

5,250,000 Common Units



Teekay Offshore Partners L.P.

Common Units Representing Limited Partner Interests

We are selling 5,250,000 of our common units, representing limited partner interests. We have granted the underwriters an option to purchase up to 787,500 additional common units to cover over-allotments, if any.

Our common units are listed on the New York Stock Exchange under the symbol "TOO." The last reported sale price of our common units on the New York Stock Exchange on August 16, 2010 was \$23.19 per common unit.

Investing in our common units involves risks. Please read "Risk Factors" beginning on page S-7 of this prospectus supplement and page 8 of the accompanying prospectus before you make an investment in our common units.

	<u>Per Common Unit</u>	<u>Total</u>
Public offering price	\$22.15	\$116,287,500
Underwriting discount	\$ 0.90	\$ 4,725,000
Proceeds to us (before expenses) from this offering to the public . .	\$21.25	\$111,562,500

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common units on or about August 20, 2010.

Joint Book-Running Managers

BofA Merrill Lynch

Citi

UBS Investment Bank

Co-Managers

Barclays Capital

Raymond James

Credit Agricole CIB

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The date of this prospectus is August 17, 2010

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common units. Generally, when we refer to the “prospectus,” we refer to both parts combined. If information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated by reference into this prospectus modified or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus or any “free writing prospectus” we may authorize to be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus or any “free writing prospectus” we may authorize to be delivered to you, as well as the information we previously filed with the Securities and Exchange Commission (or the *SEC*) that is incorporated by reference herein, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since such dates.

We are offering to sell the common units, and are seeking offers to buy the common units, only in jurisdictions where offers and sales are permitted. The distribution of this prospectus and the offering of the common units in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the common units and the distribution of this prospectus outside the United States. This prospectus does 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.

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INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to “incorporate by reference” information that we file with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to other documents filed separately with the SEC. The information incorporated by reference is an important part of this prospectus. Information that we later provide to the SEC, and which is deemed to be “filed” with the SEC and incorporated into this prospectus, automatically will update information previously filed with the SEC and may replace information in this prospectus.

We incorporate by reference into this prospectus the documents listed below:

- our Annual Report on Form 20-F for the year ended December 31, 2009;
- our Report on Form 6-K furnished on June 8, 2010 for the quarter ended March 31, 2010;
- all subsequent Reports on Form 6-K furnished prior to the termination of this offering that we identify in such reports as being incorporated by reference into the registration statement of which this prospectus is a part; and
- the description of our common units contained in our Registration Statement on Form 8-A/A filed on May 6, 2008, including any subsequent amendments or reports filed for the purpose of updating such description.

These reports contain important information about us, our financial condition and our results of operations.

You may obtain any of the documents incorporated by reference in this prospectus from the SEC through its public reference facilities or its website at the addresses provided above. You also may request a copy of any document incorporated by reference into this prospectus (excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference in this document), at no cost by visiting our internet website at www.teekayoffshore.com. The information contained in our website, or any other website, is not incorporated by reference in this prospectus and does not constitute a part of this prospectus. You may also make requests for such documents at no cost by writing or calling us at the following address:

Teekay Offshore Partners L.P.
4th Floor, Belvedere Building,
69 Pitts Bay Road
Hamilton HM 08, Bermuda Attn: Corporate Secretary
(441) 298-2530

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone else to provide you with any information. You should not assume that the information incorporated by reference or provided in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each document.

In reviewing any agreements included as exhibits to the registration statement relating to the securities covered by this prospectus or to other SEC filings incorporated by reference into this prospectus, please be aware that these agreements are attached as exhibits to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about us or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the

applicable agreement, which representations and warranties may have been made solely for the benefit of the other parties to the applicable agreement and, as applicable:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that may have been made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement (or such other date or dates as may be specified in the agreement) and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time and should not be relied upon by investors in considering whether to invest in our securities.

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, and the markets in which we operate. In some cases, you can identify the forward-looking statements by the use of words such as “may,” “will,” “could,” “should,” “would,” “expect,” “plan,” “anticipate,” “intend,” “forecast,” “believe,” “estimate,” “predict,” “propose,” “potential,” “continue” or the negative of these terms or other comparable terminology.

Forward-looking statements in this prospectus or incorporated by reference herein include, among others, statements about the following matters:

- our ability to make cash distributions on our units or the amount of such quarterly distributions;
- our replacing our contracts of affreightment with Statoil with a master time charter arrangement, our belief that the new arrangement would provide more stable cash flows and predictability and the use of the Aframax newbuilding shuttle tankers under the new arrangement;
- our potential acquisitions, including Teekay Corporation offering to us additional vessels or interests in Teekay Offshore Operating L.P., and our accepting the offer;
- when Teekay Corporation may offer additional vessels to us and when we may accept the offer;
- our future financial condition or results of operations and future revenues and expenses, including in the third and fourth quarters of 2010 and first quarter of 2011;
- growth prospects of the offshore and tanker markets;
- offshore and tanker market fundamentals, including the balance of supply and demand in the offshore and tanker markets;
- the expected lifespan of a new shuttle tanker, a floating storage and offtake unit, a floating production, storage and offloading unit, and a conventional tanker;
- the expected costs of newbuildings and vessel conversions;
- potential newbuilding order cancellations;
- the delivery dates of vessels;
- the duration of drydockings;
- vessel operating and crewing costs;
- estimated capital expenditures and the availability of capital resources to fund capital expenditures;
- our ability to maintain long-term relationships with major crude oil companies, including our ability to service fields until they no longer produce;
- our ability to leverage to our advantage Teekay Corporation’s relationships and reputation in the shipping industry;

- our continued ability to enter into fixed-rate time charters with customers;
- obtaining offshore projects that we or Teekay Corporation bid on or that Teekay Corporation is awarded;
- our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term time charter;
- the ability of the counterparties to our derivative contracts to fulfill their contractual obligations;
- our pursuit of strategic opportunities, including the acquisition of vessels and expansion into new markets;
- our expected financial flexibility to pursue acquisitions and other expansion opportunities;
- anticipated funds for liquidity needs and the sufficiency of cash flows;
- our compliance with covenants under our credit facilities;
- the expected cost of, and our ability to comply with, governmental regulations and maritime self regulatory organization standards applicable to our business;
- the expected impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;
- anticipated taxation of our partnership and its subsidiaries and taxation of unitholders;
- the future value of goodwill;
- our hedging activities relating to foreign exchange, interest rate and spot market risks;
- our general and administrative expenses as a public company and expenses under service agreements with other affiliates of Teekay Corporation and for reimbursements of fees and costs of our general partner; and
- our business strategy and other plans and objectives for future operations.

These and other forward-looking statements are subject to risks, uncertainties and assumptions, including those risks discussed in “Risk Factors” set forth in the prospectus and those risks discussed in other reports we file with the SEC and that are incorporated in this prospectus by reference, including, without limitation, our Annual Report on Form 20-F for the year ended December 31, 2009. 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.

Forward-looking statements are made based upon management’s current plans, expectations, estimates, assumptions and beliefs concerning future events affecting us and, therefore, involve a number of risks and uncertainties, including those risks discussed in “Risk Factors” and otherwise incorporated into this prospectus. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

We undertake no obligation to update any forward-looking statement 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 effect 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.

SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference herein, and does not contain all the information you will need in making your investment decision. You should carefully read this entire prospectus supplement, the accompanying prospectus, including the “Risk Factors” section, and the documents incorporated by reference herein. Unless otherwise specifically stated, the information presented in this prospectus supplement assumes that the underwriters have not exercised their over-allotment option.

Unless otherwise indicated, references in this prospectus to “Teekay Offshore Partners,” “we,” “us” and “our” and similar terms refer to Teekay Offshore Partners L.P. and/or one or more of its subsidiaries, including Teekay Offshore Operating L.P., except that those terms, when used in this prospectus in connection with the common units described herein, shall specifically mean Teekay Offshore Partners L.P. References in this prospectus to “Teekay Corporation” refer to Teekay Corporation and/or any one or more of its subsidiaries.

