TEEKAY SHIPPING CORP
Form 424B2
February 14, 2003

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PROSPECTUS SUPPLEMENT
(To Prospectus Dated January 17, 2003)

5,000,000 PEPS Units

(Initially Consisting of 5,000,000 Corporate Units)

TEEKAY SHIPPING CORPORATION

7 1/4% PEPS^{SM} Units

(Premium Equity Participating Security Units   PEPS^{SM} Units)

Each PEPS Unit will have a stated amount of $25 and will consist of (a) a purchase contract issued by us and (b) initially, $25 principal amount of our subordinated notes due May 18, 2006, which we refer to collectively as a Corporate Unit.

The purchase contract will obligate you to purchase from us, no later than February 16, 2006, for a price of $25 in cash, the following number of shares of our common stock, subject to anti-dilution adjustments:

if the average closing price of our common stock over the 20-trading day period ending on the third trading day prior to February 16, 2006 equals or exceeds $44.0000, 0.5682 shares of our common stock;

if the average closing price of our common stock over the same period is less than $44.0000 but greater than $36.0200, a number of shares of our common stock having a value, based on the 20-trading day average closing price, equal to $25; and

if the average closing price of our common stock over the same period is less than or equal to $36.0200, 0.6941 shares of our common stock.

We will also pay you quarterly contract adjustment payments at a rate of 1.25% per year of the stated amount of $25 per PEPS Unit, or $0.3125 per year, subject to our right to defer contract adjustment payments, as described in this prospectus supplement.

The notes will initially be our unsecured, subordinated obligations and bear interest at a rate of 6.00% per year, payable quarterly, subject to our right to defer interest payments, as described in this prospectus supplement. On and after February 16, 2006, except in the event of our earlier bankruptcy, insolvency or reorganization, the notes will be our senior, unsecured obligations. The notes will be remarketed as described in this prospectus supplement. Following a successful remarketing, the interest rate on the notes will be reset.

You can create Treasury Units from Corporate Units by substituting Treasury securities for the notes comprising a part of the Corporate Units, and you can recreate Corporate Units by substituting notes for the Treasury securities comprising a part of the Treasury Units.

The notes or, if substituted for the notes, the Treasury securities, will be pledged to us to secure your obligation under the related purchase contract.

The PEPS Units have been approved for listing on the New York Stock Exchange under the symbol   TK-prA.   Our common stock is traded on the New York Stock exchange under the symbol   TK.   On February 11, 2003, the reported last sale price of our common stock on the New York Stock Exchange was $36.02 per share.

Investing in the PEPS Units involves risks. You should carefully consider the   Risk Factors   beginning on page S-18 of this prospectus supplement.

	Price to **Public**	**Underwriting Discounts And Commissions**	**Proceeds to Company**

Per Corporate PEPS Unit	*$25.00*	*$0.75*	*$24.25*
Total	*$125,000,000*	*$3,750,000*	*$121,250,000*

We have granted the underwriters a 30-day option to purchase up to 750,000 additional PEPS Units on the same terms and conditions as set forth above solely to cover over-allotments, if any.

The Securities and Exchange Commission and state and other regulators have not approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc. expect to deliver the PEPS Units to purchasers on or about February 18, 2003.

Joint Book-running Managers

MORGAN STANLEY *SALOMON SMITH BARNEY*

February 11, 2003

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This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of PEPS Units and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the PEPS Units.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information other than that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. The information in this prospectus supplement and the accompanying prospectus may be accurate only as of their respective dates.

We are offering to sell the PEPS Units, and are seeking offers to buy the PEPS Units, only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the PEPS Units in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of the PEPS Units and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

*PEPS*SM *Units is a service mark of Morgan Stanley & Co. Incorporated.*

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INDEX OF SELECTED TERMS FOR THE PROSPECTUS SUPPLEMENT

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this prospectus supplement, in the accompanying prospectus and in the documents incorporated by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include statements regarding, among other items:

- our estimated results of operations for fiscal 2002, and other future earnings and operating results;
- prospects and trends of the tanker industry;
- tanker supply and demand;
- our market share in the Aframax tanker market and in the world shuttle tanker market;
- expectations as to funding our future capital requirements;
- future capital expenditures;
- our growth strategy and measures to implement our growth strategy;
- the expected financing, benefits and results of our pending acquisition of Navion ASA;

competition;

regulatory matters; and

other discussions of future plans and strategies, anticipated developments and other matters that involve predictions of future events.

Other statements contained in this prospectus supplement, in the accompanying prospectus and in the documents incorporated by reference are forward-looking statements and are not based on historical fact, such as statements containing the words believes, may, will, estimates, continue, anticipates, intends, expects and words of similar import.

These forward-looking statements are subject to risks, uncertainties and assumptions, including those risks discussed in Risk Factors and those risks discussed in documents incorporated by reference and in other reports we file with the SEC. The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control.

Actual results may differ materially from those projected in forward-looking statements. Although we believe that our estimates are reasonable, you should not unduly rely on these estimates, which are based on our current expectations. Factors that could cause actual results to differ materially include:

- the cyclical nature of the tanker industry and its dependence on oil markets;
- the supply of tankers available to meet the demand for transportation of petroleum products;
- our potential inability to close our pending acquisition of Navion ASA and our potential inability to integrate effectively the operations of Navion or any other future acquisition with our own;
- our substantial dependence on spot oil voyages;
- unforeseen information relating to our results for fiscal 2002 or accounting adjustments made during the 2002 year-end financial statement close process;
- environmental and other regulations;
- the impact on the tanker industry of significant oil spills or similar events;
- possible disruption in commercial activities due to threatened or actual terrorist activity and armed conflict;
- our potential inability to achieve and manage growth; and
- the risks discussed in Risk Factors and those risks discussed in documents incorporated by reference and in other reports we file with the SEC, including the factors described in Factors That May Affect Future Results in our annual report on Form 20-F for the year ended December 31, 2001 filed with the SEC on March 29, 2002.

We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement. Neither we, nor any underwriters, make any representation, warranty or assurance as to the completeness or accuracy of these projections, and neither express an opinion or any other form of assurance regarding them.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary contains basic information about us and our PEPS Units. It does not contain all the information that is important to you. You should read the summary together with the more detailed information and financial statements and notes to the financial statements contained elsewhere or incorporated by reference into this prospectus supplement or the accompanying prospectus. To fully understand this offering, you should read all of these documents. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference, on the other hand, the information in this prospectus supplement shall control.

In this prospectus supplement we use the terms Teekay, we, us and our to refer, depending on the context, to Teekay Shipping Corporation, a Marshall Islands corporation, or to Teekay Shipping Corporation and its consolidated subsidiaries. Unless otherwise indicated, all dollar references in this prospectus supplement are to U.S. dollars and financial information presented in this prospectus supplement is prepared in accordance with accounting principles generally accepted in the United States.

TEEKAY SHIPPING CORPORATION

Teekay is a leading provider of international crude oil and petroleum product transportation services through the world s largest fleet of medium-size oil tankers. We provide transportation services to major oil companies, major oil traders and government agencies worldwide. As of December 31, 2002, our fleet consisted of 102 tankers (including 12 newbuildings, five vessels time-chartered-in and four vessels owned by joint ventures). We believe our Aframax fleet as of such date was approximately three times larger than that of our nearest direct Aframax competitor. Through our acquisition of Ugland Nordic Shipping AS, or UNS, in 2001, we are also the largest owner of shuttle tankers, which engage in the transportation of oil from offshore production platforms to onshore storage and refinery facilities.

As of December 31, 2002, our fleet (excluding newbuildings) had a total cargo capacity of approximately 9.0 million deadweight tons. As of such date our Aframax tankers represented approximately 12% of the total tonnage of the world Aframax fleet, and our shuttle tankers represented approximately 26% of the total tonnage of the world shuttle tanker fleet.

The Teekay organization was founded in 1973. Teekay is incorporated under the laws of the Republic of The Marshall Islands.

RECENT DEVELOPMENTS

Recent Results

Based on our preliminary review of unaudited operating results for our quarter and fiscal year ended December 31, 2002, we expect to report net income of approximately $33.1 million, or $0.82 per share, for the quarter ended December 31, 2002, compared to net income of $31.2 million, or $0.78 per share, for the quarter ended December 31, 2001. We expect to report net voyage revenues of approximately $155.1 million for the quarter ended December 31, 2002, compared to $152.2 million recorded for the quarter ended December 31, 2001, while income from vessel operations is expected to increase to approximately $48.6 million for the quarter ended December 31, 2002, from $46.1 million for the quarter ended December 31, 2001.

We expect to report net income of approximately $53.4 million, or $1.33 per share, for the fiscal year ended December 31, 2002, compared to net income of $336.5 million, or $8.31 per share, for the fiscal year ended December 31, 2001. Net voyage revenues are expected to be approximately $543.9 million for the fiscal year ended December 31, 2002, compared to net voyage revenues of $789.5 million for our fiscal year ended December 31, 2001, while income from vessel operations is expected to decrease to approximately $119.3 million for the fiscal year ended December 31, 2002, from $383.5 million for the fiscal year ended December 31, 2001.

Since our financial statements for the year ended December 31, 2002 have not been finalized, information regarding our results for the quarter and the fiscal year ended December 31, 2002 are subject to change and, with respect to the fiscal 2002 year-end results, remain subject to a final audit by our outside independent chartered accountants.

The decreases in our net voyage revenues and net income for fiscal 2002 compared to fiscal 2001 primarily relate to a decrease in our average time charter equivalent, or TCE, rates during fiscal 2002. The decline in net voyage revenues was partially offset by the increase in our fleet size as a result of our acquisition of UNS, which was completed in the first half of fiscal 2001. TCE rates recently have increased substantially. Worldwide industry average Aframax spot TCE rates rose from $14,822 per day in the third quarter of 2002 to $27,923 per day in the fourth quarter. Increased tanker demand combined with relatively tight tanker supply caused the recent increase in TCE rates.

Tanker demand increased as:

- global oil demand rose in the fourth quarter of 2002, compared to third quarter levels, primarily due to seasonal factors and the shutdown of nuclear power plants in Japan;

- global oil production increased in the fourth quarter of 2002, compared to third quarter levels, with Iraq being the country most responsible for such increased production;

- the general strike in Venezuela disrupted oil exports and reduced that country s production, which resulted in a partial replacement of short-haul crude supplies with long-haul supplies to meet the production shortfall; and

- war fears in the Middle East also influenced the market as charterers transported increased amounts of oil due to fears of potential supply disruptions.

Tanker supply remained tight in the fourth quarter of 2002, primarily as a consequence of the sinking in November 2002 of the tanker *Prestige*, a 26-year-old single-hull vessel, which spilled approximately 27,000 metric tonnes of heavy fuel oil off the Spanish coast. This incident contributed to increased discrimination by charterers against older single-hull tonnage, resulting in increased demand for suitable tonnage.

Regulatory Action Following *Prestige* Sinking

In response to the environmental contamination caused by the sinking of the tanker *Prestige*, the European Transport Commission issued a proposal on December 20, 2002, that would, among other things, accelerate the phasing out of single-hull oil tankers and prohibit the transport to or from European Union ports of heavy grades of oil on single-hull tankers. Member countries are currently examining the proposal and consulting with affected parties. The European Transport Council is scheduled to meet on March 27, 2003, to vote on the proposal. Although individual European Union members are not currently required to implement such proposal, Spain has issued a Royal decree banning the transport of heavy oils on single-hull tankers, and there are indications that Portugal and Italy may unilaterally implement similar measures. Some other countries, including the United States, Japan and Australia, are also considering revisions to their existing pollution regulations applicable to tankers. See Regulation.

The proposed regulations may be amended before they are adopted, if at all. If the proposals are adopted in their current form, there could be a tightening in the world tanker supply and a reallocation of affected tonnage. This could result in firm tanker market conditions and increased TCE rates for modern vessels. The proposals could, however, also result in higher depreciation expenses related to a reduction of the estimated useful life of single-hull vessels for accounting purposes.

Navion ASA

We announced on December 16, 2002, that we and Statoil ASA have entered into a definitive agreement under which we will acquire Statoil s wholly-owned subsidiary, Navion ASA (excluding its oil drilling ship and related operations and one floating production, storage and offload vessel), on a debt-free basis, for approximately $800 million in cash. We anticipate funding our acquisition of Navion by borrowing under a new credit facility, together with available cash or cash generated from operations and borrowings under other existing credit facilities. The closing of the transaction is expected to take place in the second quarter of 2003.

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Navion, based in Norway, operates primarily in the shuttle tanker and the conventional crude oil and product tanker markets. Its modern shuttle tanker fleet, which as of December 31, 2002 consisted of nine owned and 17 chartered-in vessels (including four vessels chartered-in from our subsidiary Ugland Nordic Shipping), provides logistical services to Statoil and other oil companies in the North Sea under fixed-rate, long-term contracts of affreightment. Navion s modern, chartered-in, conventional tanker fleet, which as of December 31, 2002 consisted of 12 crude oil tankers and nine product tankers, operates primarily in the Atlantic region, providing services to Statoil and other oil companies. In addition, Navion owns two floating storage and off-take vessels currently trading as conventional crude tankers in the Atlantic region, and one gas carrier on long-term charter to Statoil.

Through a joint venture with Statoil, Navion is responsible for meeting Statoil s transportation needs for crude oil, condensate and refined petroleum products. As part of this arrangement, Navion has a right of first refusal on Statoil s oil transportation requirements at the prevailing market rate until December 31, 2007. After the acquisition, we believe this arrangement may increase the utilization of our conventional fleet. We also believe that the acquisition of Navion will provide added stability to our cash flow and earnings throughout the tanker market cycle, due to the fixed-rate, long-term nature of Navion s shuttle tanker contracts.

Alliance Spirit

On February 1, 2003, one of our vessels, the *Alliance Spirit*, was empty of cargo and waiting off Skikda, Algeria to load crude oil when a severe storm arose and pushed the vessel aground. Three other vessels, not in our fleet, were also pushed aground by the storm. We contracted with SMIT, an internationally recognized emergency response organization, to assist us in refloating the vessel. However, weather conditions remained severe, hampering recovery efforts and inflicting further significant damage to the vessel. On February 6, 2003, the crew members of the vessel were safely evacuated without injury.

The vessel is insured for its full value. We have advised our hull and machinery insurer that the vessel is now a constructive total loss and have requested payment to us of the insurance proceeds. Efforts to salvage the vessel continue. Approximately 1300 metric tonnes of bunker fuel, as well as small quantities of diesel fuel and lube oils, remain on board the vessel. In addition, between 40 to 80 metric tonnes of residual crude oil cargo remain in the cargo tanks. The bunker fuel and lube tanks remain intact, and efforts to remove their contents continue. The vessel could roll over or break apart, resulting in a spillage or leakage of fuel and oil. We maintain insurance coverage on the vessel for environmental damage or pollution liability in an amount of $1 billion. We believe any liability resulting from the escape of any fuel or oil into the environment would be substantially below this amount, and that, under the applicable global convention, our liabilities for any oil spill in this region relating to this incident would be limited to approximately $32 million.

