthen our balance sheet, getting duration on our capital structure, reducing our cost of capital, getting, you know, future access to capital.

So it really is I think a really different solution than we did last year.

Spiro Dounis: Okay. Yes, I know. That's fair. Last really quick one from me. You obviously made the decision to take out the preferred as opposed to de-lever right here. And, yes, I guess I get it from the perspective of it is the higher cost paper. But, looking at it the other way, the debt obviously has a maturity, there is a timeline there that, you know, would seem like you'd want to get rid of it.

Maybe just if you could run through again why it made more sense to take out the preferreds as opposed to the debt upfront.

Vince Lok: Well, as you've said, the preferred is probably the more expensive paper that Teekay Offshore has. So, and be able to redeem those at a discount, that creates immediate value as well. So I think it is part of the cleaning up of the capital structure, simplifying it, reducing the cost of capital, focusing on the long term sustainability of the partnership.

So, it was an important part of the transaction, both from our perspective as well as from Brookfield's perspective. And really, you know, cleaning up the capital structure. I think in terms of the bonds, we are in the process as Scott said of getting duration on $250 million of those bonds once we close this. And I think it really puts us in a really good position in 2019 to refinance the remaining bonds.

Spiro Dounis: Got it. Appreciate the color. Thanks guys. Congrats.

Kenneth Hvid: Thanks.

Operator: Next question comes from Sandy Burns with Stifel.

Sandy Burns: Hi, good afternoon and congratulations on the transaction. First question for me, maybe can you give a little color on the decision to make the shuttle tanker business a non-recourse business. Does that help set it up for maybe a potential IPO down the road? And maybe on the other side, does that limit the ability of Teekay Offshore Partners to access the EBITDA and cash flow with that entity?

Vince Lok: Yes, the setting up of Teekay Shuttle Tankers was in a way to sort of streamline the organization, put all the shuttle tanker business into one entity. It also, of course, allowed us to extend the bond maturities. And I think over on the long term given the stability of the cash flows in that business, it probably allows us to lower our overall cost of capital.

And so it is – it was another important part of the transaction to Brookfield. And a key consideration of the overall transaction.

Sandy Burns: Okay. But, given it's still 100% owned, Teekay Offshore Partners, LP would still be able to access any free cash flow and such down at that entity?

Vince Lok: Yes. Yes, there's no plans to carve that out into a separate entity, public entity or anything like that. Going to be wholly owned by Teekay Offshore and other than servicing the bond and debt in Teekay Shuttle Tankers and we have access to dividends thereafter.

Kenneth Hvid: Yes, and in fact, I mean, I think we can share on this call Vince that one of the things that Brookfield was actually attracted to was the entire business platform in Teekay Offshore and the fact that we are keeping in intact. So, they were not interested in just buying out the shuttle tanker business. So, there is no – there are absolutely no plans in that respect.

Sandy Burns: Okay. Great. And then also just focusing a little bit on Teekay Corporation, you know, it was mentioned that Brookfield will also obtain 49% of the general partner. Was there any, like, material monetary compensation for that that will also re-acrue to Teekay Corp?

Vince Lok: We really looked at this transaction on a holistic basis, taking in consideration all the different components as outlined in our press release. So there was consideration for the GP interest, which includes some cash as well as some warrants, which further aligns our interest. But really looked at the overall transaction rather than looking at the individual parts of it.

Sandy Burns: Okay. And last question for me. You know, on Slide 8 where you show now the pro forma maturity profile, you know, greatly reduced by the transactions happening here. I guess, you still have some shown maturities. I don't know if that includes the bank debt amortization as well for second half '17 and '18.

But, I mean, is it fair to say big picture that now with the CAPEX program, you know, on the verge of being completed and CAPEX coming down. The substantial free cash flow the company will generate should help you – should enable the company to meet a lot of those – that amortization and maturities just out of free cash flow rather than needing to do any other sort of financings over the next few years.

Vince Lok: Yes, first of all, we had presented this transaction to our entire TOO bank group a few weeks ago and they were very supportive of this transaction. And so they continue to be very supportive of the Teekay Offshore. So these remaining bank maturities, most of those are related to assets that have charters that are rolling over during this period and so they'll be – the bank refinancings will be linked to that.

So we will be refinancing a good chunk of these maturities that you see in the blue bars of Page 8. And so those will be part of the refinancing efforts over the next couple of years. But as I said, this transaction obviously puts in a lot of equity capital to de-lever the balance sheet of TOO that stretches out the durations. And once the projects deliver, like you said, we're going to continue to de-lever the balance sheet going forward. So that's not just the day one deleveraging, it's also the post transaction deleveraging.