Overview

We are an international provider of marine transportation, production and storage services to the offshore oil industry. We were formed in August 2006 by Teekay Corporation (NYSE:TK), a leading provider of marine services to the global oil and gas industries, to further develop its operations in the offshore market. Our growth strategy focuses on expanding our fleet of shuttle tankers, floating storage and offtake (or *FSO*) units and floating production, storage and offloading (or *FPSO*) units under long-term, fixed-rate time charters or contracts. We intend to continue our practice of acquiring shuttle tankers, FSO units and FPSO units as needed for approved projects only after the long-term charters for the projects have been awarded, rather than ordering vessels on a speculative basis. We may enter into joint ventures and partnerships with companies that may provide increased access to these opportunities or we may engage in vessel or business acquisitions. We seek to leverage the expertise, relationships and reputation of Teekay Corporation and its affiliates to pursue these growth opportunities in the offshore sectors and may consider other opportunities to which our competitive strengths are well suited. We view our conventional tanker fleet primarily as a source of stable cash flow. Teekay Corporation, which indirectly owns and controls our general partner, beneficially owns a 35.9% interest in us, including a 2% general partner interest.

Our Fleet

Our principal asset is a 51.0% interest in Teekay Offshore Operating L.P. (or *OPCO*), which owns and operates the world’s largest fleet of shuttle tankers in addition to FSO units and conventional oil tankers. We control OPCO through our ownership of its general partner. Teekay Corporation owns the remaining 49.0% interest in OPCO.

Our fleet currently consists of:

- 34 shuttle tankers, 26 of which are owned by OPCO (including five through 50%-owned subsidiaries and three through a 67%-owned subsidiary), six of which are chartered-in by OPCO and two of which are owned by us (including one through a 50%-owned subsidiary);
- six FSO units, four of which are owned by OPCO;
- 11 Aframax-class conventional crude oil tankers, all of which are owned by OPCO; and
- one FPSO unit.

All of these vessels operate under fixed-rate contracts or, for some of our shuttle tankers, under contracts of affreightment where payments are based upon the volume of oil transported. Our fleet consists of double-hull vessels, other than three of our FSO units.

Our Potential Acquisitions

Pursuant to an omnibus agreement we entered into in connection with our initial public offering in December 2006, Teekay Corporation is obligated to offer to us its interest in certain shuttle tankers, FSO units and FPSO units and joint ventures it may acquire in the future, provided the vessels are servicing contracts in excess of three years in length. We also may acquire additional limited partner interests in OPCO or vessels that Teekay Corporation may offer us from time to time in the future.

Teekay Corporation recently took delivery of one Aframax shuttle tanker newbuilding and has three additional Aframax shuttle tanker newbuildings that are scheduled to be delivered in late 2010 and 2011, for a total delivered cost of approximately \$480 million. Pursuant to the omnibus agreement, Teekay Corporation is obligated to offer these vessels to us within 365 days of their delivery, provided the vessels are servicing charter contracts in excess of three years in length. Teekay is currently in negotiations with respect to the long-term employment of these four newbuilding shuttle tankers.

Teekay Corporation recently changed the short-term contract for an FPSO unit, the *Cidade de Rio das Ostras* (previously known as the *Siri*) FPSO, to provide for an additional seven year term (commencing in late 2010) at an increased charter rate. We anticipate that Teekay Corporation will offer this FPSO unit to us as a re-chartered FPSO under the omnibus agreement in the fourth quarter of 2010 or the first quarter of 2011. The purchase price for the *Cidade de Rio das Ostras* FPSO would be its fair market value plus any additional tax or other similar costs to Teekay Corporation that would be required to transfer the FPSO unit to us.

Pursuant to the omnibus agreement and a subsequent agreement, Teekay Corporation was obligated to offer to us, prior to July 9, 2010, the *Foinaven* FPSO, an existing FPSO unit of Teekay Petrojarl AS (or *Teekay Petrojarl*), a wholly-owned subsidiary of Teekay Corporation. We agreed to waive Teekay Corporation's obligation to offer the FPSO unit to us by July 9, 2010; however Teekay Corporation is now obligated to offer the FPSO unit to us prior to July 9, 2012. The purchase price for the *Foinaven* FPSO would be its fair market value plus any additional tax or other similar costs to Teekay Petrojarl that would be required to transfer the FPSO unit to us.

Business Strategies

Our primary business objective is to increase our distributions per unit by executing the following strategies:

- *Expand Global Operations in High Growth Regions.* We seek to expand our shuttle tanker and FSO unit operations into growing offshore markets such as Brazil and Australia. In addition, we intend to pursue opportunities in existing markets such as the North Sea.
- *Pursue Further Opportunities in the FPSO Sector.* We believe that Teekay Corporation's ownership of Teekay Petrojarl, a leading operator in the FPSO sector, will enable us to competitively pursue additional FPSO projects anywhere in the world by combining Teekay Petrojarl's engineering and operational expertise with Teekay Corporation's global marketing organization and extensive customer and shipyard relationships.

- *Acquire Additional Vessels on Long-Term, Fixed-Rate Contracts.* We intend to continue acquiring shuttle tankers, FSO units and FPSO units with long-term contracts, rather than ordering vessels on a speculative basis. We believe this approach facilitates the financing of new vessels based on their anticipated future revenues and ensures that new vessels will be employed upon acquisition, which should provide stable cash flows. Additionally, we anticipate growing by acquiring additional limited partner interests in OPCO that Teekay Corporation may offer us in the future.
- *Provide Superior Customer Service by Maintaining High Reliability, Safety, Environmental and Quality Standards.* Energy companies seek transportation partners that have a reputation for high reliability, safety, environmental and quality standards. We intend to leverage OPCO's and Teekay Corporation's operational expertise and customer relationships to further expand a sustainable competitive advantage with consistent delivery of superior customer service.
- *Manage Our Conventional Tanker Fleet to Provide Stable Cash Flows.* We believe the fixed-rate time charters for our conventional oil tankers will provide stable cash flows during their terms and a source of funding for expanding our offshore operations. Depending on prevailing market conditions during and at the end of each existing charter and subject to certain rights of first refusal in favor of Teekay Corporation under the omnibus agreement, we may seek to extend the charter, enter into a new charter, operate the vessel on the spot market or sell the vessel in an effort to maximize returns on the conventional fleet while managing residual risk.

Competitive Strengths

We believe that we are well positioned to execute our business strategies because of the following competitive strengths:

- *Leading Position in the Shuttle Tanker Sector.* We are the world's largest owner and operator of shuttle tankers, as we own or operate 34 of the 79 vessels in the world shuttle tanker fleet. Our large fleet size enables us to provide comprehensive coverage of charterers' requirements and provides opportunities to enhance the efficiency of operations and increase fleet utilization.
- *Offshore Operational Expertise and Enhanced Growth Opportunities through Our Relationship with Teekay Corporation.* Teekay Corporation has achieved a global brand name in the shipping industry and the offshore market, developed an extensive network of long-standing relationships with major energy companies and earned a reputation for reliability, safety and excellence. Some benefits we believe we receive due to our relationship with Teekay Corporation include:
 - access through services agreements to its comprehensive market intelligence and operational and technical sophistication gained from over 25 years of providing shuttle tanker and FSO services to offshore energy customers. We believe this expertise has assisted us in successfully operating the *Petrojarl Varg* and will assist us in continuing to expand our position in the FPSO sector through Teekay Corporation's ownership of Teekay Petrojarl and our rights to participate in certain FPSO projects under the omnibus agreement;
 - access to Teekay Corporation's general commercial and financial core competencies, practices and systems, which we believe enhances the efficiency and quality of operations;
 - enhanced growth opportunities and added competitiveness in bidding for transportation requirements for offshore projects and in attracting and retaining long-term contracts throughout the world; and

- improved leverage with leading shipyards during periods of vessel production constraints due to Teekay Corporation's established relationships with these shipyards and the high number of newbuilding orders it places.
- *Cash Flow Stability from Contracts with Leading Energy Companies.* We benefit from stability in cash flows due to the long-term, fixed-rate contracts underlying most of our business. We have been able to secure long-term contracts because our services are an integrated part of offshore oil field projects and a critical part of the logistics chain of the fields. Due to the integrated nature of our services, the high cost of field development and the need for uninterrupted oil production, contractual relationships with customers with respect to any given field typically last until the field is no longer producing.
- *Disciplined Vessel Acquisition Strategy and Successful Project Execution.* Our fleet has been built through successful new project tenders and acquisitions, and this strategy has contributed significantly to our leading position in the shuttle tanker market. A significant portion of OPCO's shuttle tanker fleet was established through the acquisition of Uglan Nordic Shipping AS in 2001 and Navion AS, StatoilHydro ASA's shipping subsidiary, in 2003. In addition, we have increased the size of our fleet through customized shuttle tanker, FSO and FPSO projects for major energy companies around the world.