Your investment in the PEPS Units will involve risks. For a discussion of some of these risks, please see Risk Factors, beginning on page S-18 and the other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus, before deciding whether an investment in the PEPS Units is suitable for you.

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THE OFFERING

What are PEPS Units?

PEPS Units may be either Corporate Units or Treasury Units as described below. The PEPS Units offered will initially consist of 5,000,000 Corporate Units (or 5,750,000 Corporate Units if the underwriters exercise their over-allotment option in full), each with a stated amount of $25. You can create Treasury Units from the Corporate Units in the manner described below under How can I create Treasury Units from Corporate Units? All references in this prospectus supplement to our common stock include, among others, the rights evidenced by such common stock to the extent provided in the Rights Agreement dated as of September 8, 2000, between us and The Bank of New York, as rights agent.

What are the components of a Corporate Unit?

Each Corporate Unit consists of a purchase contract and, initially, $25 principal amount of our notes due May 18, 2006. The notes will be our unsecured obligations and will initially be subordinated to all our senior debt. However, on and after February 16, 2006, except in the event of our earlier bankruptcy, insolvency or reorganization, the notes will be our senior, unsecured obligations. The note that is a component of a Corporate Unit is owned by you, but it will be pledged to us to secure your obligation under the related purchase contract.

What is a purchase contract?

Each purchase contract underlying a PEPS Unit obligates the holder of the purchase contract to purchase, and obligates us to sell, on February 16, 2006 (which we refer to as the purchase contract settlement date), for $25 in cash (which we refer to as the settlement price), a number of newly issued shares of our common stock equal to the settlement rate. The settlement rate will be calculated, subject to adjustment under the circumstances set forth in Description of the Purchase Contracts Anti-Dilution Adjustments, as follows:

- if the applicable market value (as defined below) of our common stock is equal to or greater than $44.0000 (which we refer to as the threshold appreciation price), the settlement rate will be 0.5682 shares of our common stock;

- if the applicable market value of our common stock is less than the threshold appreciation price but greater than $36.0200 (which we refer to as the reference price), the settlement rate will be a number of shares of our common stock equal to $25 divided by the applicable market value; and

- if the applicable market value of our common stock is less than or equal to the reference price, the settlement rate will be 0.6941 shares of our common stock.

Applicable market value means the average of the closing price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the purchase contract settlement date. The reference price is the reported last sale price of our common stock on the New York Stock Exchange on the date of this prospectus supplement. The threshold appreciation price represents approximately a 22.15% appreciation over the reference price.

Can I settle purchase contracts early?

You can settle purchase contracts at any time on or prior to the fifth business day immediately preceding the purchase contract settlement date by paying $25 cash per purchase contract, in which case 0.5682 shares of our common stock will be issued to you pursuant to each purchase contract. In addition, if we are involved in a merger in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, you will have the right to accelerate and settle purchase contracts early at the settlement rate in effect immediately prior to the closing of that merger. Your early settlement right is subject to the condition that, if required under the U.S. federal securities laws, we have a registration statement under the U.S. Securities Act of 1933 in effect covering the shares of common stock and other securities, if any, deliverable upon settlement of the purchase contracts. We have agreed that, if required by U.S. federal securities laws, we will use our best efforts to have a registration statement in effect covering those shares of common stock and other securities to be delivered in respect of the purchase contracts being settled.

What are Treasury Units?

Treasury Units are units created from Corporate Units and consist of a purchase contract and a 1/40th, or 2.5%, undivided beneficial ownership interest in a zero-coupon U.S. Treasury security with a principal amount of $1,000 that matures on February 15, 2006 (CUSIP No. 912803AJ2), which we refer to as a Treasury security. The ownership interest in the Treasury security that is a component of a Treasury Unit will be owned by you, but will be pledged to us through the collateral agent to secure your obligation under the related purchase contract.

How can I create Treasury Units from Corporate Units?

Each holder of Corporate Units will have the right, at any time on or prior to the fifth business day immediately preceding the purchase contract settlement date, to substitute for the related notes held by the collateral agent, Treasury securities in a total principal amount at maturity equal to the aggregate principal amount of the notes for which substitution is being made. Because Treasury securities are issued in integral multiples of $1,000, holders of Corporate Units may make this substitution only in integral multiples of 40 Corporate Units. This substitution will create Treasury Units, and the applicable notes will be released to the holder and be separately tradable from the Treasury Units.

How can I recreate Corporate Units from Treasury Units?

Each holder of Treasury Units will have the right, at any time on or prior to the fifth business day immediately preceding the purchase contract settlement date, to substitute for the related Treasury securities held by the collateral agent, notes having a principal amount equal to the aggregate principal amount at stated maturity of the Treasury securities for which substitution is being made. Because Treasury securities are issued in integral multiples of $1,000, holders of Treasury Units may make these substitutions only in integral multiples of 40 Treasury Units. This substitution will recreate Corporate Units and the applicable Treasury securities will be released to the holder and be separately tradable from the Corporate Units.

What payments am I entitled to as a holder of Corporate Units?

Subject to our right to defer payments as described below, holders of Corporate Units will be entitled to receive in respect of each Corporate Unit quarterly cash distributions consisting of interest payments calculated at the rate of 6.00% per year on the notes, and contract adjustment payments payable by us at the rate of 1.25% per year on the stated amount of $25 per Corporate Unit until the earliest of the purchase contract settlement date, the early settlement date (in the case of a cash merger early settlement) and the most recent quarterly payment date on or before any other early settlement of the related purchase contracts (in the case of early settlement other than upon a cash merger).

What payments will I be entitled to if I convert my Corporate Units to Treasury Units?

Subject to our right to defer contract adjustment payments as described below, holders of Treasury Units will be entitled to receive quarterly contract adjustment payments payable by us at the rate of 1.25% per year on the stated amount of $25 per Treasury Unit. There will be no distributions in respect of the Treasury securities that are a component of the Treasury Units but, subject to our right to defer interest payments on the notes as described below, holders of the Treasury Units will continue to receive the scheduled quarterly interest payments on the notes that were released to them when they created the Treasury Units as long as they continue to hold the notes.

Do we have the option to defer current payments?

We have the right to defer interest payments on our notes until no later than February 16, 2006. Any deferred interest will accrue additional interest at a rate of 7.25% per year, compounded quarterly, until paid. We also have the right to defer contract adjustment payments until no later than the date on which your purchase contract is settled. Any deferred contract adjustment payments will accrue additional contract adjustment payments at a rate of 7.25% per year, compounded quarterly, until paid.

What are the payment dates for the PEPS Units?

The payments described above in respect of the PEPS Units will be payable quarterly in arrears on February 16, May 16, August 16 and November 16 of each year, commencing May 16, 2003.

What is remarketing?

The notes that comprise part of the Corporate Units will be remarketed on the third business day immediately preceding the purchase contract settlement date, which we refer to as the remarketing date, at a price of approximately 100.25% of the principal amount of the notes remarketed. To obtain that price, the remarketing agent may increase or decrease the interest rate on the notes. If the remarketing is successful, any increase or decrease in the interest rate on the notes will take effect on the third business day following the remarketing date.

If the remarketing is successful, a portion of the proceeds from the remarketing equal to the aggregate principal amount of the notes sold in the remarketing that comprised part of the Corporate Units will automatically be applied to satisfy in full each Corporate Unit holder s obligations to purchase common stock under the related purchase contracts on the purchase contract settlement date. The remarketing agent will deduct, as a remarketing fee, an amount not exceeding 25 basis points (0.25%) of the aggregate principal amount of the remarketed notes from proceeds from the remarketing in excess of the aggregate principal amount of the notes remarketed. Any remaining portion of the proceeds will be for the benefit of the holders. Remarketing will be considered successful if the resulting proceeds (net of any fees and commissions, if any) are at least 100% of the aggregate principal amount of the notes.

What happens if the notes are not successfully remarketed?

If the notes have not been successfully remarketed on the remarketing date, the interest rate on the notes will not be reset and all holders of notes will have the right to put the notes to us on the purchase contract settlement date at a put price equal to $25 per note plus accrued and unpaid interest.

A holder of a note that is part of a Corporate Unit will be deemed to have automatically exercised this put right unless, prior to 11:00 a.m., New York City time, on the second business day immediately preceding the purchase contract settlement date such holder provides a written notice of an intention to settle the related purchase contract with separate cash and, on or prior to the business day immediately preceding the purchase contract settlement date, delivers to the collateral agent such separate cash. Unless a Corporate Unit holder has settled the related purchase contracts with separate cash on or prior to the purchase contract settlement date, the put price will be delivered to the collateral agent, who will apply such amount in satisfaction of such Corporate Unit holder s obligations under the related purchase contract on the purchase contract settlement date. Any remaining amount of the put price following satisfaction of the purchase contract will be paid to such Corporate Unit holder.

Do I have to participate in the remarketing?

You may elect not to participate in the remarketing and to retain the notes underlying your Corporate Units by (1) creating Treasury Units at any time on or prior to the second business day prior to the remarketing date or (2) notifying the purchase contract agent of your intention to pay cash to satisfy your obligation under the related purchase contracts on or prior to the fifth business day before the purchase contract settlement date and delivering the cash payment required under the purchase contracts to the collateral agent on or prior to the fourth business day before the purchase contract settlement date.

If I am holding a note as a separate security from the Corporate Units, can I still participate in the remarketing of the notes?

Holders of notes that are not part of the Corporate Units may elect, in the manner described in this prospectus supplement, to have their notes remarketed by the remarketing agent along with the notes included in the Corporate Units. See Description of the Notes Optional Remarketing. Such holders may also participate in the remarketing by recreating Corporate Units from their Treasury Units at any time on or prior to the second business day immediately prior to the remarketing date.

Besides participating in a remarketing, how else can I satisfy my obligation under the purchase contracts?

Holders of Corporate Units or Treasury Units may also satisfy their obligations, or their obligations will be terminated, under the purchase contracts as follows:

- through early settlement as described under Can I settle purchase contracts early? above;
- through cash settlement prior to the remarketing date in the case of holders of Corporate Units as described under Do I have to participate in the remarketing? above;
- through the automatic application of the proceeds of the Treasury securities in the case of the Treasury Units;
- through exercise of the put right, if the remarketing is unsuccessful and none of the above events has taken place, as described under What happens if the notes are not successfully remarketed? above; or
- without any further action, upon the termination of the purchase contracts as a result of our bankruptcy, insolvency or reorganization.

What interest payments will I receive on the notes?

Subject to our right to defer interest payments on the notes as described above, interest on the notes will be payable quarterly in arrears initially at the annual rate of 6.00% per annum to, but excluding, the reset effective date, which will be the third business day following the date of a successful remarketing of the notes. Following a reset of the interest rate, interest will be payable on the notes at the reset rate from and including the reset effective date to, but excluding, May 18, 2006. If the notes are not successfully remarketed, the interest rate will not be reset and the notes will continue to bear interest at the initial interest rate.

What are the interest payment dates on the notes?

The interest payment dates on the notes are February 16, May 16, August 16 and November 16 of each year, commencing May 16, 2003 and ending on the maturity date of the notes, provided that May 16, 2006 will not be an interest payment date and the interest payment date next following February 16, 2006 will be the maturity date of the notes.

When will the interest rate on the notes be reset and what is the reset rate?

The interest rate on the notes will be reset on the date, if any, the notes are successfully remarketed and the reset rate will become effective three business days thereafter. The reset rate will be the interest rate determined by the remarketing agent as the rate (subject to the last sentence of this paragraph) the notes should bear in order for the notes included in the Corporate Units to have an approximate aggregate market value on the remarketing date of 100.25% of their aggregate principal amount. The interest rate on the notes will not be reset if the remarketing is unsuccessful. The reset rate may not exceed the maximum rate, if any, permitted by applicable law.

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Are the notes redeemable?

The notes are not redeemable.

What is the ranking of the notes?

The notes will be our general, unsecured obligations and initially will be subordinate in right of payment to all of our existing and future senior debt. However, on and after February 16, 2006, except in the event of our earlier bankruptcy, insolvency or reorganization, the subordination provisions of the notes and the related indenture will no longer be applicable and the notes will be our senior, unsecured obligations ranking equally in right of payment with all our existing and future unsubordinated debt. The indenture under which the notes will be issued will not limit our ability to issue or incur other debt or issue preferred stock.

What are the United States federal income tax consequences for United States holders?

A PEPS Unit will initially consist of two components, a purchase contract and a note. The purchase price of each PEPS Unit will be allocated between the purchase contract and the note in proportion to their respective fair market values at the time of purchase. We expect that, as of the date of issuance of the PEPS Units, the fair market value of each purchase contract will be $0.00 and the fair market value of each note will be $25.

We intend to treat the notes as reset bonds under Treasury regulations relating to variable rate debt instruments and to take the position that a United States holder will be required to include stated interest on the notes as ordinary interest income in such holder s gross income at the time the interest is paid or accrued in accordance with such holder s regular method of accounting. However, if we exercise our right to defer payments of stated interest on the notes, the stated interest on the notes will become original issue discount. In such case, a United States holder generally will recognize interest income prior to the actual receipt of the interest payments.

If a United States holder owns Treasury Units, such holder will continue to take into account items of income or deduction otherwise includible or deductible, respectively, by such holder with respect to the Treasury securities and the notes.

We intend to report the purchase contract adjustment payments as ordinary income to holders. However, prospective investors are urged to consult their own tax advisors concerning alternative characterizations of such payments.

Because there is no statutory, judicial or administrative authority directly addressing the tax treatment of PEPS Units or instruments similar to PEPS Units, United States holders are urged to consult their own tax advisors concerning the United States federal income tax consequences of an investment in PEPS Units in light of their own particular circumstances, as well as the effect of any state, local, or foreign tax laws.

FOR ADDITIONAL INFORMATION, SEE TAX CONSEQUENCES MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IN THIS PROSPECTUS SUPPLEMENT, STARTING ON PAGE S-65.

What are the material United States federal income tax consequences for Non-United States holders?

Subject to certain exceptions, payments to Non-United States holders of principal and interest (including original issue discount, if any, and acquisition discount) on the notes or the Treasury securities, contract adjustment payments, and dividends, if any, paid on the shares of our common stock acquired under the purchase contracts, and any gain realized upon the sale, exchange or other disposition of the purchase contracts, notes or Treasury securities, or shares of our common stock acquired under the purchase contracts, generally should not be subject to United States federal income tax, including United States federal withholding tax.

