

TEEKAY OFFSHORE PARTNERS L.P.

Corporate Governance Guidelines

The following guidelines have been approved by the Board of Directors (the "Board") of Teekay Offshore GP L.L.C., a Marshall Islands limited liability company and the general partner (the "General Partner") of Teekay Offshore Partners L.P., a Marshall Islands limited partnership (the "Partnership"). The General Partner is a wholly owned subsidiary of Teekay Corporation, a Marshall Islands corporation ("TKC").

These guidelines, together with the charters of the Board committees and applicable provisions of the Partnership's partnership agreement, provide the framework for the Partnership's corporate governance. The Board or the Corporate Governance Committee of the Board will review these guidelines and other aspects of the Partnership's corporate governance annually or more often if deemed necessary.

Board and Management Roles

The directors of the General Partner oversee the General Partner's management and the Partnership's business. The day-to-day affairs of the Partnership's business are managed by officers of the General Partner and key employees of the Partnership's operating subsidiaries. Employees of certain subsidiaries of TKC also provide assistance to the Partnership and its operating subsidiaries pursuant to service agreements.

Both the Board and management recognize the overarching importance of ensuring the Partnership conducts its business in full compliance with health, safety and environmental regulations, and that the unitholders' long-term interests are advanced by responsibly addressing the concerns of other stakeholders and interested parties, including employees, customers, suppliers, partners, government agencies and the public at large.

Board Functions and Responsibilities

The Board of Directors has four regularly scheduled meetings each year. At these meetings, the Board reviews and discusses, among other things: management reports on the Partnership's performance, including the Partnership's health, safety and environmental performance, and the Partnership's plans, objectives and prospects; Board committee or management proposals; and immediate issues facing the Partnership. The Board may also call other meetings to act on important matters as needed. Directors are expected to review in advance all meeting materials and to attend all scheduled Board and committee meetings. In addition to its general oversight of management, the Board or designated Board committees also perform a number of specific functions. Some of these functions include:

- reviewing and approving policies and overseeing the Partnership's response to and compliance with health, safety and environmental matters;
- reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;

- overseeing the assessment of major risks facing the Partnership and available options to address those risks;
- reviewing and approving certain Securities and Exchange Commission ("SEC") filings of the Partnership;
- reviewing specific material matters that the Board believes may involve conflicts of interest, including certain conflicts of interest that may arise between the Partnership and TKC;
- evaluating and overseeing compliance with the Partnership's corporate governance policies and practices; and
- ensuring that processes are in place for maintaining the Partnership's integrity, including oversight of financial statement integrity, compliance with law and ethics, and the integrity of relationships with customers and other stakeholders.

The Board recognizes that its actions set the tone for ethical business conduct by officers and employees of the General Partner and the Partnership.

Director Appointment and Qualifications

The General Partner's operating agreement authorizes the General Partner's members to appoint, remove and replace the directors on the Board and to fill any vacancies arising on the Board. Accordingly, holders of the Partnership's common units will not vote on the election of directors. Subject to certain exceptions, a majority of the directors at all times will be persons who are not residents of Canada.

Director Independence

At least three of the directors on the Board shall be independent directors under the corporate governance rules of the New York Stock Exchange ("NYSE"). Directors who do not meet the NYSE independence standards also make valuable contributions to the Board and the Partnership by reason of their abilities and experience.

To be considered independent under the NYSE standards, the Board must determine that a director does not have any direct or indirect material relationship with TKC or any subsidiary thereof, including the Partnership (each a "Teekay Entity"), other than as a director of the General Partner. The Board has established the following guidelines to assist it in determining director independence in accordance with the NYSE rules:

A director will not be independent if:

1. The director is, or has been within the preceding three years, employed by a Teekay Entity;
2. An immediate family member of the director is, or has been within the preceding three years, employed as an executive officer of a Teekay Entity;
3. During any 12-month period within the preceding three years, the director, or an immediate family member of the director, has received more than \$120,000 in

direct compensation from Teekay Entities, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

4. The director, or an immediate family member of the director, is a current partner of a firm that is the internal or external auditor of a Teekay Entity (each a "Teekay Auditor");
5. The director is a current employee of a Teekay Auditor;
6. An immediate family member of the director is a current employee of a Teekay Auditor and personally works on a Teekay Entity's audit.
7. The director, or an immediate family member of the director, (a) was within the preceding three years (but is no longer) a partner or employee of a Teekay Auditor and (b) personally worked on a Teekay Entity's audit within that time;
8. The director, or an immediate family member of the director, is, or has been within the preceding three years, employed as an executive officer of another company where any present executive officer of a Teekay Entity at the same time serves or served on that company's compensation committee; or
9. The director is a current employee, or an immediate family member of the director is a current executive officer, of a company (other than any tax exempt organization) that, during any of the three preceding fiscal years, made payments to, or received payments from, the Teekay Entities for property or services in an amount which exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.

NYSE has indicated that its independence standards are based on a concern with independence from management, and that it does not view ownership of even a significant amount of equity, by itself, as disqualifying a director from being independent. Accordingly, the direct or beneficial ownership by a director, or an immediate family member of a director, of a significant amount of units of the Partnership will not be considered a material relationship that would impair the director's independence.

For relationships not covered by the guidelines outlined above, the determination of whether the relationship is material, and therefore whether the director would be independent, will be made by the directors who satisfy the independence guidelines set forth above.

The Board will annually review all relationships of directors.