Recent Developments

Pursuant to a non-binding memorandum of understanding, we are in discussions with one of our customers, Statoil ASA (or *Statoil*), to replace our current contracts of affreightment with a master agreement for time-charter shuttle tanker services effective for the life of the oil fields serviced under our current contracts of affreightment. This new master agreement would initially include six or seven of our shuttle tankers, which would be chartered under individual fixed-rate time-charter contracts. The number of vessels subject to the master agreement could be adjusted annually. While the shuttle tankers subject to the agreement would not be available to service other customers with whom we have contracts of affreightment, we believe the new master agreement would provide more stable cash flows and predictability than our current arrangement. Three of the four Aframax shuttle tanker newbuildings that we may acquire from Teekay Corporation pursuant to the omnibus agreement could be chartered under this master agreement.

On August 13, 2010, we paid a cash distribution of \$0.475 per unit for the quarter ended June 30, 2010 to all unitholders of record on August 6, 2010.

On April 1, 2010, we acquired from Teekay Corporation its interest in an FSO unit, the *Falcon Spirit*, together with its operations and time charter contract, for a purchase price of approximately \$44.1 million. The *Falcon Spirit* is chartered to Occidental Qatar Energy Company LLC, a subsidiary of Occidental Petroleum of Qatar Ltd., on a fixed-rate time-charter contract for 7.5 years (beginning December 2009) with an option for the charterer to extend the contract for an additional 1.5 years. The *Falcon Spirit* is a conversion of a double-hull shuttle tanker built in 1986 and it began servicing the Al Rayyan oil field off the coast of Qatar in December 2009.

Recent Financial Results

On August 11, 2010, we announced our financial results for the quarter ended June 30, 2010. For this quarter, we generated revenues of approximately \$216 million, income from vessel operations of approximately \$42 million and a net loss of approximately \$10 million compared to revenues of approximately \$197 million,

income from vessel operations of approximately \$32 million and net income of approximately \$77 million for the second quarter of 2009. The increase in our revenues in the second quarter of 2010 compared to the second quarter of 2009 is primarily due to increased shuttle tanker utilization, the earnings on the *Falcon Spirit* FSO unit (which began operations in December 2009), and higher revenues in the FPSO segment from a new four-year contract extension with Talisman Energy, which commenced in July 2009. This increase was partially offset by an increase in drydocking days for our conventional tankers and charter rate adjustments in our FSO segment. The increase in income from vessel operations in the second quarter of 2010 compared to the second quarter of 2009 is primarily due to higher revenues, lower time-charter hire expense and lower vessel operating expenses. This increase was partially offset by increased voyage expenses and increased general and administrative costs. The decrease in our net income is primarily due to non-cash items.

For the six months ended June 30, 2010, we generated revenues of approximately \$437 million, income from vessel operations of approximately \$89 million and net income of approximately \$16 million compared to revenues of approximately \$404 million, income from vessel operations of approximately \$66 million and net income of approximately \$113 million for the six months ended June 30, 2009. In accordance with U.S. generally accepted accounting principles (or *GAAP*), our results for the first half of 2010 have been retroactively adjusted to include the *Falcon Spirit* FSO unit (which we acquired in April 2010) in order to reflect operations of the vessel from December 15, 2009, the date it began operations under the ownership of Teekay Corporation. The increase in our revenues is primarily due to increased shuttle tanker utilization, the earnings on the *Falcon Spirit* FSO unit, and higher revenues in the FPSO segment from a new four-year contract extension with Talisman Energy, which commenced in July 2009. This increase was partially offset by an increase in drydocking days for our conventional tankers and charter rate adjustments in our FSO segment. The increase in income from vessel operations in the first half of 2010 compared to the first half of 2009 is primarily due to higher revenues, lower time-charter hire expense and lower vessel operating expenses. This increase was partially offset by increased voyage expenses and increased general and administrative costs. The decrease in our net income is primarily due to non-cash items.

As of June 30, 2010, our cash, cash equivalents and available borrowing capacity under our revolving credit facilities totaled approximately \$246 million.

Our independent registered public accounting firm has not performed a review of our financial information for the quarter or six months ended June 30, 2010. As a result, the preliminary results for the quarter and six months ended June 30, 2010 set forth above may be subject to change.

Although we have not completed the quarter ended September 30, 2010 and our financial results for this quarter are not yet available, we expect lower revenues and lower income from vessel operations than for the quarter ended June 30, 2010, primarily due to scheduled seasonal maintenance in the North Sea fields. In the fourth quarter of 2010 and first quarter of 2011, we anticipate higher levels of fleet utilization following the completion of seasonal maintenance.

Partnership Information

We are a limited partnership organized in 2006 under the laws of the Republic of The Marshall Islands. Our principal executive offices are located at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton HM 08, Bermuda, and our phone number is (441) 298-2530. Our principal operating office is located at Suite 2000, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2K2, and our telephone number at such address is (604) 683-3529.

THE OFFERING

Issuer	Teekay Offshore Partners L.P.
Common units offered by us	5,250,000 common units. 6,037,500 common units if the underwriters exercise in full their option to purchase up to an additional 787,500 common units to cover any over-allotments.
Units outstanding after this offering	48,010,000 common units. 48,797,500 common units if the underwriters exercise in full their over-allotment option.
Use of proceeds.	We will use the net proceeds from this offering of common units, including our general partner's related capital contribution, for general partnership purposes, including funding the acquisitions of vessels that Teekay Corporation may offer to us. Pending the application of funds for these purposes, we expect to repay a portion of our outstanding debt under one of our revolving credit facilities. Please read "Use of Proceeds" on page S-9 of this prospectus supplement.
New York Stock Exchange Symbol	TOO.

RISK FACTORS

Before investing in our common units you should carefully consider all of the information included or incorporated by reference into this prospectus. Although many of our business risks are comparable to those of a corporation engaged in a similar business, limited partner interests are inherently different from the capital stock of a corporation. When evaluating an investment in our common units, you should carefully consider those risks discussed under the caption "Risk Factors" beginning on page 8 of the accompanying prospectus, as well as the discussion of risk factors beginning on page 8 of our Annual Report on Form 20-F for the year ended December 31, 2009. If any of these risks were to occur, our business, financial condition, operating results or cash flows could be materially adversely affected. In that case, our ability to pay distributions on our common units may be reduced, the trading price of our common units could decline, and you could lose all or part of your investment. In addition, we are subject to the following risks and uncertainties:

Tax Risks

U.S. tax authorities could treat us as a "passive foreign investment company," which could have adverse U.S. federal income tax consequences to U.S. holders.

A foreign entity taxed as a corporation for U.S. federal income tax purposes will be treated as a "passive foreign investment company" (or *PFIC*) for U.S. federal income tax purposes if at least 75.0% of its gross income for any taxable year consists of certain types of "passive income," or at least 50.0% of the average value of the entity's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties, other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. By contrast, income derived from the performance of services does not constitute "passive income."

There are legal uncertainties involved in determining whether the income derived from our time chartering activities constitutes rental income or income derived from the performance of services, including the decision in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), which held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the U.S. Internal Revenue Code of 1986, as amended (or the *Code*). However, the IRS has stated that it disagrees with and will not acquiesce to the rental versus services distinction in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. The IRS's statement with respect to *Tidewater* cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would not follow the *Tidewater* decision in interpreting the PFIC provisions of the Code. Nevertheless, based on our current assets and operations, we intend to take the position that we are not now and have never been a PFIC, and our counsel, Perkins Coie LLP, is of the opinion that it is more likely than not we are not a PFIC based on representations we have made to them regarding the composition of our assets, the source of our income and the nature of our activities and other operations following this offering. No assurance can be given, however, that the opinion of Perkins Coie LLP would be sustained by a court if contested by the IRS, or that we would not constitute a PFIC for any future taxable year if there were to be changes in our assets, income or operations.