Non-United States holders are urged to consult their own tax advisors with respect to the United States federal, state, local and foreign tax consequences of an investment in PEPS Units in light of their own particular circumstances.

FOR ADDITIONAL INFORMATION, SEE TAX CONSEQUENCES MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IN THIS PROSPECTUS SUPPLEMENT, STARTING ON PAGE S-65

What are the rights and privileges of the common stock?

The shares of our common stock that you will be obligated to purchase under the purchase contracts have one vote per share. For more information, please see the discussion of our common stock in this prospectus supplement under the heading Risk Factors, and in the accompanying prospectus under the heading Description of Capital Stock.

What are the uses of proceeds from the offering?

We estimate that the net proceeds from the offering will be approximately $120.3 million (approximately $138.4 million if the underwriters exercise their over-allotment option in full), after deducting the underwriters estimated discounts and commissions and our estimated fees and expenses for the offering.

We expect to use the net proceeds from the sale of PEPS Units offered hereby to finance acquisitions and for general corporate purposes. General corporate purposes may include capital expenditures, working capital and the repayment of debt. See Use of Proceeds in this prospectus supplement.

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THE OFFERING EXPLANATORY DIAGRAMS

The following diagrams demonstrate some of the key features of the purchase contracts, notes, Corporate Units and Treasury Units, and the transformation of Corporate Units into Treasury Units and notes.

The following diagrams assume that the notes are successfully remarketed and the interest rate on the notes is reset on the third business day immediately preceding the purchase contract settlement date, the settlement rate is not adjusted, early settlement does not apply and payments are not deferred.

Purchase Contract

Corporate Units and Treasury Units both include a purchase contract under which the holder agrees to purchase shares of our common stock on the purchase contract settlement date. In addition, these purchase contracts include unsecured contract adjustment payments as shown in the diagrams on the following pages.

Value of Shares Delivered Upon Settlement of a Purchase Contract

Applicable Market Value(6)

Number of Shares Delivered Upon Settlement of a Purchase Contract

Applicable Market Value(6)

Notes:

(1) If the applicable market value of our common stock is less than or equal to the reference price of $36.0200, the number of shares of our common stock to be delivered to a holder of a PEPS Unit will be calculated by dividing the stated amount of $25 by the reference price.

(2) If the applicable market value of our common stock is between the reference price and the threshold appreciation price of $44.0000, the number of shares of our common stock to be delivered to a holder of a PEPS Unit will be calculated by dividing the stated amount of $25 by the applicable market value.

(3) If the applicable market value of our common stock is greater than or equal to the threshold appreciation price, the number of shares of our common stock to be delivered to a holder of a PEPS Unit will be calculated by dividing the stated amount by the threshold appreciation price.

(4) The reference price is the reported last sale price of our common stock on the New York Stock Exchange on the date of this prospectus supplement.

(5) The threshold appreciation price represents approximately a 22.15% appreciation over the reference price.

(6) The applicable market value means the average of the closing price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the purchase contract settlement date.

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Corporate Units

A Corporate Unit consists of two components as described below:

Purchase Contract	**Note**
(Owed to Holder)	(Owed to Holder)
Common Stock + Contract Adjustment Payments 1.25% per annum paid quarterly	Interest 6.00% per annum paid quarterly (at reset rate from February 16, 2006)
(Owed to Teekay)	(Owed to Holder)
$25 at Settlement (February 16, 2006)	$25 at Maturity (May 18, 2006)

The holder of a Corporate Unit owns the note that forms a part of the Corporate Unit, but will pledge it to us to secure its obligation under the related purchase contract.

The foregoing analysis assumes the notes are successfully remarketed on the third business day immediately preceding February 16, 2006.

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Treasury Units

A Treasury Unit consists of two components as described below:

Purchase Contract	Treasury Security
(Owed to Holder) Common Stock + Contract Adjustment Payments 1.25% per annum paid quarterly	
(Owed to Teekay) $25 at Settlement (February 16, 2006)	(Owed to Holder) $25 at Maturity (as a 1/40th, or 2.5%, ownership interest in $1,000 principal amount) (February 15, 2006)

The holder owns the 1/40th, or 2.5%, ownership interest in the Treasury security that forms a part of the Treasury Unit, but will pledge it to us through the collateral agent to secure its obligations under the related purchase contract. Unless the purchase contract is terminated as a result of our bankruptcy, insolvency or reorganization or the holder recreates a Corporate Unit, the 1/40th, or 2.5%, ownership interest in the Treasury security will be used to satisfy the holder s obligation under the related purchase contract.

Treasury Units can only be created with integral multiples of 40 Corporate Units.

The Notes

The notes have the terms described below:

Note
(Owed to Holder) Interest 6.00% per annum paid quarterly (at reset rate from February 16, 2006)
(Owed to Holder) $25 at Maturity (May 18, 2006)

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Transforming Corporate Units into Treasury Units and Notes

Because Treasury Securities are issued in integral multiples of $1,000, the transformation of Corporate Units into Treasury Units requires integral multiples of 40 Corporate Units, and the transformation of Treasury Units into Corporate Units also requires multiples of 40 Treasury Units.

To create a Treasury Unit, a holder separates a Corporate Unit into its components the purchase contract and the note and then combines each purchase contract with a 1/40th, or 2.5%, ownership interest in a Treasury security that matures on the day immediately preceding the purchase contract settlement date.

Each 1/40th, or 2.5%, ownership interest in the Treasury security together with a purchase contract constitutes a Treasury Unit. The note, which is no longer a component of the related Corporate Unit, is released to the holder and is tradable as a separate security.

A holder owns the applicable ownership interest in the Treasury security that forms a part of the Treasury Unit, but will pledge it to us through the collateral agent to secure its obligation under the related purchase contract.

Purchase Contract	Note	Purchase Contract	Treasury Security	Note
(Owed to Holder)	(Owed to Holder)	(Owed to Holder)		(Owed to Holder)
Common Stock + Contract Adjustment Payments 1.25% per annum paid quarterly	Interest 6.00% per annum paid quarterly (at reset rate from February 16, 2006)	Common Stock + Contract Adjustment Payments 1.25% per annum paid quarterly		Interest 6.00% per annum paid quarterly (at reset rate from February 16, 2006)
(Owed to Teekay)	(Owed to Holder)	(Owed to Teekay)	(Owed to Holder)	(Owed to Holder)
$25 at Settlement (February 16, 2006)	$25 at Maturity (May 18, 2006)	$25 at Settlement (February 16, 2006)	(as a $1/40th, or 2.5%, ownership interest in $1,000 principal amount) $25 at Maturity (February 15, 2006)	$25 at Maturity (May 18, 2006)
Corporate Unit		**Treasury Unit**		

The holder can also transform Treasury Units and notes into Corporate Units. Following that transformation, the Treasury security, which will no longer be a component of the related Treasury Units, will be released to the holder and will be tradable as a separate security.

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RISK FACTORS

Before investing in our PEPS Units, you should consider carefully the following factors, as well as the information contained in the rest of this prospectus supplement, the accompanying prospectus and in the documents that are incorporated by reference into the accompanying prospectus.

Risks Relating to Our PEPS Units

You Will Bear the Entire Risk of a Decline in the Price of Our Common Stock

Although as a holder of Corporate Units or Treasury Units you will be the owner of the related notes or applicable ownership interest in the Treasury securities, as the case may be, you do have an obligation to buy shares of our common stock pursuant to the purchase contract that is a part of the Corporate Units and Treasury Units. On February 16, 2006, unless you pay cash to satisfy your obligation under the related purchase contracts or the purchase contracts are terminated due to our bankruptcy, insolvency or reorganization, (a) in the case of Corporate Units, either (1) the proceeds derived from the successful remarketing of the notes or (2) the put price paid upon the automatic put of the notes if the remarketing is unsuccessful, or (b) in the case of Treasury Units, the principal of the related Treasury securities when paid at maturity, will automatically be used to purchase a specified number of shares of our common stock on your behalf.

The number of shares of our common stock that you will receive upon the settlement of a purchase contract is not fixed but instead will depend on the average of the closing price per share of our common stock on the 20 consecutive trading days ending on the third trading day immediately preceding February 16, 2006. We refer to this average closing price as the applicable market value. There can be no assurance that the applicable market value of common stock received by you on the purchase contract settlement date will be equal to or greater than the price per share paid by you for our common stock. If the applicable market value of our common stock is less than $36.0200, the market value of our common stock issued to you pursuant to each purchase contract on February 16, 2006 (assuming that the market value on such date is the same as the applicable market value of our common stock) will be less than the effective price per share paid by you for our common stock on the date of issuance of the PEPS Units. Accordingly, you will bear the full risk that the market value of our common stock may decline. Any such decline could be substantial.

The Opportunity for Equity Appreciation Provided by an Investment in the PEPS Units Is Less Than That Provided by a Direct Investment in Our Common Stock

Your opportunity for equity appreciation afforded by investing in the PEPS Units is less than your opportunity for equity appreciation if you directly invested in our common stock. This opportunity is less because the market value of our common stock to be received by you pursuant to the purchase contract on February 16, 2006 (assuming that the market value on such date is the same as the applicable market value of our common stock), will only exceed the price per share paid by you for our common stock on the purchase contract settlement date if the applicable market value of our common stock exceeds the threshold appreciation price (which represents an appreciation of approximately 22.15% over the reference price of $36.0200). If the applicable market value of our common stock exceeds the reference price but falls below the threshold appreciation price, you realize no equity appreciation of our common stock for the period during which you own the purchase contract. Furthermore, if the applicable market value of our common stock equals or exceeds the threshold appreciation price, you would receive on February 16, 2006, only approximately 82% of the value of the shares of common stock you could have purchased with $25 at the reported last sale price of our common stock on the date we price this offering of PEPS Units.

The Trading Prices for the Corporate Units and Treasury Units Will Be Directly Affected by the Trading Prices of Our Common Stock

The trading prices of Corporate Units and Treasury Units in the secondary market will be directly affected by the trading prices of our common stock, the general level of interest rates and our credit quality. It is impossible to predict whether the price of our common stock or interest rates will rise or fall. Trading prices of

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our common stock will be influenced by our operating results and prospects and by economic, political, financial and other factors. In addition, general market conditions, including the level of, and fluctuations in the trading prices of stocks generally, and sales of substantial amounts of common stock by us in the market after the offering of the PEPS Units, or the perception that such sales could occur, could affect the price of our common stock. Fluctuations in interest rates may give rise to arbitrage opportunities based upon changes in the relative value of our common stock underlying the purchase contracts and of the other components of the PEPS Units. Any such arbitrage could, in turn, affect the trading prices of the Corporate Units, Treasury Units, the notes and our common stock.

If You Hold Corporate Units or Treasury Units, You Will Not Be Entitled to Any Rights With Respect to Our Common Stock, But You Will Be Subject to All Changes Made With Respect to Our Common Stock

If you hold Corporate Units or Treasury Units, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting our common stock. You will only be entitled to rights on our common stock if and when we deliver shares of common stock in exchange for Corporate Units or Treasury Units on February 16, 2006, or as a result of early settlement, as the case may be, and the applicable record date, if any, for the exercise of rights occurs after that date. For example, in the event that an amendment is proposed to our charter documents requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of our common stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

We May Issue Additional Shares of Common Stock and Thereby Materially and Adversely Affect the Price of Our Common Stock

The number of shares of common stock that you are entitled to receive on February 16, 2006, or as a result of early settlement of a purchase contract, is subject to adjustment for certain events arising from stock splits and combinations, stock dividends and certain other actions by us that modify our capital structure. We will not adjust the number of shares of common stock that you are to receive on February 16, 2006, or as a result of early settlement of a purchase contract for other events, including offerings of common stock for cash by us or in connection with acquisitions. We are not restricted from issuing additional common stock during the term of the purchase contracts and have no obligation to consider your interests for any reason. If we issue additional shares of common stock, it may materially and adversely affect the price of our common stock and, because of the relationship of the number of shares to be received on February 16, 2006, to the price of our common stock, such other events may adversely affect the trading price of the Corporate Units or Treasury Units.

The Secondary Market for the Corporate Units, Treasury Units or the Notes May Be Illiquid

It is not possible to predict how Corporate Units, Treasury Units or the notes will trade in the secondary market or whether any market will be liquid or illiquid. There is currently no secondary market for either our Corporate Units, Treasury Units or the notes. The Corporate Units have been approved for listing on the New York Stock Exchange, subject to official notice of issuance. If the Treasury Units or the notes are separately traded to a sufficient extent that applicable exchange listing requirements are met, we will try to list the Treasury Units or the notes on the same exchange as the Corporate Units. There can be no assurance as to the liquidity of any market that may develop for the Corporate Units, the Treasury Units or the notes, your ability to sell these securities or whether a trading market, if it develops, will continue. In addition, in the event you were to substitute Treasury securities for the notes or the notes for Treasury securities, thereby converting your Corporate Units to Treasury Units or your Treasury Units to Corporate Units, as the case may be, the liquidity of Corporate Units or Treasury Units could be adversely affected. If the Corporate Units are listed, there can be no assurance that the Corporate Units will not be delisted from the New York Stock Exchange or that trading in the Corporate Units will not be suspended as a result of your election to create Treasury Units by substituting collateral, which could cause the number of Corporate Units to fall below the requirement for listing securities on the New York Stock Exchange.

Your Rights to the Pledged Securities Will Be Subject to Our Security Interest

Although you will be the beneficial owner of the notes or Treasury securities, as applicable, those securities will be pledged to us through the collateral agent to secure your obligations under the related purchase contracts. Thus, your rights to the pledged securities will be subject to our security interest. Additionally, notwithstanding the automatic termination of the purchase contracts, in the event that we become the subject of a case under applicable bankruptcy laws, the delivery of the pledged securities to you may be delayed by the imposition of any automatic stay under Section 362 of the U.S. Bankruptcy Code or such bankruptcy laws and claims arising out of the notes, like all other claims in bankruptcy proceedings, will be subject to the equitable jurisdiction and powers of the bankruptcy court.

We May Defer Current Payments

We have the option to defer the payment of contract adjustment payments on the purchase contracts until the earlier of February 16, 2006, or the date on which the purchase contracts are settled. However, any deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of 7.25% per year, compounded quarterly, until paid. If the purchase contracts are settled early, other than pursuant to a cash merger, or if the purchase contracts are terminated due to our bankruptcy, insolvency or reorganization, the right to receive accrued and unpaid contract adjustment payments will terminate. If the purchase contracts are terminated due to our bankruptcy, insolvency or reorganization, the right to receive deferred contract adjustment payments, if any, will also terminate.