Sandy Burns: Right. Exactly. Okay, great. Thank you and congratulations again.

Vince Lok: Thank you.

Kenneth Hvid: Thanks.

Operator: Next question comes from Nick Raza with Citi.

Nick Raza: Thanks guys. Really quick. In terms of the shuttle tanker segment, understanding that you sort of almost reinvested, what is the loan to value ratio currently on that segment after you've done all the raising of capital?

Vince Lok: I think when you look at the leverage in Teekay Shuttle Tankers, our net debt to EBITDA will be around four times. And the cash flow in that business are continue to grow. So I think that's probably the best way of looking at it. It is really – these are really cash flow generating assets. Really look at it as a business as opposed to individual assets.

Nick Raza: Okay. Fair enough. And then I guess the preferred that you guys take out, you took out the C1s and the Series D. But, of the remaining A and B, how much of that is actually owned by Teekay Corp?

Vince Lok: None of those are owned by Teekay Corp.

Nick Raza: Okay.

Vince Lok: Those are held by third party investors.

Nick Raza: Third party investors. Okay, fair enough. And was there a thought to maybe do a little bit more and take out, I mean, just in terms of sizing the $600 million investment, was there – can you just provide some more color around that?

Vince Lok: We think it's the right size. if you think about the $640 million, about $250 million of that is going towards the preferreds so you're left with $400 million and we need about $200 million of that to fund the remaining CAPEX projects that we have. So you're left with, you know, about $200 million of additional liquidity which we can use to pay down certain debt facilities and swaps as indicated here. So we think it really is the right size for TOO at this stage.

Nick Raza: Okay. Fair enough. And then last question I guess, in terms of the fair market value for some of those swaps, is there a number that you guys can provide on this call?

Vince Lok: Not at this time, no.

Nick Raza: Okay. Fair enough, guys. That's all I had. Thank you so much.

Operator: Next question comes from Fotis Giannakoulis with Morgan Stanley.

Fotis Giannakoulis: Yes, gentlemen and congratulations for the great transaction. I want to ask about the pre-payment of the Arendal Spirit loan. Can you disclose the amount of this pre-payment?

Vince Lok: Hi Fotis, as we indicated, the early pre-payment period will be extended out to September 30, 2018 in exchange for a, I will call it, a small pre-payment in October. So I think that was a good outcome and again shows the support of our banks.

Kenneth Hvid: Yes, and of course, it gives us some good head room to go out and find the right contracts, next contract for the asset. So, that gives us exactly the room we needed for that asset.

Fotis Giannakoulis: Thank you for that. And last question about the newbuildings, the two shuttle tanker vessels and the payments. Can you give us just a broad description if the price of the newbuildings is similar to the Canadian shuttle tankers and are the payments to the shipyard backloaded?

Scott Gayton: Hi, Fotis. Yes, in terms of cost I would say the overall cost of the vessels are somewhat similar to the East Coast Canada vessels. Having said that, these are higher spec, they're LNG fueled so they have a lot more bells and whistles than the East Coast Canada vessels.

So overall on a net basis I think we're getting better prices. In terms of payment schedule, they're fairly backend loaded, as usual. So we have some variable payment terms on those vessels as well.

Fotis Giannakoulis: Thank you very much, Vince. Congratulations on the transaction, again.

Vince Lok: Thanks, Fotis.

Operator: Next question comes from Andy Gupta with Hite Hedge.

Andy Gupta: Thanks so much and congrats. A few questions from me here. One is, what's the top process on the 2%, you know, on waiting on the 2% on the GP? Is that just time to negotiate change of control provisions?

Vince Lok: Yes, that's right. As you could imagine, with Brookfield being the largest shareholder in Teekay Offshore having ultimate control was an important part of this transaction. That's why it's a two-step process where we have to get consents from various stakeholders for the change of control.

Andy Gupta: Understood. What about the 2019 6% bonds, how do you plan to – I believe change of control triggers a buyout at 101. How do you plan to address that?

Scott Gayton: Yes, hi, Andy. The plan will be right now that we will look at refinancing those sometime over the next 18 months, probably through either the US markets or a combination of the Norwegian and the US markets. And so there will be no change in control triggers of that security.

Andy Gupta: How would you – can you call this? At what price? Can you call this if you're refinancing this?

Scott Gayton: No, we would just simply look at giving a refinancing of those bonds before they come due.

Andy Gupta: Okay, understood. Couple more. The intercompany loan, the $200 million was being funded through equity. Should Teekay now that the loan is owned by Brookfield, would this go to a cash interest?

Scott Gayton: Yes it will. Yes.