If the IRS were to determine that we are or have been a PFIC for any taxable year, U.S. unitholders will face adverse U.S. federal income tax consequences. Under the PFIC rules, unless those U.S. unitholders make certain elections available under the Code, such unitholders would be liable to pay tax at ordinary income tax rates plus interest upon certain distributions and upon any gain from the disposition of our common units, as if such distribution or gain had been recognized ratably over the unitholder's holding period.

Please read “Material U.S. Federal Income Tax Considerations—United States Federal Income Taxation of U.S. Holders—Consequences of Possible PFIC Classification.”

The preferential tax rates applicable to qualified dividend income are temporary, and the absence of legislation extending the term would cause our dividends to be taxed at ordinary graduated tax rates.

Certain of our distributions may be treated as qualified dividend income eligible for preferential rates of U.S. federal income tax to U.S. individual unitholders (and certain other U.S. unitholders). In the absence of legislation extending the term for these preferential tax rates or providing for some other treatment, all dividends received by such U.S. taxpayers in tax years beginning after December 31, 2010 will be taxed at ordinary graduated tax rates. Please read “Material U.S. Federal Income Tax Considerations—United States Federal Income Taxation of U.S. Holders—Distributions.”

We are subject to taxes, which reduces our cash available for distribution to you.

We or our subsidiaries are subject to tax in certain jurisdictions in which we or our subsidiaries are organized, own assets or have operations, which reduces the amount of our cash available for distribution. In computing our tax obligations in these jurisdictions, we are required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which we have not received rulings from the governing authorities. We cannot assure you that upon review of these positions, the applicable authorities will agree with our positions. A successful challenge by a tax authority could result in additional tax imposed on us or our subsidiaries, further reducing the cash available for distribution. For example, authorities in Norway recently asserted certain positions that may result in additional tax imposed on our subsidiaries in Norway. We have established reserves in our financial statements that we believe are adequate to cover our liability for any such additional taxes. We cannot assure you, however, that such reserves will be sufficient to cover any additional tax liability that may be imposed on our Norwegian subsidiaries. In addition, changes in tax laws, our operations or ownership could result in additional tax being imposed on us, OPCO or our or its subsidiaries in jurisdictions in which operations are conducted, which could reduce the amount of our cash available for distribution. For example, Teekay Corporation now indirectly owns less than 50.0% of the value of our outstanding units and therefore we expect that we will not satisfy the requirements of the exemption from U.S. taxation under Section 883 of the Code and our U.S. source income will be subject to taxation under Section 887 of the Code. The amount of such tax will depend upon the amount of income we earn from voyages into or out of the United States, which is not within our complete control.

USE OF PROCEEDS

We expect to receive net proceeds of approximately \$113.4 million from the sale of common units we are offering (including from our general partner's related capital contribution to maintain its 2% general partner interest in us), after deducting underwriting discounts and estimated offering expenses payable by us. We expect to receive net proceeds of approximately \$130.5 million (including from our general partner's related capital contribution) if the underwriters exercise in full their over-allotment option to acquire additional common units.

We will use the net proceeds from this offering, and the related capital contribution by our general partner, for general partnership purposes, including funding the acquisitions of vessels that Teekay Corporation may offer to us. Pending the application of funds for these purposes, we expect to repay a portion of our outstanding debt under one of our revolving credit facilities, which has a fluctuating interest rate based on the London Interbank Offered Rate (LIBOR) plus 3.25%. We borrowed under this facility from time to time for working capital and general partnership purposes. The credit facility matures on June 28, 2013.

Affiliates of certain of the underwriters are lenders under the revolving credit facility described above and will receive a portion of the net proceeds from this offering. Please read "Underwriting."

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2010 on a historical basis and on an as adjusted basis to give effect to this offering, the related capital contribution by our general partner to maintain its 2% general partner interest in us, and the application of the estimated net proceeds therefrom as described under “Use of Proceeds.”

The historical data in the table is derived from, and should be read in conjunction with, our historical financial statements, including accompanying notes, and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” from our Annual Report on Form 20-F for the year ended December 31, 2009, and from our Report on Form 6-K for the first quarter of 2010, each of which is incorporated by reference herein.

	As of March 31, 2010	
	Actual	As Adjusted (1)
	(in thousands)	
Total cash and cash equivalents	<u>\$136,609</u>	<u>\$ 136,609</u>
Long-term debt, including current portion	\$1,678,637	\$1,565,201
Equity:		
Non-controlling interest	206,847	206,847
Partners’ equity	302,619	416,055
Accumulated other comprehensive income	<u>3</u>	<u>3</u>
Total capitalization	<u>\$2,188,106</u>	<u>\$2,188,106</u>

(1) Assumes the underwriters have not exercised their over-allotment option.

PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

Our common units are listed for trading on the New York Stock Exchange under the symbol “TOO.”

The following table sets forth, for the periods indicated, the high and low sales price per common unit, as reported on the New York Stock Exchange, and the amount of quarterly cash distributions declared per unit. The closing sale price of our common units on the New York Stock Exchange on August 16, 2010 was \$23.19 per common unit.

Years Ended	Price Ranges		Quarterly Cash Distributions (1)
	High	Low	
December 31, 2009	\$20.15	\$9.44	
December 31, 2008	26.77	6.22	
December 31, 2007	37.83	23.49	
Quarters Ended			
September 30, 2010 (2)	\$24.08	\$21.15	
June 30, 2010	22.50	16.89	\$0.475
March 31, 2010	21.12	17.91	0.475
December 31, 2009	20.15	14.90	0.45
September 30, 2009	16.82	11.90	0.45
June 30, 2009	14.76	11.26	0.45
March 31, 2009	14.89	9.44	0.45
December 31, 2008	14.62	6.22	0.45
September 30, 2008	19.88	10.00	0.45
Months Ended			
August 31, 2010 (3)	\$24.08	\$21.92	
July 31, 2010	23.84	21.15	
June 30, 2010	22.50	19.00	
May 31, 2010	21.75	16.89	
April 30, 2010	21.55	19.79	
March 31, 2010	20.54	18.50	
February 28, 2010	20.87	17.91	

(1) Distributions are shown for the quarter with respect to which they were declared. Cash distributions are declared and paid within 45 days following the close of each quarter.

(2) Period beginning July 1, 2010 and ending August 16, 2010.

(3) Period beginning August 1, 2010 and ending August 16, 2010.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of the material U.S. federal income tax considerations that may be relevant to prospective unitholders and, unless otherwise noted in the following discussion, is the opinion of Perkins Coie LLP, our U.S. counsel, insofar as it relates to matters of U.S. federal income tax law and legal conclusions with respect to those matters. The opinion of our counsel is dependent on the accuracy of representations made by us to them, including descriptions of our operations contained herein.

This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (or the Code), applicable U.S. Treasury Regulations promulgated thereunder, court decisions and administrative interpretations, as of the date of this prospectus supplement, all of which are subject to change, possibly with retroactive effect. Unless the context otherwise requires, references in this section to “we,” “our” or “us” are references to Teekay Offshore Partners L.P.

This discussion is limited to unitholders who hold their common units as “capital assets” for tax purposes. This discussion does not address all tax considerations that may be important to a particular unitholder in light of the unitholder’s circumstances, or to certain categories of unitholders that may be subject to special tax rules, such as:

- dealers in securities or currencies,
- traders in securities that have elected the mark-to-market method of accounting for their securities,
- persons whose functional currency is not the U.S. dollar,
- persons holding our common units as part of a hedge, straddle, conversion or other “synthetic security” or integrated transaction,
- certain U.S. expatriates,
- financial institutions,
- insurance companies,
- persons subject to the alternative minimum tax,
- persons that actually or under applicable constructive ownership rules own 10% or more of our common units, and
- entities that are tax-exempt for U.S. federal income tax purposes.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds our common units, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our common units, you should consult your own tax advisor about the U.S. federal income tax consequences of owning and disposing of the common units.

No ruling has been or will be requested from the IRS regarding any matter affecting us or our unitholders. Instead, we will rely on the opinion of Perkins Coie LLP. Unlike a ruling, an opinion of counsel represents only that counsel’s legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made here may not be sustained by a court if contested by the IRS.

This discussion does not address any U.S. estate tax considerations or tax considerations arising under the laws of any state, local or non-U.S. jurisdiction. Each unitholder is urged to consult its own tax advisor regarding the U.S. federal, state, local and other tax consequences of the ownership or disposition of our common units.