We also have the right to defer interest payments on the notes until no later than February 16, 2006. However, any deferred interest will accrue additional interest at a rate of 7.25% per year, compounded quarterly, until paid. If we defer interest payments on the notes, a United States holder will generally recognize interest income on the notes prior to the actual receipt of the interest payments for United States federal income tax purposes, because the stated interest on the notes will become original issue discount. See Tax Consequences United States Federal Income Tax Consequences Notes. If we exercise our right to defer payments of interest on the notes, the market price of the Corporate Units is likely to decrease. In addition, the mere existence of the right to defer interest payments may cause the market price of the Corporate Units to be more volatile than the market price of other securities that are not subject to such deferrals.

The United States Federal Income Tax Consequences of the Purchase, Ownership and Disposition of the PEPS Units Are Unclear

No statutory, judicial or administrative authority directly addresses the treatment of the PEPS Units or instruments similar to the PEPS Units for United States federal income tax purposes. As a result, the United States federal income tax consequences of the purchase, ownership and disposition of PEPS Units are not entirely clear. We intend to treat the notes as reset bonds under Treasury regulations relating to variable rate debt instruments and to take the position that a United States holder will be required to include stated interest on the notes as ordinary interest income in such holder s gross income at the time the interest is paid or accrued in accordance with such holder s regular method of accounting. If we exercise our right to defer payments of the stated interest on the notes, the stated interest on the notes will become original issue discount. In such case, a United States holder generally will recognize interest income prior to the actual receipt of the interest payments. For a discussion of tax related risks, see Tax Consequences Material United States Federal Income Tax Consequences.

The Purchase Contract Agreement Will Not Be Qualified Under the U.S. Trust Indenture Act and the Obligations of the Purchase Contract Agent Are Limited

The purchase contract agreement between us and the purchase contract agent will not be qualified as an indenture under the U.S. Trust Indenture Act of 1939, and the purchase contract agent will not be required to qualify as a trustee under the Trust Indenture Act. Thus, you will not have the benefit of the protection of the Trust Indenture Act with respect to the purchase contract agreement or the purchase contract agent. The notes constituting a part of the Corporate Units will be issued pursuant to an indenture, which will be qualified under the Trust Indenture Act. If you hold Corporate Units, or Treasury Units and notes, you will have the benefit of the protections of the Trust Indenture Act only to the extent applicable to the notes. Some of the protections generally afforded the holder of a security issued under an indenture that has been qualified under the Trust Indenture Act include:

- disqualification of the indenture trustee for conflicting interests, as defined under the Trust Indenture Act;
- provisions preventing a trustee that is also a creditor of the issuer from improving its own credit position at the expense of the security holders immediately prior to or after a default under the indenture; and
- the requirement that the indenture trustee deliver reports at least annually with respect to certain matters concerning the indenture trustee and the securities.

Our Substantial Debt Could Adversely Affect Our Financial Condition and Prevent Us From Fulfilling Our Obligations Under the Notes

We have substantial debt and debt service requirements. As of September 30, 2002, we and our subsidiaries had outstanding debt in an aggregate principal amount of approximately $1.1 billion, including $84.4 million of joint venture debt guaranteed by us or certain of our subsidiaries. As of such date, we would have been able to borrow an additional $419.4 million under our credit facilities. In addition, as of December 31, 2002, we and our subsidiaries had commitments from lenders for additional credit facilities related to our proposed acquisition of Navion ASA ($500 million), vessel purchases ($77 million) and newbuildings ($232 million).

The amount of our debt could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations under the PEPS Units;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future capital expenditures, working capital and other general corporate requirements;
- require us to dedicate a substantial portion of our cash flow from operations to make interest and principal payments on our debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the shipping industry;
- place us at a competitive disadvantage compared to competitors that have less debt; and
- limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity.

To Pay Amounts Due Under the PEPS Units and Service Our Other Debt Will Require a Significant Amount of Cash, Which May Not Be Available to Us

The PEPS Units will be the sole obligations of Teekay. Our ability to pay amounts due under the PEPS Units and on our other debt will depend upon our future operating performance and a number of other factors, many of which are beyond our control. Such factors include the effect of the general economy on the demand for oil and thus the oil shipping market. In addition, we will rely on dividends and other intercompany cash flows from our subsidiaries to repay our obligations. Financing arrangements between some of our subsidiaries and their respective lenders contain restrictions on dividends by and distribution from such subsidiaries to us.

If we are unable to generate sufficient cash flow to meet our debt service requirements, we may have to renegotiate the terms of our debt. We may be unable to renegotiate successfully those terms or refinance our debt when required, in which event we would have to consider options such as:

- sales of certain assets to meet our debt service obligations;
- sales of equity; and

negotiations with our lenders to restructure applicable debt.

Our credit agreements, existing debt indentures and the indenture governing the notes may restrict our ability to do some of these things.

The Notes Will Initially Be Our Unsecured, Subordinated Obligations, Will Rank Below Our Existing and Future Senior Debt and Will Be Effectively Subordinated to the Debt And Liabilities of Our Subsidiaries. On and After February 16, 2006, Except in the Event of Our Earlier Bankruptcy, Insolvency or Reorganization, the Notes Will Be Our Senior, Unsecured Obligations, But Will Be Effectively Subordinated to Our Existing and Future Senior Secured Debt, to the Extent of Assets Securing Such Debt, and Will Be Effectively Subordinated to the Debt and Liabilities of Our Subsidiaries

The notes will be unsecured and will initially rank subordinate in right of payment to all of our existing and future senior debt, and in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding of our company, our assets will be available to satisfy obligations on our senior debt before any payment may be made on the notes. In such an event, we may not have sufficient assets remaining to pay outstanding amounts on the notes.

On and after February 16, 2006, except in the event of our earlier bankruptcy, insolvency or reorganization, the notes will cease to be subordinated debt, and will rank equally in right of payment with all of our then existing and future senior, unsubordinated debt. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding of our company, assets we have pledged to satisfy our obligations on our senior, secured debt will be used to satisfy such secured obligations before such assets would be available to make any payment on the notes and our other senior, unsecured debt. In addition, to the extent that such assets cannot satisfy in full our senior, secured debt, the holders of such debt would have a claim for any shortfall that would rank equally in right of payment (or effectively senior if the debt were issued by a subsidiary) with the notes and our other senior, unsecured debt. In such an event, we may not have sufficient assets remaining to pay outstanding amounts on the notes.

In addition, the notes, whether subordinated or senior, will be effectively subordinated to existing and future liabilities of our subsidiaries. Our right to receive assets of any subsidiaries upon their liquidation or reorganization, and the rights of the holders of the notes to share in those assets, would be subject to the prior satisfaction of claims of the subsidiaries creditors. Consequently, the notes will be effectively subordinate to all liabilities of any of our subsidiaries. Substantially all of our business is currently conducted through our subsidiaries, and we expect this to continue.

The notes will be our obligations exclusively. The indenture and the purchase contracts do not limit our ability to incur senior or secured debt, or our ability or that of any of our subsidiaries to incur other indebtedness and other liabilities. Our ability to pay our obligations under the notes may decrease if we, or any of our subsidiaries, incur additional indebtedness or liabilities.

As of September 30, 2002, we and our subsidiaries had outstanding debt in an aggregate principal amount of approximately $1.1 billion, including $84.4 million of joint venture debt guaranteed by us or certain of our subsidiaries. Of this $1.1 billion, as of such date we were directly obligated for or guaranteed $686.1 million, $704.1 million was secured by our assets or the assets of certain of our subsidiaries, and $704.1 million was the direct obligation of or guaranteed by our subsidiaries.

Failure to Comply With Covenants Could Lead to Acceleration of Debt

Our existing financing agreements and those of our subsidiaries impose operating and financial restrictions that restrict our actions. These restrictions limit or prohibit our ability to, among other things:

- incur additional debt;
- create liens;
- sell capital stock of subsidiaries or other assets;
- make certain investments;
- engage in mergers and acquisitions;
- make certain capital expenditures; or
- pay dividends.

Failure to comply with any of the covenants in our existing or future financing agreements could result in a default under those agreements or under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these agreements and to foreclose upon any collateral securing that debt. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations, including our obligations under the notes. In addition, the secured nature of a portion of our other debt, together with the limitations imposed by financing agreements on our ability to incur additional debt and to take other actions, might significantly impair our ability to obtain other financing.

Some of our existing financing agreements also impose restrictions on changes of control of us or our ship-owning subsidiaries, including requirements for prior consent and that we make an offer to redeem certain debt. See Description of Our Other Indebtedness.

Declining Market Values of Our Vessels Could Adversely Affect Our Liquidity and Result in Breaches of Our Financing Agreements

Market values of tankers fluctuate depending upon general economic and market conditions affecting the tanker industry and competition from other shipping companies, other types and sizes of vessels, and other modes of transportation. In addition, as vessels become older, they generally decline significantly in value. Declining vessel values of our tankers could adversely affect our liquidity by limiting our ability to raise cash by refinancing vessels. Declining vessel values could also result in a breach of loan covenants and events of default under relevant financing agreements that require us to maintain certain loan-to-value ratios. If vessel values decline and we are unable to decrease our debt or pledge additional collateral, the lenders could accelerate our debt and foreclose on our vessels pledged as collateral for the loans.

We May Not Be Able to Pay Cash Dividends

In each quarter since the initial public offering of our common stock in 1995, we have paid a cash dividend of $0.215 per share. Any future cash dividends will depend upon our results of operations, financial condition, cash requirements, the availability of surplus and other factors, including the ability of our subsidiaries to make distributions to us, which, as described above, is restricted by financing arrangements. Any failure to pay cash dividends could adversely affect the value of our common stock and of the PEPS Units.

Risks Relating to Our Business

The Cyclical Nature of the Tanker Industry Causes Volatility in Our Profitability

Historically, the tanker industry has been cyclical, experiencing volatility in profitability due to changes in the supply of, and demand for, tanker capacity. Increases in tanker capacity supply or decreases in tanker capacity demand could harm our business, financial condition and results of operations. The supply of tanker capacity is a function of the number of new vessels built, older vessels scrapped, converted and lost and the number of vessels that are out of service. The demand for tanker capacity is influenced by, among other factors:

- global and regional economic conditions;
- increases and decreases in industrial production and demand for crude oil and petroleum products;
- increases and decreases in OPEC production quotas;
- the distance crude oil and petroleum products need to be transported by sea; and
- developments in international trade and changes in seaborne and other transportation patterns.

Because many of the factors influencing the supply of and demand for tanker capacity are unpredictable, the nature, timing and degree of changes in tanker industry conditions are also unpredictable.

We Depend Upon Oil Markets, Changes in Which Could Result in Decreased Demand for Our Vessels and Services

Demand for our vessels and services in transporting crude oil and petroleum products depends upon world and regional oil markets. Any decrease in shipments of crude oil in those markets could harm our business and results of operations. Historically, those markets have been volatile as a result of the many conditions and events that affect the price, production and transport of oil, as well as competition from alternative energy sources. A

slowdown of the economic recovery in the United States and world economies may result in reduced consumption of oil and a decreased demand for our vessels and services. In addition, Venezuela is experiencing political unrest, which has led to a shutdown of much of the country s economy, including a significant decrease in its production of crude oil and petroleum products. Continued political unrest in Venezuela or similar unrest in other major oil-producing countries could disrupt the export of petroleum from these or nearby countries and adversely affect the demand for our vessels.

Continued Terrorist Attacks or War Could Lead to Further Economic Instability and Decrease Demand for Oil, Which Could Harm Our Business

Terrorist attacks, such as the attacks that occurred in New York, Pennsylvania and Washington, D.C., on September 11, 2001, and current and future war risks may adversely affect our business, results of operation, financial condition, ability to raise capital or future growth. The United States has made strong overtures of going to war with Iraq. Terrorist attacks and potential war in the Middle East may lead to additional armed hostilities or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may further contribute to economic instability and could adversely affect oil markets. In addition, oil tankers, oil pipelines and offshore oil fields could be targets of future terrorist attacks. Any such attacks could lead to, among other things, increased insurance costs for oil tanker operations, increased tanker operational costs and inability to transport oil from or to certain locations.

Our Dependence on Spot Voyages May Result in Significant Fluctuations in the Utilization of Our Vessels and in Our Profitability

During the nine months ended September 30, 2002 and the year ended December 31, 2001, we derived approximately 64% and 78%, respectively, of our net voyage revenues from spot voyages or time charters and contracts of affreightment priced on a spot market basis. Because we depend on the spot charter market, declining charter rates in a given period generally will result in corresponding declines in our operating results for that period. The spot charter market is highly competitive and spot charter rates are subject to significant fluctuations based on tanker and oil supply and demand. Charter rates have varied significantly in the last few years. Future spot charters may not be available at rates that will be sufficient to enable our vessels to be operated profitably or provide sufficient cash flow to service the notes or our other obligations. Although Navion s shuttle tanker fleet operates on long-term fixed-rate contracts of affreightment, its conventional tanker fleet generates revenues from spot voyages and contracts of affreightment priced on a spot market basis. Accordingly, these revenues historically have been, and after our acquisition of Navion will continue to be, subject to spot market price fluctuations.

Reduction in Oil Produced From Offshore Oil Fields Could Harm Our Shuttle Tanker Business

Demand for our shuttle tankers in transporting crude oil and petroleum products depends upon the amount of oil produced from offshore oil fields, especially in the North Sea, where our shuttle tankers primarily operate. As oil prices increase, the prospect of exploration and development of offshore oil fields, which cost more to develop than land oil fields, becomes more attractive to oil companies. However, if oil prices decline, it becomes less attractive for oil companies to explore for oil offshore and develop offshore oil fields. If the amount of oil produced from offshore oil fields declines, especially in the North Sea, our shuttle tanker business could be harmed. In addition, if for environmental or other reasons, there is a change in policy towards using pipelines rather than oceangoing vessels in transporting crude oil and petroleum products from offshore oil fields, our shuttle tanker business could be harmed. As of December 31, 2002, we had 20 vessels (including two new buildings) in our shuttle tanker fleet. If we close our pending acquisition of Navion ASA, we will acquire an additional nine owned and 13 chartered-in shuttle tankers, which would increase our exposure to the foregoing shuttle-tanker-related risks. Most of Navion s shuttle tanker revenues are derived from long-term contracts of affreightment. Revenue under most of the these contracts depends upon the amount of oil we transport, the production of which is beyond our control and which can vary depending upon the nature of a given oil field and the field operator s production decisions.

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Our Substantial Operations Outside the United States Expose Us to Political, Governmental and Economic Instability, Which Could Harm Our Operations

Because our operations are primarily conducted outside of the United States, they may be affected by changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered. Any disruption caused by these factors could harm our business.