Andy Gupta: Okay. And, finally on the two new shuttles, can you talk about the EBITDA potential or the ((inaudible)) potential here from these two?

Scott Gayton: I think we can maybe provide a little bit more on the earnings call on that.

Andy Gupta: Okay, understood. Great, well thanks. Again, congrats.

Kenneth Hvid: Thanks.

Scott Gayton: Thank you.

Operator: Next question comes from Andrew Hollingworth with Holland Advisors.

Andrew Hollingworth: Hello and good afternoon. I'm calling from London, thanks for taking the call. Just a couple of quick points of clarification. On the warrants that have been issued, I presume they're issued at a price of $2.50 as well. And is there a timeframe attached to them?

Vince Lok: No, just to clarify, these are performance based warrants, which cannot be triggered or exercisable until the common unit price hits $4 or greater. The actual exercise price is a nominal exercise price. Therefore, once we hit $4 then the warrants will effectively convert into common units once exercised.

So …

Andrew Hollingworth: There's no cost to warrants? There is zero cost effectively?

Vince Lok: It's a very nominal exercise cost. Correct. If all the warrants were to be converted into common units that would effectively change, you know, Brookfield's percentage ownership by a little bit over 1%. So it's not overly dilutive.

Andrew Hollingworth: Have I misunderstood this? It looks like there're 65 million warrants. On the new share the issue would be about $400 million, is that correct?

Vince Lok: Yes, the post transaction unit count is a little bit over 400 million units. That's right. And so once we – if those are converted then we go to about 465. That's right.

Andrew Hollingworth: Okay, that's great. Thank you for clarifying that. It goes without saying but I'm assuming there's no change in terms of already plausible change in terms of the GP agreement. So it stays on a per share basis and therefore it has a higher hurdle because of the fact that there's more shares than issue.

Vince Lok: That's correct, there's no change to that.

Andrew Hollingworth: Okay, great. And then the last thing I think you've been very thorough so far. Just in terms of obviously the new deliverance of projects and the $200 million of operational cash flow that hopefully they will produce. Just so I'm clear, I know there's an equity component that you still got to pay that's about $200 million I think you said.

But in terms of the total, total deliverable monies that are not yet sitting in effectively the group's debt and balance, is that about $600 million or $700 million, is that correct?

Vince Lok: Yes, if you look on Slide 11, the remaining CAPEX as of June 30 related to those projects is a little bit over $500 million. So that is not on the balance sheet yet, the $500 million.

Andrew Hollingworth: So the $520 million is basically the total amount, whether it be financial debt or equity that needs to be paid for those ships to be delivered?

Vince Lok: That's correct.

Andrew Hollingworth: Okay. Great. That's all I've got. Thank you for your time.

Vince Lok: Thank you.

Operator: Next question comes from Sunil Sibal with Seaport Global Securities.

Sunil Sibal: Hi, good afternoon and congratulations on the transaction.

Vince Lok: Thanks.

Sunil Sibal: Most of my questions have been heard. I'm just trying to understand the cash flow now from the loans where to Teekay Corp have been taken out. So, $140 million cash goes up to Teekay and then they're paying $30 million – they're buying $30 million equity. So does that mean then that the $110 million net cash going up to Teekay as part of this?

Vince Lok: No, on the net basis it's still about $140 million and I'll just walk you through that. The $140 million will be for the cash proceeds from Brookfield taking over the intercompany loan. We are investing $30 million of that into new common units of Teekay Offshore. However, Teekay Parent also owns a portion of the Series D preferred which will be redeemed in cash, which will bring our net proceeds back up to something close to $140 million.

Sunil Sibal: Okay, got it. And then what's the use of that cash at Teekay?

Vince Lok: Teekay Parent will just be…

Sunil Sibal: Yes.

Vince Lok: … to build liquidity and reduce our debt balances at the Parent.

Sunil Sibal: Okay. And then in terms of the loan guarantees that Teekay had given on TOO old loans which I think are being renewed as part of this, how much was that number total?

Vince Lok: At June 30 I think that number was about $575 million in total in terms of debt guarantees as well as swap guarantees so all of those will be released, those guarantees will be released as part of this transaction. So that's another big sort of I guess call it a cleanup result of this transaction.

Sunil Sibal: Okay. Got it. That's all I had. Thanks guys.

Vince Lok: Thank you.

Operator: Ladies and gentlemen, that does conclude our question and answer portion of today's conference. I'd like to turn the conference back over to management for closing remarks.

Kenneth Hvid: Well thank you very much for joining us on this additional call here today. We look forward to reporting back to all of you already next week. Thanks a lot.

Operator: Ladies and gentlemen, that does conclude today's conference. We thank you for your participation and you may now disconnect.