Election to be Taxed as a Corporation

We have elected to be taxed as a corporation for U.S. federal income tax purposes. As such, unitholders are not directly subject to U.S. federal income tax on our income, but rather are subject to U.S. federal income tax on distributions received from us and dispositions of units as described below.

United States Federal Income Taxation of U.S. Holders

As used herein, the term *U.S. Holder* means a beneficial owner of our common units that is a U.S. citizen or U.S. resident alien, a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia, an estate whose income is subject to U.S. federal income taxation regardless of its source, or a trust that either is subject to the supervision of a court within the United States and has one or more U.S. persons with authority to control all of its substantial decisions or has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

Distributions

We have elected to be taxed as a corporation for U.S. federal income tax purposes. Subject to the discussion of passive foreign investment companies (or *PFICs*) below, any distributions made by us with respect to our common units to a U.S. Holder generally will constitute dividends, which may be taxable as ordinary income or “qualified dividend income” as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder’s tax basis in its common units and thereafter as capital gain. U.S. Holders that are corporations for U.S. federal income tax purposes generally will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common units generally will be treated as “passive category income” or, in the case of certain types of U.S. Holders, “general category income” for purposes of computing allowable foreign tax credits for U.S. federal income tax purposes.

Dividends paid on our common units to a U.S. Holder who is an individual, trust or estate (or a *U.S. Individual Holder*) will be treated as “qualified dividend income” that currently is taxable to such U.S. Individual Holder at preferential capital gain tax rates provided that: (i) our common units are readily tradable on an established securities market in the United States (such as the New York Stock Exchange on which our common units are traded); (ii) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (we intend to take the position that we are not now and have never been a PFIC, as discussed below); (iii) the U.S. Individual Holder has owned the common units for more than 60 days in the 121-day period beginning 60 days before the date on which the common units become ex-dividend; (iv) the U.S. Individual Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property; and (v) certain other conditions are met. There is no assurance that any dividends paid on our common units will be eligible for these preferential rates in the hands of a U.S. Individual Holder. Any dividends paid on our common units not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder. In the absence of legislation extending the term

of the preferential tax rates for qualified dividend income, all dividends received by a taxpayer in tax years beginning after December 31, 2010 will be taxed at ordinary graduated tax rates.

Special rules may apply to any “extraordinary dividend” paid by us. An extraordinary dividend generally is a dividend with respect to a share of stock if the amount of the dividend is equal to or in excess of 10.0% of a stockholder’s adjusted basis (or fair market value in certain circumstances) in such stock. If we pay an “extraordinary dividend” on our common units that is treated as “qualified dividend income,” then any loss derived by a U.S. Individual Holder from the sale or exchange of such common units will be treated as long-term capital loss to the extent of such dividend.

Newly enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8% tax on, among other things, dividends for taxable years beginning after December 31, 2012, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership of our common units.

Consequences of Possible PFIC Classification

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to a “look through” rule, either: (i) at least 75.0% of its gross income is “passive” income; or (ii) at least 50.0% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income. For purposes of these tests, “passive income” includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. By contrast, income derived from the performance of services does not constitute “passive income.”

There are legal uncertainties involved in determining whether the income derived from our time chartering activities constitutes rental income or income derived from the performance of services, including the decision in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), which held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the Code. However, the IRS has stated that it disagrees with and will not acquiesce to the rental versus services distinction in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. The IRS’s statement with respect to *Tidewater* cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would not follow the *Tidewater* decision in interpreting the PFIC provisions of the Code. Nevertheless, based on our current assets and operations, we intend to take the position that we are not now and have never been a PFIC, and our counsel, Perkins Coie LLP, is of the opinion that it is more likely than not that we are not a PFIC based on applicable law, including the Code, legislative history, published revenue rulings and court decisions, and representations we have made to them regarding the composition of our assets, the source of our income and the nature of our activities and other operations following this offering, including:

- the total payments due to us under each of our time charters and the *Varg* contracts are substantially in excess of the current bareboat charter rate for comparable vessels;
- the income from our contracts of affreightment, time chartering activities and the *Petrojarl Varg* will be greater than 25% of our total gross income at all relevant times; and
- the gross value of our vessels servicing our contracts of affreightment, time charters and the *Petrojarl Varg* will exceed the gross value of all other assets we own at all relevant times.

An opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Accordingly, the opinion of Perkins Coie LLP may not be sustained by a court if contested by the IRS. Further, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in our assets, income or operations.

Current law provides that dividends received by a U.S. Individual Holder from a qualified foreign corporation are subject to U.S. federal income tax at preferential rates through 2010. However, if we are classified as a PFIC for a taxable year in which we pay a dividend or the immediately preceding taxable year, we would not be considered a qualified foreign corporation, and a U.S. Individual Holder receiving such dividends would not be eligible for the reduced rate of U.S. federal income tax.

Additionally, as discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes a timely and effective election to treat us as a "Qualified Electing Fund" (a *QEF election*). As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to our common units, as discussed below. In addition, U.S. Holders of PFICs may be subject to additional reporting requirements.

Taxation of U.S. Holders Making a Timely QEF Election. If a U.S. Holder makes a timely QEF election (an *Electing Holder*), the Electing Holder must report each year for U.S. federal income tax purposes the Electing Holder's pro rata share of our ordinary earnings and net capital gain, if any, for our taxable years that end with or within the Electing Holder's taxable year, regardless of whether or not the Electing Holder received distributions from us in that year. Such income inclusions would not be eligible for the preferential tax rates applicable to "qualified dividend income." The Electing Holder's adjusted tax basis in the common units will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that were previously taxed will result in a corresponding reduction in the Electing Holder's adjusted tax basis in common units and will not be taxed again once distributed. An Electing Holder generally will recognize capital gain or loss on the sale, exchange or other disposition of our common units. A U.S. Holder makes a QEF election with respect to any year that we are a PFIC by filing IRS Form 8621 with the holder's timely filed U.S. federal income tax return (including extensions).

If a U.S. Holder has not made a timely QEF election with respect to the first year in the holder's holding period of our common units during which we qualified as a PFIC, the holder may be treated as having made a timely QEF election by filing a QEF election with the holder's timely filed U.S. federal income tax return (including extensions) and, under the rules of Section 1291 of the Code, a "deemed sale election" to include in income as an "excess distribution" (described below) the amount of any gain that the holder would otherwise recognize if the holder sold the holder's common units on the "qualification date." The qualification date is the first day of our taxable year in which we qualified as a "qualified electing fund" with respect to such U.S. Holder. In addition to the above rules, under very limited circumstances, a U.S. Holder may make a retroactive QEF election if the holder failed to file the QEF election documents in a timely manner. If a U.S. Holder makes a timely QEF election for one of our taxable years, but did not make such election with respect to the first year in the holder's holding period of our common units during which we qualified as a PFIC and the holder did not make the deemed sale election described above, the holder will also be subject to the more adverse rules described below.

A U.S. Holder's QEF election will not be effective unless we annually provide the holder with certain information concerning our income and gain, calculated in accordance with the Code, to be included with the holder's U.S. federal income tax return. We have not provided our U.S. Holders with such information in prior taxable years and do not intend to provide such information in the current taxable year. Accordingly, you will not be able to make an effective QEF election at this time. If, contrary to our expectations, we determine that we are or will be a PFIC for any taxable year, we will provide U.S. Holders with the information necessary to make an effective QEF election.

Taxation of U.S. Holders Making a “Mark-to-Market” Election. If we were to be treated as a PFIC for any taxable year and, as we anticipate, our units were treated as “marketable stock,” then, as an alternative to making a QEF election, a U.S. Holder would be allowed to make a “mark-to-market” election with respect to our common units, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made for the first year a U.S. Holder holds or is deemed to hold our common units and for which we are a PFIC, the U.S. Holder generally would include as ordinary income in each taxable year that we are a PFIC the excess, if any, of the fair market value of the U.S. Holder’s common units at the end of the taxable year over the holder’s adjusted tax basis in the common units. The U.S. Holder also would be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder’s adjusted tax basis in the common units over the fair market value thereof at the end of the taxable year that we are a PFIC, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder’s tax basis in his common units would be adjusted to reflect any such income or loss recognized. Gain recognized on the sale, exchange or other disposition of our common units in taxable years that we are a PFIC would be treated as ordinary income, and any loss recognized on the sale, exchange or other disposition of the common units in taxable years that we are a PFIC would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder. Because the mark-to-market election only applies to marketable stock, however, it would not apply to a U.S. Holder’s indirect interest in any of our subsidiaries that were also determined to be PFICs.