We derive a substantial portion of our total revenues from our operations in the Indo-Pacific Basin. Past political conflicts in this region, particularly in the Arabian Gulf, have included attacks on tankers, mining of waterways and other efforts to disrupt shipping in the area. Vessels trading in this region have also been subject to, in limited instances, acts of terrorism and piracy. Future hostilities or other political instability in this region or other regions where we operate could affect our trade patterns and harm our business. For example, any war resulting from the recent disputes between the United States and Iraq could significantly alter the supply and transportation of oil in the Indo-Pacific Basin, which could harm our business. In addition, tariffs, trade embargoes, and other economic sanctions by the United States or other countries against countries in the Indo-Pacific Basin or elsewhere as a result of terrorist attacks or other hostilities may limit trading activities with those countries, which could also harm our business.

Our Inability to Renew or Replace Long-Term Charter Contracts Could Adversely Affect Our Operating Results and Make Them More Volatile

Thirty-four of our tankers, including all 20 of our shuttle tankers, currently are subject to long-term charter contracts. Sixteen of these contracts terminate by their terms between March 2003 and August 2004. The 18 remaining contracts terminate by their terms between October 2005 and April 2018. If we complete our pending acquisition of Navion ASA, we will have an additional nine owned and 13 chartered-in shuttle tankers subject to fixed-rate contracts of affreightment with terms from six months to the life of the oil field being served, and one owned gas carrier subject to a 13 year time charter. Our inability to renew or replace long-term contracts on favorable terms, if at all, or the early termination of a significant number of these contracts, could harm our results of operations and make them more volatile.

The Intense Competition in Our Markets May Lead to Reduced Profitability

Our vessels operate in highly competitive markets. Competition arises primarily from other Aframax and shuttle tanker owners, including major oil companies and independent companies. We also compete with owners of other size tankers. Our market share is insufficient to enforce any degree of pricing discipline in the markets in which we operate and our competitive position may erode in the future. Any new markets we enter could include participants that have greater financial strength and capital resources than us and we may not be successful in entering into new markets.

The Tanker Industry Is Subject to Substantial Environmental and Other Regulations, Which May Significantly Increase Our Expenses

Our operations are affected by extensive and changing environmental protection laws and other regulations. We have incurred, and expect to continue to incur, substantial expenses in complying with these laws and regulations, including expenses for ship modifications and changes in operating procedures. Additional laws and regulations may be adopted that could limit our ability to do business or further increase the cost of our doing business. This could harm our business.

The United States Oil Pollution Act of 1990 (OPA 90) in particular has increased our expenses. OPA 90 provides for the phase-in of the exclusive use of double-hull tankers at United States ports, as well as potentially unlimited liability for owners, operators and demise or bareboat charterers for oil pollution in U.S. waters. To comply with OPA 90, tanker owners generally incur increased costs in meeting additional maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining required insurance coverage. OPA 90 contains financial responsibility requirements for vessels operating in U.S. waters and requires owners and operators of vessels to establish and maintain with the United States Coast Guard evidence of insurance or of qualification as a self-insurer or other evidence of financial responsibility sufficient to meet their potential liabilities under OPA 90.

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Following the example of OPA 90, the International Maritime Organization, the United Nations agency for maritime safety, adopted regulations for tanker design and inspection that are designed to reduce oil pollution in international waters and that will be phased in on a schedule depending upon vessel age. In addition, as a result of the November 2002 sinking of the tanker *Prestige* and related oil spill, the European Union, the United States and certain other countries are considering or have adopted stricter technical and operational requirements for tankers, including the accelerated phase-out of single-hull vessels, and legislation that may affect the liability of tanker owners and operators for oil pollution.

Our shuttle tankers primarily operate in the North Sea. In addition to the regulations imposed by the International Maritime Organization, countries having jurisdiction over North Sea areas impose regulatory requirements in connection with operations in those areas. These regulatory requirements, together with additional requirements imposed by operators in North Sea oil fields, require us to make further expenditures for sophisticated equipment, reporting and redundancy systems on our shuttle tankers and for the training of seagoing staff. Additional regulations and requirements may be adopted or imposed that could limit our ability to do business or further increase the cost of doing business in the North Sea.

We May Not Be Able to Successfully Integrate Any Future Acquisitions

A principal component of our strategy is to continue to grow by expanding our business both in the geographic areas and markets where we have historically focused as well as into new geographic areas, market segments and services. We may not be successful in expanding our operations and any expansion may not be profitable. Our strategy of growth through acquisitions, including our pending acquisition of Navion ASA, involves business risks commonly encountered in acquisitions of companies, including:

- disruption of our ongoing business;
- difficulties in integrating the operations, personnel and business cultures of acquired companies;
- difficulties of coordinating and managing geographically separate organizations;
- adverse effects on relationships with our existing suppliers and customers, and those of the companies we acquire;
- difficulties entering geographic markets or new market segments in which we have no or limited experience; and
- loss of key officers and employees of acquired companies.

Our failure to successfully and cost-effectively integrate Navion or any other businesses we may acquire in the future will harm our business and results of operations.

The process of integrating operations could also cause an interruption of, or loss of momentum in, the activities of one or more of an acquired company s businesses and our businesses. Members of our senior management may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage our business, service existing customers and attract new customers. If our senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer.

We May Not Realize Expected Benefits from Acquisitions, and Implementing Our Strategy of Growth Through Acquisitions May Harm Our Financial Condition and Performance

Present and future acquisitions, including our pending acquisition of Navion ASA, may not be profitable to us at the time of their completion and may not generate revenues sufficient to justify our investment. In addition, our acquisition growth strategy exposes us to risks that may harm our results of operations and financial condition, including risks that we may:

- fail to realize anticipated benefits, such as cost-savings and revenue enhancements;
- decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions;

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incur additional indebtedness, which may result in significantly increased interest expense or financial leverage, or issue additional equity securities to finance acquisitions, which may result in significant shareholder dilution;

incur or assume unanticipated liabilities, losses or costs associated with the business acquired; or

incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

We expect to realize financial and operating benefits as a result of the pending Navion ASA acquisition, including added stability to our cash flow and earnings throughout the tanker market cycle as a result of the fixed-rate, long-term nature of Navion s contracts of affreightment related to its shuttle tanker business. However, revenue under most of these contracts depends upon the amount of oil we transport, the production of which is beyond our control and which can vary depending upon the nature of a given oil field and the field operator s production decisions. In addition, Navion has a right of first refusal on Statoil s oil transportation requirements at the prevailing market rate until December 31, 2007. Although we believe this arrangement may increase the utilization of our conventional fleet after the acquisition, we may be unable to achieve such increased fleet utilization.

The Strain That Growth Places Upon Our Systems and Management Resources May Harm Our Business

Our growth has placed and will continue to place significant demands on our management, operational and financial resources. If we close our pending acquisition of Navion ASA, we will have an additional 46 tankers, including 34 vessels time-chartered in, worldwide to deploy, control and monitor. These would represent an increase of 45% over our current fleet of tankers. As we expand our operations, we must effectively manage and monitor operations, control costs and maintain effective quality and control in geographically dispersed markets, which will increase our operating complexity. Our future growth and financial performance will also depend on our ability to:

recruit, train, manage and motivate our employees to support our expanded operations; and

continue to improve our customer support, financial controls and information systems.

These efforts may not be successful and may not occur in a timely or cost-effective manner. Failure to effectively manage our growth and the system and procedural transitions required by expansion in a cost-effective manner or at all could harm our business.

Our Insurance May Not Be Sufficient to Cover the Losses That May Occur to Our Property or as a Result of Our Operations

The operation of oil tankers carries the risk of environmental damage from an oil spill as well as the risk of catastrophic marine disasters and property losses inherent to any ocean-going vessel. We carry protection and indemnity coverage to protect against most of the accident-related risks involved in the conduct of our business and maintain environmental damage and pollution coverage. We do not carry insurance covering the loss of revenue resulting from vessel off-hire time. All risks may not be adequately insured against, and any particular claim may not be paid. In addition, we may not be able to procure adequate coverage at commercially reasonable rates in the future. Any uninsured loss could harm our business and financial condition.

More stringent environmental regulations at times in the past have resulted in increased costs for, and in the future may result in the lack of availability of, insurance against the risks of environmental damage or pollution. We currently maintain $1 billion in coverage for liability for pollution, spillage or leakage of oil for each of our vessels. A catastrophic spill could exceed the coverage available, which could harm our business, financial condition and results of operations.

On February 1, 2003, one of our vessels, the *Alliance Spirit*, was empty of cargo and waiting off Skikda, Algeria to load crude oil when a severe storm arose and pushed aground the vessel and three other vessels, not in our fleet. The vessel could roll over or break apart, resulting in a spillage or leakage of bunker fuel or lube oils on board or residual crude oil cargo remaining in the cargo tanks. Any damages resulting from this incident could harm our financial condition to the extent not covered by insurance.

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An Incident Involving Environmental Damage or Pollution and Any of Our Vessels Could Harm Our Reputation and Business

Oil spills related to the sinkings of the tanker *Erika* off the coast of France in 1999 and the tanker *Prestige* off the coast of Spain in 2002, and other tanker-related environmental incidents have created increased demand for modern vessels operated by ship management companies with a reputation for safety and environmental compliance. Any event involving our tankers that results in material environmental damage or pollution could harm our reputation for safety and environmental compliance and decrease demand for our services, which could harm our business. While we believe that the grounding of the *Alliance Spirit* was weather related and not caused by any deficiency in our operations, adverse publicity or perceptions on the part of our customers could harm our reputation and business.

Our Operating Results Are Subject to Seasonal Fluctuations

Our tankers operate in markets that have historically exhibited seasonal variations in demand and, therefore, in charter rates. This seasonality may result in quarter-to-quarter volatility in our results of operations. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling. The oil price volatility resulting from these factors has historically led to increased oil trading activities in the winter months. As a result, our revenues have historically been weaker during our fiscal quarters ended June 30 and September 30, and, conversely, revenues have been stronger in our fiscal quarters ended March 31 and December 31.

We Expend Substantial Sums During Construction of Newbuildings Without Earning Revenue and Without Assurance That They Will Be Completed

We are typically required to expend substantial sums as progress payments during the construction of a newbuilding, but we do not derive any revenue from the vessel until after its delivery. If we were unable to obtain financing required to complete payments on any of our newbuilding orders, we could effectively forfeit all or a portion of the progress payments previously made. We currently have 12 newbuildings on order, with deliveries scheduled between March 2003 and October 2004. We may order additional newbuildings in the future.

The Loss of Any Key Customer Could Result in a Significant Loss of Revenue in a Given Period

We have derived, and believe that we will continue to derive, a significant portion of our voyage revenues from a limited number of customers. A single customer, an international oil company, accounted for approximately $131 million, or 13%, of our consolidated voyage revenues during the year ended December 31, 2001. No other customer accounted for more than 10% of our consolidated voyage revenues in fiscal 2001 and no customer accounted for more than 10% of our consolidated voyage revenues during the nine months ended September 30, 2002. Giving effect to our pending acquisition of Navion ASA as if it had occurred on January 1, 2001, one customer would have accounted for approximately $491 million, or 26%, and $236 million, or 22%, respectively, of our consolidated voyage revenues during the year ended December 31, 2001 and the nine months ended September 30, 2002. No other customer would have accounted for more than 10% of such consolidated voyage revenues during either of such periods. The loss of any significant customer, or a substantial decline in the amount of services requested by a significant customer, could harm our results of operations.

Exposure to Currency Exchange Rate and Interest Rate Fluctuations Could Result in Fluctuations in Our Net Income.

While virtually all of our revenues are earned in U.S. Dollars, a portion of our operating costs is incurred in currencies other than U.S. Dollars. This partial mismatch in operating revenues and expenses could lead to fluctuations in net income due to changes in the value of the U.S. Dollar relative to other currencies, in particular the Japanese Yen, the Singapore Dollar, the Canadian Dollar, the Norwegian Kroner, the British Pound and the Australian Dollar.

As of September 30, 2002, approximately $452.5 million, or 46.6%, of our debt, bore interest at floating interest rates. Increases in interest rates would increase interest payments on this and any other floating-rate debt, and could harm our results of operations. To partially mitigate our floating interest rate exposure, as of

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September 30, 2002, we had entered into three interest rate swaps, totaling $70 million in notional principal amount with maturities between December 2002 and May 2004. The average interest rate of the swaps is 6.48%. As of September 30, 2002, the fair value of these interest rate swaps was negative $2.1 million.

We May Not Be Exempt From United States Tax on Our United States Source Income, Which Would Reduce Our Net Income and Cash Flow by the Amount of the Applicable Tax.

If we are not exempt from tax under Section 883 of the United States Internal Revenue Code, the shipping income we derive from U.S. sources attributable to our transportation of cargoes to or from the United States will be subject to U.S. federal income tax. If we are subject to such tax, our net income and cash flow would be reduced by the amount of such tax. We currently claim an exemption under Section 883. Proposed regulations, if they become final as proposed, may not permit us to continue to claim this exemption. We can give no assurance that future changes and shifts in ownership of our stock will not preclude us from being able to satisfy the existing exemption requirements or, if we were to initially qualify for an exception thereunder, the proposed regulations as adopted and finalized.

In the nine months ended September 30, 2002 and the year ended December 31, 2001, approximately 18.1% and 18.0%, respectively, of our voyage revenues was derived from U.S. sources attributable to the transportation of cargoes to or from the United States. The average U.S. federal income tax on such U.S. source income, in the absence of exemption under Section 883, would have been 4% thereof, or approximately $4.1 million for such nine-month period and $7.5 million for our fiscal year 2001.

The International Nature of Our Operations May Make the Outcome of Any Bankruptcy Proceedings Difficult to Predict.

We are incorporated under the laws of the Republic of the Marshall Islands and our subsidiaries are incorporated under the laws of various countries other than the United States of America, and we conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency or similar proceeding involving us or one of our subsidiaries, any bankruptcy laws of the Republic of the Marshall Islands or other countries in which our subsidiaries are organized or operate could apply. Under bankruptcy laws in the United States, courts typically have jurisdiction over a debtor s property, wherever located, including property situated in other countries. There can be no assurance, however, that courts in other countries that have jurisdiction over us and our operations would recognize a United States bankruptcy court s jurisdiction. Accordingly, difficulties may arise in administering a United States bankruptcy case involving a debtor with its principal operating assets outside the United States, and any orders or judgments of a bankruptcy court in the United States may not be enforceable.

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USE OF PROCEEDS

We estimate that the net proceeds from the offering, after deducting the underwriters discounts and commissions and fees and expenses payable by us, will be approximately $120.3 million (approximately $138.4 million if the underwriters exercise their over-allotment option in full).