Audit Committee and Conflicts Committee Member Independence

In addition to the general independence standards discussed above, members of the Board's Audit Committee must also satisfy additional NYSE and SEC independence requirements. The Board also requires members of the Conflicts Committee to satisfy these heightened requirements. Specifically, members of the Audit Committee or the Conflicts Committee may not receive, directly or indirectly, any compensation from any Teekay Entity other than their directors' compensation, and they may not be an affiliated person of a Teekay Entity.

Size of Board

The Board determines from time to time the number of directors on the Board, within a range specified in the General Partner's operating agreement.

Board Committees

The Board has established the following committees to assist the Board in discharging its responsibilities and to function more effectively:

- Audit Committee;
- Conflicts Committee; and
- Corporate Governance Committee.

The Conflicts Committee reviews specific material matters that the Board believes may involve conflicts of interest, including certain conflicts of interest that may arise between the Partnership and TKC. If the Board refers a particular matter to the Conflicts Committee, the Committee will determine such matter in accordance with the standards set forth in the Partnership's partnership agreement as then in effect and applicable law. Any matters approved by the Conflicts Committee will be conclusively deemed to be fair and reasonable to the Partnership, approved by all the Partnership's partners and not a breach by the General Partner of any duties it may owe to the Partnership or its unitholders.

Because the Partnership is a publicly traded limited partnership, NYSE does not require the Board to have a Compensation Committee or a Nominating and Governance Committee. Despite this exemption, the Board has established the Corporate Governance Committee to fulfill the duties set forth in its charter.

The current charters of the Audit Committee, the Corporate Governance Committee and the Conflicts Committee are available on the Partnership's website at www.teekayoffshore.com, and will be mailed to unitholders on written request. The committee Chairs report the highlights of their meetings to the full Board following each meeting of the respective committees. The Corporate Governance Committee, among other things, recommends to the Board director membership on Board committees and advises the Board and the committees about the selection of committee Chairs.

Non-management Directors Meetings

The Board will hold at least four regularly scheduled meetings each year for the non-management directors without management present. A non-management director will preside over each executive session of the non-management directors, although the same director is not required to preside over each session. Any non-management director may request that additional executive sessions of the non-management directors be held, and the presiding non-management director for the previous session will determine whether to call any such meeting.

Board and Committee Self-Evaluations

The Board and each of the committees will perform an annual self-evaluation, as indicated in the Board committee charters. As part of these evaluations, the directors will provide their assessments of the effectiveness of the Board and the committees on which they serve.

Setting Board Agenda

The Board is responsible for its agenda. Prior to each Board or committee meeting, the Chair of the Board or committee Chair, in consultation with management, other directors or appropriate advisors, will discuss specific agenda items for the meeting. The Chair of the Board or committee Chair will determine the nature and extent of information that will be provided regularly to the directors before each scheduled Board or committee meeting. Directors are encouraged to suggest agenda items or additional pre-meeting materials to the Chair of the Board or appropriate committee Chair.

Ethics and Conflicts of Interest

The Board expects its directors, as well as officers and employees of the General Partner and the Partnership, to act ethically at all times and to acknowledge their adherence to the policies comprising the Partnership's Standards of Business Conduct. If an actual or potential conflict of interest arises for a director, the director is expected to promptly inform the Chair of the Conflicts Committee. If a significant conflict exists and cannot be resolved, the director should resign. All directors are expected to recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Conflicts Committee will resolve any conflict of interest question involving any director or executive officer, and the CEO of Teekay Offshore Group Ltd., which provides services to the Partnership and the General Partner (the "CEO"), will resolve any conflict of interest issue involving any non-executive officer.

Board Compensation

The Corporate Governance Committee will annually review the General Partner's director compensation practices and recommend to the Board the form and amount of compensation and benefits for non-employee directors. The Corporate Governance Committee will consider the following principles in discharging these duties:

- compensation should fairly pay directors for work required in a company of the Partnership's size and scope;
- compensation should align the directors' interests with the long-term interests of unitholders; and
- the structure of the compensation should be simple, transparent and easy for unitholders to understand.

Management Succession Plans

The Board will be responsible for long-range succession planning for the CEO and other senior executives. The Board will also develop and maintain, in consultation with the CEO, a short-term succession plan for unexpected situations affecting the CEO or other executive officers.

Review of Service Provider

The employment of key executive and management personnel in the General Partner and the Partnership are provided by TKC and/or its subsidiaries pursuant to services agreements. The Board, with input as required from the Conflicts Committee, will at least annually review the performance of TKC and its subsidiaries under the services agreements to ensure the strategic goals and objectives of the Partnership are being met, that TKC has sufficient resources to meet the present and future requirements of the Partnership and the General Partner under the services agreements, and that TKC has in place appropriate succession plans to ensure the continued level of service required by the Partnership and the General Partner.

Director Access to Senior Management

Non-employee directors are encouraged to contact directly the senior managers of the General Partner and the Partnership, either alone or with other members of senior management present. The CEO, the Chief Financial Officer of Teekay Offshore Group Ltd. and, as invited, other members of senior management are encouraged to attend Board meetings when practical.

Board and Committee Access to independent Advisors

In fulfilling their duties, the Board and its committees have the right at any time to retain independent outside financial, legal or other advisors at the Partnership's expense.

Director Orientation and Continuing Education

The Board or the Corporate Governance Committee will be responsible for providing an orientation program for new directors, and periodically to provide materials or briefing sessions for all directors on subjects that would assist them in discharging their duties. Directors are also encouraged to participate in continuing education programs at the Partnership's expense.

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