If a U.S. Holder makes a mark-to-market election for one of our taxable years and we were a PFIC for a prior taxable year during which such holder held our common units and for which (i) we were not a QEF with respect to such holder and (ii) such holder did not make a timely mark-to-market election, such holder would also be subject to the more adverse rules described below in the first taxable year for which the mark-to-market election is in effect and also to the extent the fair market value of the U.S. Holder’s common units exceeds the holder’s adjusted tax basis in the common units at the end of the first taxable year for which the mark-to-market election is in effect.

Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election. If we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a “mark-to-market” election for that year (a *Non-Electing Holder*) would be subject to special rules resulting in increased tax liability with respect to (i) any excess distribution (*i.e.*, the portion of any distributions received by the Non-Electing Holder on our common units in a taxable year in excess of 125.0% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years or, if shorter, the Non-Electing Holder’s holding period for the common units), and (ii) any gain realized on the sale, exchange or other disposition of the units. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder’s aggregate holding period for the common units;
- the amount allocated to the current taxable year and any taxable year prior to the taxable year we were first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income in the current taxable year; and
- the amount allocated to each of the other taxable years would be subject to U.S. federal income tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

If we were treated as a PFIC for any taxable year after 2010, a U.S. Holder would be required to file an annual report with the IRS for that year with respect to the holder’s common units.

U.S. Holders are urged to consult their own tax advisors regarding the applicability, availability and advisability of, and procedure for, making QEF, Mark-to-Market Elections and other available elections with respect to us, and the U.S. federal income tax consequences of making such elections.

Consequences of Possible Controlled Foreign Corporation Classification

If more than 50.0% of either the total combined voting power of our outstanding units entitled to vote or the total value of all of our outstanding units were owned, directly, indirectly or constructively, by citizens or residents of the United States, U.S. partnerships or corporations, or U.S. estates or trusts (as defined for U.S. federal income tax purposes), each of which owned, directly, indirectly or constructively, 10.0% or more of the total combined voting power of our outstanding units entitled to vote (a United States Stockholder), we generally would be treated as a controlled foreign corporation (or *CFC*). United States Stockholders of a CFC are treated as receiving current distributions of their shares of certain income of the CFC without regard to any actual distributions and are subject to other burdensome U.S. federal income tax and administrative requirements, but generally are not also subject to the requirements generally applicable to owners of a PFIC. In addition, a person who is or has been a United States Stockholder of a CFC may recognize ordinary income on the disposition of shares of the CFC. Although we currently are not a CFC, U.S. persons purchasing a substantial interest in us should consult their tax advisors about the potential implications of being treated as a United States Stockholder in the event we were to become a CFC in the future.

Sale, Exchange or other Disposition of Common Units

Assuming we do not constitute a PFIC for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common units in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such units. Subject to the discussion of extraordinary dividends above, such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition, and subject to preferential capital gain tax rates. Such capital gain or loss generally will be treated as U.S.-source gain or loss, as applicable, for U.S. foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

Newly enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8% tax on, among other things, capital gains from the sale or other disposition of stock for taxable years beginning after December 31, 2012, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their disposition of our common units.

United States Federal Income Taxation of Non-U.S. Holders

A beneficial owner of our common units (other than a partnership, including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is a Non-U.S. Holder.

Distributions

Distributions we make to a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax if the Non-U.S. Holder is not engaged in a U.S. trade or business. If the Non-U.S. Holder is engaged in a U.S. trade or business, distributions we make will be subject to U.S. federal income tax to the extent those distributions constitute income effectively connected with that Non-U.S. Holder's U.S. trade or business. However, distributions made to a Non-U.S. Holder that is engaged in a trade or business may be exempt from taxation under an income tax treaty if the income represented thereby is not attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder.

Sale, Exchange or other Disposition of Common Units

The U.S. federal income taxation of Non-U.S. Holders on any gain resulting from the disposition of our common units generally is the same as described above regarding distributions. However, an individual Non-U.S. Holder may be subject to tax on gain resulting from the disposition of our common units if the holder is present in the United States for 183 days or more during the taxable year in which such disposition occurs and meets certain other requirements.

Backup Withholding and Information Reporting

In general, payments of distributions or the proceeds of a disposition of common units to a non-corporate U.S. Holder will be subject to information reporting requirements. These payments to a non-corporate U.S. Holder also may be subject to backup withholding if the non-corporate U.S. Holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or distributions required to be shown on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding on payments within the United States, or through a U.S. payor by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

Backup withholding is not an additional tax. Rather, a unitholder generally may obtain a credit for any amount withheld against its liability for U.S. federal income tax (and a refund of any amounts withheld in excess of such liability) by accurately completing and filing a return with the IRS.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and UBS Securities LLC and are acting as joint book-running managers of this offering and as representatives for the other underwriters named below. Subject to the terms and conditions stated in the underwriting agreement, dated the date of this prospectus supplement, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the number of common units set forth opposite the underwriter's name.

<u>Underwriter</u>	<u>Number of Common Units</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,312,500
Citigroup Global Markets Inc.	1,312,500
UBS Securities LLC	1,312,500
Barclays Capital Inc.	498,750
Raymond James & Associates, Inc.	498,750
Credit Agricole Securities (USA) Inc.	157,500
ING Financial Markets LLC	<u>157,500</u>
Total	<u><u>5,250,000</u></u>

The underwriting agreement provides that the obligations of the underwriters to purchase the common units included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the common units (other than those covered by their option to purchase additional common units described below) if they purchase any of the common units.

The business address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is One Bryant Park, New York, NY 10036, of Citigroup Global Markets Inc. is 388 Greenwich Street, New York, NY 10013 and of UBS Securities LLC is 229 Park Avenue, New York, NY 10171.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 787,500 additional common units at the public offering price less the underwriting discount and commissions. To the extent the option is exercised, each underwriter must purchase a number of additional units approximately proportionate to that underwriter's initial purchase commitment.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the U.S. Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Commissions and Discounts

The underwriters propose to sell some of the common units directly to the public at the public offering price set forth on the cover page of this prospectus and some of the common units to dealers at the public offering price less a concession not to exceed \$0.54 per common unit. If all of the common units are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

The following table shows the underwriting discounts and commissions that we will pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional common units.

	Paid by Teekay Offshore Partners L.P.	
	No Exercise	Full Exercise
Per common unit	\$ 0.90	\$ 0.90
Total	\$4,725,000	\$5,433,750
Percentage of total public offering price	4.1%	4.1%

We estimate that our portion of the total expenses of this offering will be approximately \$500,000 (exclusive of underwriting discounts and commissions).

Pursuant to a requirement by the Financial Industry Regulatory Authority (or *FINRA*), the maximum commission or discount to be received by any FINRA member or independent broker/dealer may not be greater than 8% of the gross proceeds received by us for the sale of any securities being registered pursuant to SEC Rule 415 under the Securities Act.

No Sales of Similar Securities

We, Teekay Holdings Limited, our general partner and each of our general partner's officers and directors, including nominees for directors, have agreed that, for a period of 60 days from the date of this prospectus supplement, we and they will not, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and UBS Securities LLC, dispose of or hedge any of our common units or any securities convertible into or exchangeable for our common units, subject to certain exceptions. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and UBS Securities LLC, in their sole discretion, may release any of the securities subject to these lock-up agreements at any time without notice. The representatives have no present intent or arrangement to release any of the securities subject to these lock-up agreements. The release of any lock-up is considered on a case-by-case basis. Factors in deciding whether to release any common units may include the length of time before the lock-up period expires, the number of common units involved, the reason for the requested release, market conditions, the trading price of our common units, historical trading volume of our common units and whether the person seeking the release is an officer, director or affiliate of us.

New York Stock Exchange Listing

Our common units are traded on the New York Stock Exchange under the symbol "TOO."