We expect to use the net proceeds from the sale of PEPS Units offered hereby to finance acquisitions and for general corporate purposes. General corporate purposes may include capital expenditures, working capital and the repayment of debt.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our selected financial and other data as at and for the nine-month periods ended September 30, 2002 and 2001 and the fiscal years ended December 31, 2001 and 2000, the nine-month period ended December 31, 1999 and the fiscal years ended March 31, 1999 and 1998. We derived the selected financial data set forth below with respect to our statements of income for the fiscal years ended December 31, 2001 and 2000 and the nine-month period ended December 31, 1999 and our balance sheets as at December 31, 2001 and 2000, from our audited consolidated financial statements that are included in our Form 20-F for the year ended December 31, 2001. We derived the income statement data for each of the fiscal years ended March 31, 1999 and 1998 and the balance sheet data as at December 31, 1999 and March 31, 1999 and 1998, from our audited consolidated financial statements not included in our Form 20-F. We derived the selected financial and other data set forth below with respect to our statements of income for each of the nine-month periods ended September 30, 2002 and 2001 and our balance sheets as at September 30, 2002 and 2001 from our unaudited consolidated financial statements included in our Form 6-K filed on November 14, 2002 with respect to the our fiscal quarter ended September 30, 2002. In management s opinion, the unaudited consolidated financial statements reflect all adjustments necessary (consisting only of normal recurring adjustments) for a fair presentation of such financial data. Our results for the nine-month period ended September 30, 2002 are not necessarily indicative of the eventual results for the year.

You should read the data below in conjunction with our consolidated financial statements and the related notes, the financial information and Management s Discussion and Analysis of Results of Operations and Financial Condition included in our Report on Form 20-F for our fiscal year ended December 31, 2001 and our Report on Form 6-K for the quarter ended September 30, 2002, each of which is incorporated by reference into this prospectus supplement.

We changed our fiscal year end from March 31 to December 31, commencing December 31, 1999, in order to facilitate comparison of our operating results to those of other companies in the transportation industry. Our financial statements are prepared in accordance with accounting principals generally accepted in the United States.

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	Fiscal Years Ended					Nine Months Ended September 30,	
	Mar. 31, 1998	**Mar. 31, 1999**	**Dec. 31, 1999**	**Dec. 31, 2000**	**Dec. 31, 2001**	**2001**	**2002**
						(unaudited)	**(unaudited)**
			(nine months)				
	(in thousands, except share data, ratios, fleet and ship data and per day data)						
Income Statement Data:							
Voyage revenues	$ 406,036	$ 411,922	$ 377,882	$ 893,226	$ 1,039,056	$ 825,910	$ 560,492
Voyage expenses	100,776	93,511	129,532	248,957	249,562	188,637	171,764
Net voyage revenues	305,260	318,411	248,350	644,269	789,494	637,273	388,728
Operating expenses:							
Vessel operating expenses[1]	70,510	84,397	98,780	125,415	154,831	113,404	127,415
Time charter hire expense	10,627	29,666	30,681	53,547	66,019	51,477	37,640
Depreciation and amortization expense	94,941	93,712	68,299	100,153	136,283	99,473	110,136
General and administrative expense	21,542	25,002	27,018	37,479	48,898	35,572	42,824
Total operating expenses	197,620	232,777	224,778	316,594	406,031	299,926	318,015
Income from vessel operations	107,640	85,634	23,572	327,675	383,463	337,347	70,713
Interest expense	(56,269)	(44,797)	(44,996)	(74,540)	(66,249)	(50,944)	(43,854)
Interest income	7,897	6,369	5,842	13,021	9,196	7,867	2,691
Other income (loss)	11,236	(1,800)	(4,013)	3,864	10,108	11,051	(9,265)
Net income (loss)[2]	$ 70,504	$ 45,406	$ (19,595)	$ 270,020	$ 336,518	$ 305,321	$ 20,285
Per Share Data:							
Net income (loss) basic	2.46	1.46	(0.54)	7.02	8.48	7.69	0.51
Net income (loss) diluted	2.44	1.46	(0.54)	6.86	8.31	7.53	0.50
Cash earnings basic[3]	5.78	4.72	1.19	9.67	11.91	10.18	3.22
Cash dividends declared	0.86	0.86	0.65	0.86	0.86	0.65	0.65
Balance Sheet Data (at end of period):							
Cash and marketable securities	$ 115,254	$ 132,256	$ 226,381	$ 223,123	$ 196,004	$ 171,095	$ 172,234
Capital stock	261,353	330,493	427,937	452,808	467,341	472,241	470,299
Total assets	1,460,183	1,452,220	1,982,684	1,974,099	2,467,781	2,463,805	2,517,833
Total debt	725,369	641,719	1,085,167	797,484	935,702	947,333	971,740
Total stockholders equity	689,455	777,390	832,067	1,098,512	1,398,200	1,386,277	1,394,249
Number of outstanding shares of common stock	28,832,765	31,648,318	38,064,264	39,145,219	39,550,326	39,966,948	39,659,460
Other Financial Data:							
EBITDA[4]	$ 209,582	$ 186,069	$ 95,875	$ 451,066	$ 539,324	$ 462,892	$ 187,752
EBITDA to interest expense[4][5]	3.8x	4.0x	2.1x	6.1x	8.0x	8.9x	4.0x
Total debt to LTM EBITDA[4][6]	3.5x	3.5x	8.3x	1.8x	1.7x	1.5x	3.6x
Total debt to total capitalization[7]	51.3%	45.2%	56.6%	42.1%	39.8%	40.3%	40.7%
Net debt to total capitalization[8]	46.9%	39.6%	50.7%	34.2%	34.3%	35.6%	35.9%
Ratio of earnings to fixed charges[2][9]	2.3x	2.0x	0.6x	4.6x	5.8x	6.8x	1.5x
Cash earnings[3]	$ 165,575	$ 146,489	$ 43,343	$ 372,168	$ 472,749	$ 403,954	$ 127,595
Capital expenditures:							

Vessel and equipment purchases, gross [10]	197,199	85,445	23,313	43,512	184,983	167,071	93,115
Drydocking	18,376	11,749	6,598	11,941	20,064	14,450	23,027
Total Fleet Data(11):							
Average number of ships	43	47	65	72	82	81	84
Average age of our fleet (in years at end of period)	7.8	8.7	8.4	9.0	10.2	9.9	10.7
Operating cash flow per ship per day[12]	$ 12,682	$ 11,171	$ 5,177	$ 16,687	$ 17,682	$ 20,116	$ 7,378
Spot Aframax Fleet Data(13):							
Average number of ships	42	43	55	59	60	60	59
Average age of our fleet (in years at end of period)	7.6	8.0	7.4	8.3	9.4	9.1	10.3
TCE per ship per day[14]	$ 21,373	$ 19,576	$ 13,462	$ 27,138	$ 30,542	$ 33,701	$ 17,363
Vessel operating expenses per ship per day [1]	4,554	4,969	5,621	4,980	5,374	5,321	5,592
Operating cash flow per ship per day[12]	12,664	10,903	4,731	18,145	19,747	22,714	6,795

(Footnotes on following page)

(1) Vessel operating expenses consist of all expenses relating to the operation of vessels (other than voyage expenses), including crewing, repairs and maintenance, insurance, stores and lubes, and communications expenses. Ship days are calculated on the basis of a 365-day year multiplied by the average number of owned vessels in our fleet for the respective year. Vessel operating expenses exclude vessels time-chartered-in.

(2) Net income (loss) and the ratio of earnings to fixed charges for our fiscal year ended March 31, 1999 have been restated to reflect early adoption of Statement of Financial Accounting Standards No. 145, Extinguishment of Debt and Capital Lease Modification, which requires any gain or loss on debt extinguishments to be classified as income or loss from continuing operations, rather than as an extraordinary item as previously required under Statement of Financial Accounting Standards No. 4.

(3) Cash earnings represents net income (loss) before foreign exchange gains (losses) and depreciation and amortization expense. Cash earnings is included because it is used by certain investors to measure a company s financial performance as compared to other companies in the shipping industry. Cash earnings is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to net income or any other indicator of our performance required by accounting principles generally accepted in the United States.

(4) EBITDA represents net income (loss) before interest expense, income tax expense, depreciation and amortization expense, minority interest, and gains or losses arising from foreign exchange translation and disposal of assets. EBITDA is included because such data is used by certain investors to measure a company s financial performance. EBITDA is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to net income or any other indicator of our performance required by accounting principles generally accepted in the United States.

(5) For purposes of computing EBITDA to interest expense, interest expense includes capitalized interest but excludes amortization of loan costs.

(6) Total debt to LTM EBITDA represents total debt as of the end of the period compared to EBITDA for the 12-month period then ended.

(7) Total capitalization represents total debt, minority interest and total stockholders equity.

(8) Net debt represents total debt less cash, cash equivalents and marketable securities. Total capitalization represents net debt, minority interest and total stockholders equity.

(9) For purposes of computing the consolidated ratio of earnings to fixed charges, earnings consist of net income (loss) before income taxes, minority interest expense, equity income, interest expense and amortization of capitalized interest, deferred costs and bond premium. Fixed charges consist of interest expense, capitalized interest and amortization of deferred financing costs and bond premium.

(10) Excludes vessels purchased in connection with our corporate acquisitions of Bona Shipbuilding Ltd. in 1999 and Ugland Nordic Shipping ASA in 2001.

(11) Excludes vessels of our joint ventures, newbuildings and one Aframax tanker that has been subject to a bareboat charter.

(12) Operating cash flow represents income from vessel operations plus depreciation and amortization expense (other than drydock amortization expense). Ship days are calculated on the basis of a 365-day fiscal year multiplied by the average number of vessels in our fleet for the respective year (excluding vessels of our joint ventures). Operating cash flow is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to net income or any other indicator of our performance required by accounting principles generally accepted in the United States.

(13) Includes our core Aframax fleet that operates primarily in the spot charter market and excludes vessels that operate primarily under long-term fixed-rate contracts, including our ten Aframax-size shuttle tankers and our Aframax-size Australian-crewed vessels. Time charter equivalent and vessel operating expense data is separately presented only for this portion of our fleet because the remainder of our fleet generally has varying revenues and expense characteristics that make period-to-period comparisons not meaningful. Also excludes one Aframax tanker that has been subject to a bareboat charter and Aframax tankers of our joint ventures.

(14) TCE, or time charter equivalent, is a measure of the revenue performance of a vessel, which, on a per voyage basis, is generally determined by Clarkson Research Studies Inc. (Clarkson) and other industry data sources by subtracting voyage expenses (except commissions) which are incurred in transporting cargo from gross revenue per voyage and dividing the remaining revenue by the total number of days required

for the round-trip voyage. For purposes of calculating our average TCE for the year, TCE has been calculated consistent with Clarkson s method, by deducting total voyage expenses (except commissions) from total voyage revenues and dividing the remaining sum by our total voyage days in the year.

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CAPITALIZATION

The following table presents our consolidated capitalization at September 30, 2002 to reflect:

(1) our actual capitalization; and

(2) our capitalization as adjusted to give effect to this offering of PEPS Units as if it had occurred on September 30, 2002, and the payment of estimated underwriting discount and commissions and estimated expenses with respect to this offering.

You should read the following table in conjunction with our historical and pro forma consolidated condensed financial statements and related notes included in our Report on Form 20-F for our fiscal year ended December 31, 2001 and our Report on Form 6-K for the quarter ended September 30, 2002, each of which is incorporated by reference into the accompanying prospectus. See Use of Proceeds and Description of Our Other Indebtedness.

	September 30, 2002	
	Actual	As adjusted
	(unaudited)	(unaudited)
	(dollars in thousands)	
Cash and marketable securities	$ 172,234	$ 292,534
Current portion of long-term debt[1]	$ 55,165	$ 55,165
Long-term debt:[1]		
Long-term debt	916,575	916,575
7 1/4% notes due May 18, 2006[2]		125,000
Total long-term debt	916,575	1,041,575
Minority interest	20,042	20,042
Stockholders equity:		
Capital stock ($470,988 as of December 31, 2002)[3][4]	470,299	466,119
Retained earnings	929,426	929,426
Accumulated other comprehensive loss	(5,476)	(5,476)
Total stockholders equity	1,394,249	1,390,069
Total capitalization	$2,386,031	$2,506,851

(1) For information concerning our borrowing arrangements, see Note 7 to our consolidated financial statements included in our Report on Form 20-F for our 2001 fiscal year, filed with the SEC on March 29, 2002, and Note 5 to our consolidated financial statements included in our Report on Form 6-K for the quarter ended September 30, 2002, filed with the SEC on November 14, 2002, which reports are incorporated herein by reference.

(2) Issued in connection with the sale of the PEPS Units. Assumes no exercise of the underwriters over-allotment option.

(3) Reflects an adjustment of approximately $4.2 million, representing the present value of the contract adjustment payments payable in connection with the PEPS Units.

(4) Excludes the effects of issuance costs allocated to the purchase contracts issued in connection with this offering.

As of September 30, 2002, we and our subsidiaries had outstanding indebtedness in an aggregate principal amount of approximately $1.1 billion, including $84.4 million of joint venture debt guaranteed by us or certain of our subsidiaries. Of this $1.1 billion, we were directly obligated for or guaranteed $686.1 million as of September 30, 2002, and $704.1 million was secured by our assets or the assets of certain of our subsidiaries.

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In addition, as of December 31, 2002, we and our subsidiaries had commitments from lenders for additional credit facilities related to our proposed acquisition of Navion ASA ($500 million), vessel purchases ($77 million) and newbuildings ($232 million).

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COMMON STOCK PRICE RANGE AND DIVIDENDS

Our common shares are listed for trading on the New York Stock Exchange under the symbol TK.

The following table sets forth on a per share basis the high and low sales prices for consolidated trading in our common shares on the New York Stock Exchange for the periods indicated.

	Common Share Price		Cash Dividends Declared Per Share
	High	Low	
Year ended March 31, 1998	$37.88	$27.88	$0.860
Year ended March 31, 1999	30.75	14.25	0.860
Nine months ended December 31, 1999	18.94	13.75	0.645
Year ended December 31, 2000	50.88	15.31	0.860
Year ended December 31, 2001			
First Quarter	45.60	33.25	0.215
Second Quarter	52.61	38.62	0.215
Third Quarter	41.00	29.16	0.215
Fourth Quarter	35.01	25.49	0.215
Year ended December 31, 2002			
First Quarter	39.12	32.05	0.215
Second Quarter	40.58	35.05	0.215
Third Quarter, 2002			
July 2002	36.50	31.09	0.215
August 2002	36.18	31.50	
September 2002	31.94	27.90	
Fourth Quarter, 2002			
October 2002	32.78	26.35	0.215
November 2002	38.71	32.80	
December 2002	44.70	36.70	
Year ended December 31, 2003			
First Quarter, 2003			
January 2003	43.16	38.98	0.215
February (through February 11, 2003)	40.50	35.95	

Commencing with the fiscal quarter ended September 30, 1995, we have declared and paid quarterly cash dividends in the amount of $0.215 per share on our common stock. Subject to financial results and declaration by our board of directors, we currently intend to continue to declare and pay a regular quarterly dividend in such amount per share on our common stock. Pursuant to our dividend reinvestment program, holders of common stock are permitted to choose, in lieu of receiving cash dividends, to reinvest any dividends in additional shares of common stock at then prevailing market prices, but without brokerage commissions or services charges.

