

July 6, 2018

Via The Depository Trust Company

Noteholders of Teekay Offshore Partners, L.P.'s and Teekay Offshore Finance Corp.'s 6.00% Notes due 2019 (CUSIP: 87901BAA0)

Re: Change of Control Notice

Dear Noteholders:

Reference is made to the Indenture, dated as of May 30, 2014 (the "Indenture"), as supplemented by that First Supplemental Indenture, dated as of the same date (the "First Supplemental Indenture"), and the Second Supplemental Indenture, dated as of July 3, 2018, each by and among Teekay Offshore Partners L.P., a limited partnership duly organized and existing under the laws of the Republic of The Marshall Islands (the "Company"), Teekay Offshore Finance Corp., a corporation duly organized under the laws of the Republic of the Marshall Islands (together with the Company, the "Issuers"), and The Bank of New York Mellon, as trustee (the "Trustee"), and to the Issuers' 6.00% Notes due 2019 (the "Notes") issued pursuant to the First Supplemental Indenture. Capitalized terms used but not defined herein are used with the meanings assigned to them in the Indenture.

Change of Control Notice

Pursuant to Section 4.01(b) of the First Supplemental Indenture, the Issuers hereby deliver this notice (the "Change of Control Notice") to notify you that, on July 2, 2018, an affiliate of Brookfield Business Partners L.P. ("Brookfield") exercised its option to acquire an additional 2% ownership interest in Teekay Offshore GP L.L.C., the general partner of the Company (the "General Partner"). As a result, Brookfield now holds a 51% interest in the General Partner and has the right to appoint a majority of the members of its board of directors. Brookfield's exercise of its 2% option on July 2, 2018 constitutes a Change of Control under the Indenture. In accordance with Section 4.01 of the First Supplemental Indenture, the Issuers will purchase, at your option, your Notes (or portions thereof that are integral multiples of \$1,000 in principal amount), on July 26, 2018 (the "Change of Control Purchase Date") at a purchase price, payable in cash, equal to 101% of the principal amount of the Notes tendered (or such portions thereof) (the "Change of Control Purchase Price"). Pursuant to the Indenture, because the Change of Control Purchase Date is after the July 15, 2018 record date and prior to the July 30, 2018 interest payment date, the accrued and unpaid interest on the tendered Notes to such interest payment date will be paid on the Change of Control Purchase Date to the Holder in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes are purchased pursuant to this Change of Control Notice.

To exercise the Change of Control purchase right, Holders must deliver to The Bank of New York Mellon (the "Paying Agent"), at the address listed below, prior to 5:00 P.M. New York City time on July 25, 2018:

1. The Notes to be purchased, with all necessary endorsements; and
2. A duly completed purchase notice (the "Change of Control Purchase Notice"), in the form attached to this Change of Control Notice as Exhibit A or any other form of written notice substantially similar thereto stating:
 - a. The certificate number(s) of the Notes which you will deliver to be purchased, if such Notes are in certificated form, or if not certificated the notice must comply with the appropriate Depository procedures;
 - b. The principal amount of the Notes to be purchased, which must be \$1,000 or an integral multiple thereof; and

- c. That such principal amount of Notes are to be purchased by the Issuers pursuant to the applicable provisions of the Notes and the Indenture.

Holders who are DTC participants who wish to exercise the Change of Control purchase right should transmit their acceptance and deliver their Notes electronically through DTC's ATOP system, subject to the terms and procedures of that system. Holders who are DTC participants may elect to deliver a completed and executed Change of Control Purchase Notice to the Paying Agent and concurrently deliver their Notes by book-entry transfer to the Paying Agent's account at DTC. Holders tendering through DTC's ATOP system must allow sufficient time for completion of the ATOP procedures during the normal business hours of DTC.

Holders whose Notes are held by a broker, dealer, commercial bank, trust company or other nominee must contact such nominee if such Holders desire to exercise the Change of Control purchase right and instruct such nominee to exercise the Change of Control purchase right on the Holders' behalf by following the procedures described in this Change of Control Notice.

Delivery and surrender of the Notes to the Paying Agent is a condition to your receipt of the Change of Control Purchase Price.

Address for the Paying Agent:

The Bank of New York Mellon
111 Sanders Creek Parkway
Syracuse, NY 13057
Attention: Melissa Vollick
Facsimile: 732-667-9408
Email: CT_REORG_UNIT_INQUIRIES@bnymellon.com

Withdrawal

If you deliver a Change of Control Purchase Notice, you have the right to withdraw your election in such Change of Control Purchase Notice at any time prior to 5:00 P.M. New York City time on July 25, 2018, by delivering a written notice of withdrawal to the Paying Agent at the above listed address, which letter must contain:

1. The principal amount of the withdrawn Notes;
2. The certificate number(s) of the Notes to be withdrawn, if the Notes are in certificated form, and if not certificated, the notice must comply with appropriate Depository procedures; and
3. The principal amount, if any, of the Notes that remain subject to the Change of Control Purchase Notice you delivered.

Holders who exercised the Change of Control purchase right and delivered their Notes to the Paying Agent through DTC's ATOP system should electronically transmit their withdrawal through DTC's ATOP system, subject to the terms and procedures of that system. Holders transmitting their withdrawal through DTC's ATOP system must allow sufficient time for completion of the ATOP procedures during the normal business hours of DTC.


The CUSIP number appearing herein has been included solely for the convenience of the holders of the outstanding Notes. Neither the Issuers nor the Trustee shall be responsible for the selection or use of any such CUSIP number, and no representation is made as to the correctness or accuracy of any CUSIP number provided in this notice or listed on the Notes.

* * * * *

Very truly yours,

TEEKAY OFFSHORE PARTNERS L.P.

**By: Teekay Offshore GP L.L.C.,
its general partner**

By:  _____

Name: Edith Robinson
Title: Secretary

TEEKAY OFFSHORE FINANCE CORP.

By:  _____

Name:
Title: EDITH ROBINSON
PRESIDENT

EXHIBIT A

FORM OF CHANGE OF CONTROL PURCHASE NOTICE

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.01 of the First Supplemental Indenture, check the box:

If you want to elect to have only part of this Note purchased by the Issuers pursuant to Section 4.01 of the First Supplemental Indenture, state the amount in principal amount: \$

Dated: _____

Your
Signature: _____

(Sign exactly as your name appears on
the Note.)

Signature

Guarantee: _____

(Signature must be guaranteed)

Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.