Price Stabilization, Short Positions

In connection with the offering, the representatives, on behalf of the underwriters, may purchase and sell the common units in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common units in excess of the number of units to be purchased by the underwriters in the offering, which creates a syndicate short position. "Covered" short sales are sales of units made in an amount up to the number of units represented by the underwriters' over-allotment option. In determining the source of units to close out the covered syndicate short position, the underwriters will consider, among other things, the price of units available for purchase in the open market as compared to the price at which they may purchase units through their option to purchase common units through the over-allotment option. Transactions to close out the covered syndicate short position

involve either purchases of the common units in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make “naked” short sales of units in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing common units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the units in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of units in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when an underwriter repurchases units originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common units. They may also cause the price of the common units to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

Conflicts of Interest

As described in “Use of Proceeds,” we expect to use the net proceeds of this offering to repay a portion of our outstanding indebtedness under one of our revolving credit facilities. Affiliates of Citigroup Global Markets Inc., Credit Agricole Securities (USA) Inc. and ING Financial Markets LLC are lenders under such revolving credit facility, and each will receive more than 5% of the net proceeds of this offering. Because of the manner in which the proceeds will be used, the offering will be conducted in accordance with NASD Rule 2720(a)(1), as administered by FINRA. Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering, as the offering is of a class of equity securities for which a “bona fide public market,” as defined by FINRA, exists.

Other Relationships

Certain of the underwriters and their affiliates from time to time have performed investment banking, commercial banking and advisory services for us and our affiliates Teekay Corporation, Teekay LNG Partners L.P. and Teekay Tankers Ltd., for which they have received customary fees and expenses. The underwriters and their affiliates may from time to time perform investment banking and advisory services for us and our affiliates, including Teekay Corporation, Teekay LNG Partners L.P. and Teekay Tankers Ltd., and in the ordinary course of business for which they may in the future receive customary fees and expenses.

Electronic Offer, Sale and Distribution of Shares

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The representatives may agree to allocate a number of common units to underwriters for sale to their online brokerage account holders. The representatives will allocate units to underwriters that may make Internet distributions on the same basis as other allocations. In addition, common units may be sold by the underwriters to securities dealers who resell units to online brokerage account holders.

Other than the prospectus in electronic format, the information on any underwriter’s or selling group member’s website and any information contained in any other website maintained by any underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus supplement forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

The common units are offered for sale in those jurisdictions in the United States and elsewhere where it is lawful to make such offers.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of securities described in this prospectus may not be made to the public in that relevant member state other than:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of securities shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an “offer of securities to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

We have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the securities as contemplated in this prospectus. Accordingly, no purchaser of the securities, other than the underwriters, is authorized to make any further offer of the securities on behalf of us or the underwriters.

We may constitute a “collective investment scheme” as defined by section 235 of the Financial Services and Markets Act 2000 (or *FSMA*) that is not a “recognized collective investment scheme” for the purposes of *FSMA* (or *CIS*) and that has not been authorized or otherwise approved. As an unregulated scheme, we cannot be marketed in the United Kingdom to the general public, except in accordance with *FSMA*. This prospectus is only being distributed in the United Kingdom to, and are only directed at (i) investment professionals falling within the description of persons in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) Order 2001, as amended (the *CIS Promotion Order*) or Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the *Financial Promotion Order*) or (ii) high net worth companies and other persons falling within Article 22(2)(a) to (d) of the *CIS Promotion Order* or Article 49(2)(a) to (d) of the *Financial Promotion Order*, or (iii) to any other person to whom it may otherwise lawfully be made, (all such persons together being referred to as “relevant persons”). The common units are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such common units will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Each of the representatives has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA received by it in connection with the issue or sale of any common units which are the subject of the offering contemplated by this prospectus (or the *Securities*) in circumstances in which Section 21(1) of FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Switzerland

This prospectus is being communicated in Switzerland to a small number of selected investors only. Each copy of this document is addressed to a specifically named recipient and may not be copied, reproduced, distributed or passed on to third parties. The common units are not being offered to the public in Switzerland, and neither this Prospectus, nor any other offering materials relating to the common units may be distributed in connection with any such public offering.

We have not been registered with the Swiss Financial Market Supervisory Authority (or *FINMA*) as a foreign collective investment scheme pursuant to Article 120 of the Collective Investment Schemes Act of June 23, 2006 (or *CISA*). Accordingly, the common units may not be offered to the public in or from Switzerland, and neither this prospectus, nor any other offering materials relating to the common units may be made available through a public offering in or from Switzerland. The common units may only be offered and this prospectus may only be distributed in or from Switzerland by way of private placement exclusively to qualified investors (as this term is defined in the CISA and its implementing ordinance).

Notice to Prospective Investors in Germany

This document has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), the German Sales Prospectus Act (*Verkaufprospektgesetz*), or the German Investment Act (*Investmentgesetz*). Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht—BaFin*) nor any other German authority has been notified of the intention to distribute the common units in Germany. Consequently, the common units may not be distributed in Germany by way of public offering, public advertisement or in any similar manner and this document and any other document relating to the offering, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the common units to the public in Germany or any other means of public marketing. The common units are being offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, Section 8f paragraph 2 no. 4 of the German Sales Prospectus Act, and in Section 2 paragraph 11 sentence 2 no. 1 of the German Investment Act. This document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

The offering does not constitute an offer to buy or the solicitation or an offer to sell the common units in any circumstances in which such offer or solicitation is unlawful.

Notice to Prospective Investors in the Netherlands

The common units may not be offered or sold, directly or indirectly, in the Netherlands, other than to qualified investors (gekwalificeerde beleggers) within the meaning of Article 1:1 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

LEGAL MATTERS

The validity of the common units offered hereby and certain other legal matters with respect to the laws of the Republic of The Marshall Islands will be passed upon for us by our counsel as to Marshall Islands law, Watson, Farley & Williams (New York) LLP. Certain other legal matters will be passed upon for us by Perkins Coie LLP, Portland, Oregon, which may rely on the opinions of Watson, Farley & Williams (New York) LLP for all matters of Marshall Islands law. Vinson & Elkins L.L.P. will pass upon certain legal matters in connection with the offering on behalf of the underwriters.

EXPERTS

The consolidated financial statements of Teekay Offshore Partners L.P. appearing in its Annual Report on Form 20-F for the year ended December 31, 2009, and the effectiveness of Teekay Offshore Partners L.P.'s internal controls over financial reporting as of December 31, 2009, and the consolidated balance sheet of Teekay Offshore GP L.L.C. as at December 31, 2009, filed as Exhibit 15.2 to Teekay Offshore Partners L.P.'s Annual Report on Form 20-F for the year ended December 31, 2009, have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their reports thereon included therein, and incorporated herein by reference. Such financial statements are incorporated herein in reliance upon the reports of Ernst & Young LLP pertaining to such financial statements, given on the authority of such firm as experts in accounting and auditing.

EXPENSES

The following table sets forth estimated costs and expenses, other than the underwriting discount, we expect to incur in connection with the issuance and distribution of the common units covered by this prospectus.

Legal fees and expenses	\$300,000
Accounting fees and expenses	\$165,000
Printing costs	\$ 25,000
Transfer agent fees	<u>\$ 10,000</u>
Total	<u>\$500,000</u>

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\$750,000,000



Teekay Offshore Partners L.P.

Common Units

We may offer from time to time common units, which represent limited partnership interests in Teekay Offshore Partners L.P.

The common units we may offer will have a maximum aggregate offering price of \$750,000,000 and will be offered at prices and on terms to be set forth in one or more accompanying prospectus supplements.

We may offer these securities directly or to or through underwriters, dealers or other agents. The names of any underwriters or dealers will be set forth in the applicable prospectus supplement. Our common units are traded on the New York Stock Exchange under the symbol "TOO."

This prospectus provides you with a general description of the securities we may offer. Each time we offer to sell securities we will provide a prospectus supplement that will contain specific information about those securities and the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. This prospectus may be used to offer and sell securities only if accompanied by a prospectus supplement. You should read this prospectus and any prospectus supplement carefully before you invest. You should also read the documents we refer to in the "Where You Can Find More Information" and "Incorporation of Documents by Reference" sections of this prospectus for information about us and our financial statements.