The timing and amount of dividends, if any, will depend, among other things, on our results of operations, financial condition, cash requirements, restrictions in financing agreements and other factors deemed relevant by our board of directors. Because we are a holding company with no material assets other than the stock of our subsidiaries, our ability to pay dividends on our common stock is dependent on the earnings and cash flow of our subsidiaries. Financing agreements to which certain of our subsidiaries are party restrict these subsidiaries from paying dividends to us. The indentures relating to our 8.32% First Preferred Ship Mortgage Notes due 2008 and our 8.875% Senior Notes due 2011 and agreements governing our credit facilities place limitations on our ability to pay dividends based on our cumulative net income plus certain additional amounts, including the proceeds received by us from any issuance of our capital stock. After giving effect to the anticipated net proceeds to us of this offering, we do not believe that these restrictions will restrict payment of cash dividends on our common stock for the foreseeable future.

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ACCOUNTING TREATMENT

The net proceeds of the offering of the Corporate Units will be allocated between the notes and the purchase contracts in proportion to their respective fair market values at the time of the issuance. The present value of the Corporate Units contract adjustment payments will be initially charged to stockholders equity, with an offsetting credit to liabilities. This liability is accreted over three years by interest charges to the income statement based on a constant rate calculation. Subsequent contract adjustment payments reduce this liability.

The purchase contracts are forward transactions in our common stock. Upon settlement of each purchase contract, we will receive $25 on the purchase contract and will issue the requisite number of shares of our common stock. The $25 that we receive will be credited to stockholders equity.

Before the issuance of our common stock upon settlement of the purchase contracts, the purchase contracts will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares that would be issued upon settlement of the purchase contracts (based on the settlement formula applied at the end of the reporting period) over the number of shares that could be purchased by us in the market (at the average market price during the period) using the proceeds receivable upon settlement. Consequently, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of our common stock is above the threshold appreciation price of $44.0000.

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DESCRIPTION OF THE PEPS UNITS

The following is a summary of the terms of the PEPS Units. This summary, together with the summary of some of the provisions of the related documents described below, contains a description of all of the material terms of the PEPS Units but is not necessarily complete. We refer you to the copies of those documents which have been or will be filed and incorporated by reference in the registration statement of which this prospectus supplement and accompanying prospectus form a part. This summary supplements the description of the stock purchase units in the accompanying prospectus, and, to the extent it is inconsistent, replaces the description in the accompanying prospectus. All references in this prospectus supplement to our common stock include, among others, the rights evidenced by such common stock to the extent provided in the Rights Agreement dated as of September 8, 2000, between us and The Bank of New York, as rights agent.

We will issue the PEPS Units under a purchase contract agreement to be entered into between us and The Bank of New York, which we refer to as the purchase contract agent. PEPS Units may be either Corporate Units or Treasury Units. The PEPS Units will initially consist of 5,000,000 Corporate Units (or 5,750,000 Corporate Units if the underwriters exercise their over-allotment option in full), each with a stated amount of $25.

Corporate Units

Each Corporate Unit will consist of a unit comprising:

(a) a purchase contract under which

(1) the holder will agree to purchase from us, and we will agree to sell to the holder, not later than February 16, 2006 (which we refer to as the purchase contract settlement date), for $25 in cash (which we refer to as the settlement price), a number of newly issued shares of our common stock equal to the settlement rate described below under Description of the Purchase Contracts Purchase of Common Stock, subject to anti-dilution adjustments, and

(2) subject to our right to defer these payments, we will pay the holder quarterly contract adjustment payments at the rate of 1.25% per year on the stated amount of $25, or $0.3125 per year, and

(b) a note issued by us having a $25 principal amount.

The purchase price of each PEPS Unit will be allocated between the related purchase contract and the note in proportion to their respective fair market values at the time of issuance. We expect that, at the time of issuance, the fair market value of each note will be $25 and the fair market value of each purchase contract will be $0.00. This position generally will be binding on each beneficial owner of each PEPS Unit but not on the United States Internal Revenue Service.

As long as a unit is in the form of a Corporate Unit, your note forming a part of the Corporate Unit will be pledged to us through the collateral agent to secure your obligation to purchase common stock under the related purchase contract.

Creating Treasury Units

Each holder of Corporate Units will have the right, at any time on or prior to the fifth business day immediately preceding the purchase contract settlement date, to substitute for the related notes held by the collateral agent, zero-coupon Treasury securities that mature on February 15, 2006 (CUSIP No. 912803AJ2), which we refer to as Treasury securities, in a total principal amount at maturity equal to the aggregate principal amount of the notes for which substitution is being made.

Because Treasury securities are issued in integral multiples of $1,000, holders of Corporate Units may make this substitution only in integral multiples of 40 Corporate Units.

Each Treasury Unit will consist of a unit with a stated amount of $25 comprising:

(a) a purchase contract under which

(1) the holder will agree to purchase from us, and we will agree to sell to the holder, not later than the purchase contract settlement date, for $25 in cash, a number of newly issued shares of our common stock equal to the settlement rate, subject to anti-dilution adjustments, and

(2) subject to our right to defer these payments, we will pay the holder quarterly contract adjustment payments at the rate of 1.25% per year on the stated amount of $25, or $0.3125 per year and

(b) a 1/40th, or 2.5%, undivided beneficial interest in a Treasury security with a principal amount of $1,000.

To create 40 Treasury Units, the Corporate Unit holder will:

deposit with the collateral agent a Treasury security that has a principal amount at maturity of $1,000, which must be purchased in the open market at the Corporate Unit holder s expense unless otherwise owned by the holder, and

transfer 40 Corporate Units to the purchase contract agent accompanied by a notice stating that the holder has deposited a Treasury security with the collateral agent and requesting the release to the holder of the 40 notes relating to the 40 Corporate Units.

Upon the deposit and receipt of an instruction from the purchase contract agent, the collateral agent will release the related notes from the pledge under the pledge agreement, free and clear of our security interest, to the purchase contract agent. The purchase contract agent then will:

cancel the 40 Corporate Units,

transfer the related 40 notes to the holder, and

deliver 40 Treasury Units to the holder.

The Treasury security will be substituted for the notes and will be pledged to us through the collateral agent to secure the holder s obligation to purchase common stock under the related 40 purchase contracts. The related notes released to the holder thereafter will trade separately from the resulting Treasury Units.

Recreating Corporate Units

Each holder of Treasury Units will have the right at any time on or prior to the fifth business day immediately preceding the purchase contract settlement date, to substitute for the related Treasury securities held by the collateral agent, notes having a principal amount equal to the aggregate principal amount at stated maturity of the Treasury securities for which substitution is being made.

Because Treasury securities are issued in integral multiples of $1,000, holders of Treasury Units may make these substitutions only in integral multiples of 40 Treasury Units.

This substitution will recreate Corporate Units, and the applicable Treasury securities will be released to the holder and be separately tradable from the Corporate Units.

To recreate 40 Corporate Units from 40 Treasury Units, the Treasury Unit holder will:

deposit with the collateral agent 40 of our notes, which must be purchased in the open market at the holder s expense unless otherwise owned by the holder, and

transfer 40 Treasury Units to the purchase contract agent accompanied by a notice stating that the Treasury Unit holder has deposited 40 notes with the collateral agent and requesting the release to the holder of the Treasury security relating to the Treasury Units.

Upon the deposit and receipt of an instruction from the purchase contract agent, the collateral agent will release the related Treasury security from the pledge under the pledge agreement, free and clear of our security interest, to the purchase contract agent. The purchase contract agent will then

cancel the 40 Treasury Units,

transfer the related Treasury security to the holder, and

deliver 40 Corporate Units to the holder.

The substituted notes will be pledged to us through the collateral agent to secure the Corporate Unit holder s obligation to purchase common stock under the related purchase contracts.

Holders that elect to substitute pledged securities, thereby creating Treasury Units or recreating Corporate Units, will be responsible for any fees or expenses payable in connection with the substitution.

Current Payments

Subject to our right to defer interest payments on the notes until February 16, 2006, holders of Corporate Units will be entitled to receive quarterly cash distributions consisting of interest payments calculated at the rate of 6.00% per year on the note. Subject to our right to defer contract adjustment payments until the purchase contract settlement date, holders of the Corporate Units will also be entitled to receive quarterly cash distributions consisting of contract adjustment payments payable by us at the rate of 1.25% per year on the stated amount of $25 per Corporate Unit until the earliest of the purchase contract settlement date, the early settlement date (in the case of a cash merger early settlement, as described under Description of the Purchase Contracts Early Settlement Upon Cash Merger) and the most recent quarterly payment date on or before any other early settlement of the related purchase contracts (in the case of an early settlement other than upon a cash merger, as described in Description of the Purchase Contracts Early Settlement).

Subject to our right to defer contract adjustment payments until the date on which the purchase contracts are settled, holders of Treasury Units will be entitled to receive quarterly contract adjustment payments payable by us at the rate of 1.25% per year on the stated amount of $25 per Treasury Unit until the earliest of the purchase contract settlement date, the early settlement date (in the case of a cash merger early settlement) and the most recent quarterly payment date on or before any other early settlement of the related purchase contracts (in the case of an early settlement other than upon a cash merger). There will be no distributions in respect of the Treasury securities that are a component of the Treasury Units but, subject to our right to defer interest payments on the notes until February 16, 2006, holders of the Treasury Units will continue to receive the scheduled quarterly interest payments on the notes that were released to them when the Treasury Units were created for as long as they hold the notes.

Ranking

The notes will be our general, unsecured obligations and initially will be subordinate in right of payment to all of our existing and future senior debt. However, on and after February 16, 2006, except in the event of our earlier bankruptcy, insolvency or reorganization, the subordination provisions of the notes and the related indenture will no longer be applicable and the notes will be our senior, unsecured obligations ranking equally in right of payment with all our existing and future unsubordinated debt. Our obligations with respect to the contract adjustment payments will also be subordinate in right of payment to our senior debt. Senior debt with respect to payments on the notes (so long as the notes remain subordinated obligations) and with respect to the contract adjustment payments means the principal of, premium, if any, and interest on debt, whether incurred on, prior to, or after the date of the indenture relating to the notes or of the purchase contract agreement, as the case may be, unless the instrument creating or evidencing that debt or pursuant to which that debt is outstanding states that those obligations are not superior in right of payment to the notes, while they are subordinated, or the purchase contracts or to other debt which ranks equally with, or junior to, the notes, while they are subordinated, or the purchase contracts. However, senior debt shall not include any debt of Teekay that is expressly subordinated in right of payment to any senior debt, any debt that by operation of law is subordinate to Teekay s general unsecured obligations, any debt which when incurred and without regard to any election under Section 1111(b) of

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the U.S. Bankruptcy Code was without recourse to Teekay, any debt of Teekay to any of its subsidiaries or affiliates (or their subsidiaries), any debt of Teekay to any employee of Teekay, amounts owed by Teekay for compensation to employees or for services rendered to Teekay, any redeemable capital stock of Teekay, amounts owing under leases, any liability for taxes, or any debt for goods, materials or services purchased in the ordinary course of business or debt consisting of trade account payables or other current liabilities (other than the current portion of long-term debt which would otherwise constitute senior debt). The indenture under which the notes will be issued will not limit our ability to issue or incur other debt or issue preferred stock. See Description of Debt Securities in the accompanying prospectus.

Voting and Certain Other Rights

Holders of purchase contracts forming part of the Corporate Units or Treasury Units, in their capacities as such holders, will have no voting or other rights in respect of the common stock.

Listing of the Securities

The Corporate Units have been approved for listing on the New York Stock Exchange, subject to official notice of issuance. Unless and until substitution has been made as described in Creating Treasury Units or Recreating Corporate Units, the notes will trade as a unit with the purchase contract components of the Corporate Units. If the Treasury Units or the notes are separately traded to a sufficient extent that applicable exchange listing requirements are met, we will try to list the Treasury Units or the notes on the same exchange as the Corporate Units are then listed, if any, including, if applicable, the New York Stock Exchange.

Miscellaneous

We or our affiliates may from time to time purchase any of the securities offered by this prospectus supplement which are then outstanding by tender, in the open market or by private agreement.

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DESCRIPTION OF THE PURCHASE CONTRACTS

This section summarizes some of the terms of the purchase contract agreement, purchase contracts, pledge agreement, remarketing agreement and indenture for the notes. The summary should be read together with the purchase contract agreement, pledge agreement, remarketing agreement and indenture for the notes, forms of which have been or will be filed and incorporated by reference as exhibits to the registration statement of which this prospectus supplement and the accompanying prospectus form a part.

Purchase of Common Stock

Each purchase contract underlying a Corporate Unit or Treasury Unit will obligate the holder of the purchase contract to purchase, and us to sell, on the purchase contract settlement date, for an amount in cash equal to the stated amount of the Corporate Unit or Treasury Unit, a number of newly issued shares of our common stock equal to the settlement rate. The settlement rate will be calculated, subject to adjustment under the circumstances described in Anti-Dilution Adjustments, as follows:

- If the applicable market value of our common stock is equal to or greater than the threshold appreciation price of $44.0000, the settlement rate will be 0.5682 shares of our common stock, which is equal to the stated amount of $25 divided by the threshold appreciation price.

- If the applicable market value of our common stock is less than the threshold appreciation price but greater than the reference price of $36.0200, the settlement rate will be a number of shares of our common stock equal to the stated amount of $25 divided by the applicable market value.

- If the applicable market value of our common stock is less than or equal to the reference price, the settlement rate will be 0.6941 shares of our common stock, which is equal to the stated amount of $25 divided by the reference price.

Applicable market value means the average of the closing price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the purchase contract settlement date. The reference price is the reported last sale price of our common stock on the New York Stock Exchange on the date of this prospectus supplement. The threshold appreciation price represents approximately a 22.15% appreciation over the reference price.

Closing price of the common stock on any date of determination means the closing sale price (or, if no closing price is reported, the last reported sale price) of the common stock on the New York Stock Exchange on that date or, if the common stock is not listed for trading on the New York Stock Exchange on any such date, as reported in the composite transactions for the principal United States securities exchange on which the common stock is so listed. If the common stock is not so listed on a United States national or regional securities exchange, the closing price means the last closing sale price of the common stock as reported by the Nasdaq National Market, or, if the common stock is not so reported, the last quoted bid price for the common stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization. If the bid price is not available, the closing price means the market value of the common stock on the date of determination as determined by a nationally recognized independent investment banking firm retained by us for this purpose.

A trading day means a day on which the common stock

- is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business, and

- has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the common stock.

We will not issue any fractional shares of common stock pursuant to the purchase contracts. In lieu of fractional shares otherwise issuable (calculated on an aggregate basis) in respect of purchase contracts being settled by a holder of Corporate Units or Treasury Units, the holder will be entitled to receive an amount of cash equal to the fraction of a share times the applicable market value.

On the business day immediately preceding February 16, 2006, unless:

- a holder of Corporate Units or Treasury Units has settled the related purchase contracts prior to February 16, 2006 through the early delivery of cash to the purchase contract agent in the manner described under Early Settlement, or Early Settlement Upon Cash Merger,

- a holder of Corporate Units has settled the related purchase contracts with separate cash on the fourth business day immediately preceding February 16, 2006 pursuant to prior notice given in the manner described under Notice to Settle with Cash, or

- an event described under Termination has occurred,

then,

- in the case of Corporate Units where the remarketing of the notes has been successful, the portion of the proceeds from the remarketing equal to the principal amount of the notes remarketed will automatically be applied to satisfy in full the holders obligations to purchase shares of our common stock under the related purchase contracts,

- in the case of Corporate Units where the remarketing of the notes has not been successful, (1) if holders of Corporate Units exercise their put right with respect to the related notes, $25 of the put price per Corporate Unit received by the collateral agent or (2) if such holders elect not to exercise their put right, the cash delivered by such holders in settlement of the related purchase contracts, in each case will automatically be applied to satisfy in full the holders obligation to purchase common stock under the related purchase contracts, and

- in the case of Treasury Units, the principal amount of the related Treasury securities, when paid at maturity, will automatically be applied to satisfy in full the holders obligations to purchase common stock under the related purchase contracts.

In connection with settlement of any purchase contract included in a Corporate Unit following a successful remarketing or included in a Treasury Unit,

the amount of any unpaid deferred contract adjustment payments shall be deducted from the proceeds to be applied to payment of the purchase price under such purchase contract, and shall be paid to the holder of such Corporate or Treasury Unit, and

such holder s obligation under the purchase contract to pay the purchase price for the shares of common stock shall be deemed satisfied in full.

The common stock will then be issued and delivered to the holder or the holder s designee, upon presentation and surrender of the certificate evidencing the Corporate Units or Treasury Units and payment by the holder of any transfer or similar taxes payable in connection with the issuance of the common stock to any person other than the holder.

Each holder of Corporate Units or Treasury Units, by acceptance of these securities, will be deemed to have:

irrevocably agreed to be bound by the terms and provisions of the related purchase contracts and the pledge agreement and to have agreed to perform its obligations thereunder for so long as the holder remains a holder of the Corporate Units or Treasury Units, and

duly appointed the purchase contract agent as the holder s attorney-in-fact to enter into and perform the related purchase contracts and pledge agreement on behalf of and in the name of the holder.

In addition, each beneficial owner of Corporate Units or Treasury Units, by acceptance of the beneficial interest therein, will be deemed to have agreed to treat:

itself as the owner of the notes or the Treasury securities, as the case may be, and

the notes as indebtedness for all United States federal income tax purposes.

Remarketing

General

Pursuant to the remarketing agreement that we will enter into with the purchase contract agent and the remarketing agent, and subject to the terms of the remarketing agreement among the remarketing agent, the purchase contract agent and us, the remarketing agent will use its reasonable efforts to remarket the notes held by Corporate Unit holders as a part of Corporate Units on the third business day immediately preceding the purchase contract settlement date, which we refer to as the remarketing date, at a price of approximately 100.25% of the principal amount of the notes remarketed. To obtain that price, the remarketing agent may increase or decrease the interest rate on the notes, provided that the reset rate will not exceed the maximum rate permitted by applicable law. We currently expect the remarketing agent to be Morgan Stanley & Co. Incorporated.

If the remarketing of the notes is successful, a portion of the proceeds from this remarketing equal to the aggregate principal amount of the notes included in the Corporate Units at the time of remarketing will automatically be applied to satisfy in full the Corporate Unit holders obligations to purchase common stock under the related purchase contracts on the purchase contract settlement date. The remarketing agent will deduct, as a remarketing fee, an amount not exceeding 25 basis points (0.25%) of the aggregate principal amount of the remarketed notes from any proceeds from the remarketing in excess of the aggregate principal amount of the notes remarketed. Any remaining portion of the proceeds will be for the benefit of the holders of the notes included in the remarketing. Remarketing will be considered successful if the resulting proceeds (net of any fees and commissions, if any) are at least 100% of the aggregate principal amount of the notes.

We will cause a notice of failed remarketing to be published on the business day immediately following the remarketing date in a daily newspaper in the English language of general circulation in The City of New York, which is expected to be *The Wall Street Journal*, and on Bloomberg news. In addition, we will request, not later than seven nor more than 15 calendar days prior to the remarketing date, that the depositary notify its participants holding notes, Corporate Units and Treasury Units of the remarketing, including, in the case of a failed

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remarketing, the procedures that must be followed if a noteholder wishes to exercise its right to put its note to us as described in this prospectus supplement. If required, we will use our best efforts to ensure that a registration statement with regard to the full amount of the notes to be remarketed will be effective in a form that will enable the remarketing agent to rely on it in connection with the remarketing process.

Put Right

If the notes underlying the Corporate Units have not been successfully remarketed prior to the purchase contract settlement date, the holders of notes will have the right to put such notes to us on the purchase contract settlement date, at a price equal to $25 for each note, plus accrued and unpaid interest. The put right of holders of notes that are part of Corporate Units will be automatically exercised unless such holders (1) prior to 11:00 a.m., New York City time, on the second business day immediately preceding the purchase contract settlement date, provide written notice of their intention to settle the related purchase contract with separate cash, and (2) on or prior to the business day immediately preceding the purchase contract settlement date, deliver to the collateral agent $25 in cash per purchase contract. Unless a Corporate Unit holder has settled the related purchase contract with separate cash on or prior to the purchase contract settlement date, $25 of the put price will be delivered to the collateral agent who will apply such amount in satisfaction of such holder s obligations under the related purchase contract on the purchase contract settlement date. Any remaining amount of the put price following satisfaction of the purchase contract will be paid to such Corporate Unit holder. If we fail to deliver the put price to the collateral agent, we will be deemed to have netted our obligation to pay the put price against the holders obligation to pay the purchase price under the related purchase contract on the purchase contract settlement date.

You may elect not to participate in the remarketing and to retain the notes underlying your Corporate Units by (1) creating Treasury Units at any time on or prior to the second business day prior to the remarketing date or (2) notifying the purchase contract agent of your intention to pay cash to satisfy your obligation under the related purchase contracts on or prior to the fifth business day before the purchase contract settlement date and delivering the cash payment required under the purchase contracts to the collateral agent on or prior to the fourth business day before the purchase contract settlement date.

Early Settlement

Subject to the conditions described below, a holder of Corporate Units or Treasury Units may settle the related purchase contracts in cash at any time on or prior to 5:00 p.m., New York City time, on the fifth business day immediately preceding the purchase contract settlement date by presenting and surrendering the related Corporate Unit or Treasury Unit certificates, if they are in certificated form, at the offices of the purchase contract agent with the form of Election to Settle Early on the reverse side of such certificate completed and executed as indicated, accompanied by payment to us in immediately available funds of an amount equal to

- the stated amount of $25 times the number of purchase contracts being settled, plus

- if the delivery is made with respect to any purchase contract during the period from the close of business on any record date next preceding any payment date to the opening of business on such payment date, an amount equal to the contract adjustment payments payable on the payment date with respect to the purchase contract.

So long as the PEPS Units are evidenced by one or more global security certificates deposited with the depositary, procedures for early settlement will also be governed by standing arrangements between the depositary and the purchase contract agent. The early settlement right is also subject to the condition that, if required under the U.S. federal securities laws, we have a registration statement under the U.S. Securities Act of 1933 in effect covering the shares of common stock and other securities, if any, deliverable upon settlement of a purchase contract. We have agreed that, if required under the U.S. federal securities laws, we will use our best efforts to (1) have a registration statement in effect covering those shares of common stock and other securities to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement right.

Upon early settlement of the purchase contracts related to any Corporate Units or Treasury Units:

- except as described below in Early Settlement Upon Cash Merger the holder will receive newly issued shares of common stock per Corporate Unit or Treasury Unit, subject to adjustment under the circumstances described under Anti-Dilution Adjustments, accompanied by an appropriate prospectus if required by law,

- the note or the Treasury security, as the case may be, related to the Corporate Units or Treasury Units will be transferred to the holder free and clear of our security interest,

- the holder will receive any unpaid deferred contract adjustment payments,

- the holder s right to receive future contract adjustment payments will terminate, and

- no adjustment will be made to or for the holder on account of any contract adjustment payments referred to in the preceding bullet.

If the purchase contract agent receives Corporate Unit certificates or Treasury Unit certificates (if they are in certificated form) accompanied by the completed Election to Settle Early and required immediately available funds, from a holder of Corporate Units or Treasury Units by 5:00 p.m., New York City time, on a business day and all conditions to early settlement have been satisfied, that day will be considered the settlement date. If the purchase contract agent receives the above after 5:00 p.m., New York City time, on a business day or at any time on a day that is not a business day, the next business day will be considered the settlement date.

Upon early settlement of purchase contracts in the manner described above, presentation and surrender of the certificate evidencing the related Corporate Units or Treasury Units (if they are in certificated form) and payment of any transfer or similar taxes payable by the holder in connection with the issuance of the related common stock to any person other than the holder of the Corporate Units or Treasury Units, we will cause the shares of common stock being purchased to be issued, and the related notes or the Treasury securities, as the case may be, securing the purchase contracts to be released from the pledge under the pledge agreement described in Pledged Securities and Pledge Agreement and transferred, within three business days following the settlement date, to the purchasing holder or the holder s designee.

Notice to Settle with Cash

A holder of Corporate Units may settle the related purchase contracts with separate cash. A holder of Corporate Units wishing to settle the related purchase contracts with separate cash must notify the purchase contract agent by presenting and surrendering the Corporate Unit certificates evidencing the Corporate Units at the offices of the purchase contract agent with the form of Notice to Settle by Cash on the reverse side of the certificates completed and executed as indicated on or prior to 5:00 p.m., New York City time, on the fifth business day immediately preceding the purchase contract settlement date and delivering the required cash payment to the collateral agent on or prior to 5:00 p.m., New York City time, on the fourth business day immediately preceding the purchase contract settlement date.

If a holder that has given notice of its intention to settle the related purchase contracts with separate cash fails to deliver the cash to the collateral agent on the fourth business day immediately preceding the purchase contract settlement date, such holder s notes will be included in the remarketing of notes occurring on the third business day immediately preceding the purchase contract settlement date.

Early Settlement Upon Cash Merger

Prior to the purchase contract settlement date, if we are involved in a merger in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, which we refer to as a cash merger, then following the cash merger, each holder of a purchase contract will have the right to accelerate and settle such contract early at the settlement rate in effect immediately prior to the closing of the cash merger, provided that at such time, if so required under the U.S. federal securities laws, there is in effect a registration statement covering the common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled. We refer to this right as the merger early settlement right.

We will provide each of the holders with a notice of the completion of a cash merger within five business days thereof. The notice will specify a date, which shall be at least five days after the date of the notice, but no later than the earlier of 20 days after the date of such notice and five business days prior to the purchase contract settlement date by which each holder s merger early settlement right must be exercised. The notice will set forth, among other things, the applicable settlement rate and the amount of the cash, securities and other consideration receivable by the holder upon settlement. To exercise the merger early settlement right, you must deliver to the purchase contract agent, three business days before the early settlement date, the certificate evidencing your Corporate Units or Treasury Units if they are held in certificated form, and payment of the applicable purchase price in immediately available funds.

If you exercise the merger early settlement right, we will deliver to you on the early settlement date the kind and amount of securities, cash or other property that you would have been entitled to receive if you had settled the purchase contract immediately before the cash merger at the settlement rate in effect at such time plus accrued and unpaid contract adjustment payments, including any unpaid deferred contract adjustment payments, with respect to such purchase contract. You will also receive the notes or Treasury securities underlying the Corporate Units or Treasury Units, as the case may be. If you do not elect to exercise your merger early settlement right, your Corporate Units or Treasury Units will remain outstanding and subject to normal settlement on the purchase contract settlement date, subject to adjustment as provided under Anti-Dilution Adjustments. We have agreed that, if required under the U.S. federal securities laws, we will use our best efforts to (1) have in effect a registration statement covering the common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement upon a cash merger.

Contract Adjustment Payments

Contract adjustment payments in respect of Corporate Units and Treasury Units will be fixed at a rate per year of 1.25% of the stated amount of $25 per purchase contract. Contract adjustment payments payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. Contract adjustment payments will accrue from the date of issuance of the purchase contracts and will be payable quarterly in arrears on February 16, May 16, August 16 and November 16 of each year, commencing May 16, 2003. We have the right to defer the payment of these contract adjustment payments as described below under Option to Defer Contract Adjustment Payments.

Contract adjustment payments will be payable to the holders of purchase contracts as they appear on the books and records of the purchase contract agent at the close of business on the relevant record dates, which will be on the first day of the month in which the relevant payment date falls. These distributions will be paid through the purchase contract agent, who will hold amounts received in respect of the contract adjustment payments for the benefit of the holders of the purchase contracts relating to the Corporate Units. Subject to any applicable laws and regulations, each such payment will be made as described under Book-Entry System.

If any date on which contract adjustment payments are to be made on the purchase contracts related to the Corporate Units or Treasury Units is not a business day, then payment of the contract adjustment payments payable on that date will be made on the next succeeding day which is a business day, and no interest or payment will be paid in respect of the delay. However, if that business day is in the next succeeding calendar year, that payment will be made on the immediately preceding business day, in each case with the same force and effect as if made on that payment date. A business day means any day other than a Saturday, Sunday or any other day on which banking institutions and trust companies in the City of New York are permitted or required by any applicable law to close or a day when the collateral agent or trustee are closed.

Our obligations with respect to contract adjustment payments will be subordinated and junior in right of payment to our obligations under any of our senior debt.

Option to Defer Contract Adjustment Payments

We may, at our option and upon prior written notice to the holders of PEPS Units and the purchase contract agent, defer contract adjustment payments on each related purchase contract forming a part of a PEPS Unit until no later than the purchase contract settlement date or, if applicable, the date of any earlier settlement of the purchase contract. However, deferred contract adjustment payments will bear additional contract adjustment payments at the rate of 7.25% per year (compounding on each succeeding payment date) until paid. If the purchase contracts are terminated (upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us), the right to receive any deferred contract adjustment payments, any accrued and unpaid contract adjustment payments and all future contract adjustment payments will also terminate.

In the event that we elect to defer contract adjustment payments on the purchase contracts, each holder of PEPS Units will receive, on the earlier of the purchase contract settlement date and