Limited partnerships are inherently different than corporations. You should carefully consider each of the factors described or referred to under "Risk Factors" beginning on page 8 of this prospectus before you make an investment in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

May 22, 2008

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents incorporated by reference in this prospectus. We have not authorized anyone else to give you different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not offering these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents. We will disclose material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the U.S. Securities and Exchange Commission (or *SEC*) incorporated by reference in this prospectus.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form F-3 that we have filed with the SEC using a “shelf” registration process. Under this shelf registration process, we may sell, in one or more offerings, up to \$750,000,000 in total aggregate offering price of the securities described in this prospectus. This prospectus generally describes us and the securities we may offer. Each time we offer securities with this prospectus, we will provide this prospectus and a prospectus supplement that will describe, among other things, the specific amounts and prices of the securities being offered and the terms of the offering. The prospectus supplement may also add to, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement.

Unless otherwise indicated, references in this prospectus to “Teekay Offshore Partners,” “we,” “us” and “our” and similar terms refer to Teekay Offshore Partners L.P. and/or one or more of its subsidiaries (including Teekay Offshore Operating L.P.), except that those terms, when used in this prospectus in connection with the common units described herein, shall mean specifically Teekay Offshore Partners L.P. References in this prospectus to “Teekay Corporation” refer to Teekay Corporation and/or any one or more of its subsidiaries.

Unless otherwise indicated, all references in this prospectus to “dollars” and “\$” are to, and amounts are presented in, U.S. Dollars, and financial information presented in this prospectus is prepared in accordance with accounting principles generally accepted in the United States (or *GAAP*).

The information in this prospectus is accurate as of its date. You should read carefully this prospectus, any prospectus supplement, and the additional information described below under the headings “Where You Can Find More Information” and “Incorporation of Documents by Reference.”

TEEKAY OFFSHORE PARTNERS L.P.

Teekay Offshore Partners L.P. is an international provider of marine transportation and storage services to the offshore oil industry. We were formed in August 2006 by Teekay Corporation (NYSE:TK), a leading provider of marine services to the global oil and gas industries, to further develop its operations in the offshore market. Our growth strategy focuses on expanding our fleet of shuttle tankers and floating storage and offtake (or *FSO*) units under long-term, fixed-rate time charters. We intend to continue our practice of acquiring shuttle tankers and FSO units as needed for approved projects only after the long-term charters for the projects have been awarded to us, rather than ordering vessels on a speculative basis. We intend to follow this same practice in acquiring floating production, storage and offloading (or *FPSO*) units, which produce and process oil offshore in addition to providing storage and offloading capabilities. We may enter into joint ventures and partnerships with companies that may provide increased access to opportunities emerging from the global expansion of the offshore transportation, storage and production sectors, or we may engage in vessel or business acquisitions. We seek to leverage the expertise, relationships and reputation of Teekay Corporation and its affiliates to pursue these growth opportunities in the offshore sectors and may consider other opportunities to which our competitive strengths are well suited. Teekay Corporation owns and controls our general partner and currently owns a 57.8% limited partner interest in us.

Our assets include, among others, a 26.0% interest in Teekay Offshore Operating L.P. (or *OPCO*), which owns and operates the world's largest fleet of shuttle tankers, in addition to FSO units and conventional oil tankers. We control OPCO through our ownership of its general partner and Teekay Corporation owns the remaining 74.0% interest in OPCO. We believe that Teekay Corporation will offer us the opportunity to acquire additional limited partner interests in OPCO in the future.

Our Fleet and Potential Additional Offshore Project Opportunities From Teekay Corporation

As of April 30, 2008, our fleet consisted of: 38 shuttle tankers, 25 of which are owned by OPCO (including five through 50%-controlled joint ventures), 11 of which are chartered-in by OPCO, and 2 of which are owned by us (including one through a 50%-controlled joint venture); 5 FSO units, four of which are owned by OPCO; and 9 Aframax-class conventional crude oil tankers, all of which are owned by OPCO. All of these vessels operate under fixed-rate contracts or, for some of our shuttle tankers, under contracts of affreightment where payments are based upon the volume of oil transported. Our fleet consists of double-hull vessels, other than two FSO units.

Pursuant to an omnibus agreement we entered into in connection with our initial public offering in December 2006, Teekay Corporation is obligated to offer us shuttle tankers, FSO units, and FPSO units it may acquire in the future if the vessels are servicing contracts with terms in excess of three years.

Teekay Corporation has ordered four Aframax shuttle tanker newbuildings that are scheduled to deliver in 2010 and 2011, for a total delivered cost of approximately \$485.0 million. These vessels will be offered to us pursuant to the omnibus agreement and, if we acquire them, we anticipate they will be used to service either new long-term, fixed-rate contracts Teekay Corporation may be awarded prior to vessel delivery or OPCO's contracts of affreightment in the North Sea.

The omnibus agreement also obligates Teekay Corporation to offer to us (a) its interest in future FPSO and FSO projects it may undertake through its 50%-owned joint venture with Teekay Petrojarl ASA, one of the largest independent FPSO operators, and (b) if Teekay Corporation obtains 100% ownership of Teekay Petrojarl ASA, the existing FPSO units owned by Teekay Petrojarl ASA that are servicing contracts in excess of three years in length. As of April 30, 2008, Teekay Corporation owned 65% of Teekay Petrojarl ASA, which owns four FPSO units.

Partnership Structure and Management

Our operations are conducted through, and our operating assets are owned by, our subsidiaries, including OPCO. Our subsidiary, Teekay Offshore Operating GP L.L.C., a Marshall Islands limited liability company, is OPCO's general partner and manages OPCO's operations and activities. Our general partner, Teekay Offshore GP L.L.C., a Marshall Islands limited liability company, has an economic interest in us and manages our operations and activities. Our general partner does not receive any management fee or other compensation in connection with its management of our business, but it is entitled to be reimbursed for all direct and indirect expenses incurred on our behalf. Pursuant to services agreements between us, OPCO and our and its subsidiaries, on the one hand, and other subsidiaries of Teekay Corporation, on the other hand, the Teekay Corporation subsidiaries provide to us and OPCO substantially all of our and its administrative services and to our and OPCO's subsidiaries substantially all of their strategic consulting, advisory, ship management, technical and administrative services.

We are a limited partnership organized under the laws of the Republic of The Marshall Islands. Our principal executive offices are located at 4th floor, Belvedere Building, 69 Pitts Bay Road, Hamilton HM 08, Bermuda, and our phone number is (441) 298-2530. Our principal operating office is located at Suite 2000, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2K2, and our telephone number at such address is (604) 683-3529.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-3 regarding the securities covered by this prospectus. This prospectus does not contain all of the information found in the registration statement. For further information regarding us and the securities offered in this prospectus, you may wish to review the full registration statement, including its exhibits. The registration statement, including the exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC at 100 F Street, NE, Washington, D.C. 20549, at prescribed rates or from the SEC's web site on the Internet at www.sec.gov free of charge. Please call the SEC at 1-800-SEC-0330 for further information on public reference rooms. Our registration statement can also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

We are subject to the information requirements of the Securities Exchange Act of 1934 (or the *Exchange Act*), and, in accordance therewith, we are required to file with the SEC annual reports on Form 20-F within six months of our fiscal year-end, and provide to the SEC other material information on Form 6-K. We intend to file our annual reports on Form 20-F earlier than the SEC currently requires. These reports and other information may be inspected and copied at the public reference facilities maintained by the SEC or obtained from the SEC's website as provided above. Our website on the Internet is located at www.teekayoffshore.com, and we expect to make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

As a foreign private issuer, we are exempt under the Securities Exchange Act from, among other things, certain rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal unitholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, including the filing of quarterly reports or current reports on Form 8-K. However, we intend to make available quarterly reports containing our unaudited interim financial information for the first three fiscal quarters of each fiscal year.

INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" into this prospectus information that we file with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to other documents filed separately with the SEC. The information incorporated by reference is an important part of this prospectus. Information that we later provide to the SEC, and which is deemed to be "filed" with the SEC, automatically will update information previously filed with the SEC, and may replace information in this prospectus.

We incorporate by reference into this prospectus the documents listed below:

- Our Annual Report on Form 20-F for the fiscal year ended December 31, 2007;
- all subsequent Annual Reports on Form 20-F filed prior to the termination of this offering;

- all subsequent Reports on Form 6-K filed prior to the termination of this offering that we identify in such Reports as being incorporated by reference into the registration statement of which this prospectus is a part; and
- the description of our common units contained in our Registration Statement on Form 8-A/A filed on May 6, 2008, including any subsequent amendments or reports filed for the purpose of updating such description.

These reports contain important information about us, our financial condition and our results of operations.

You may obtain any of the documents incorporated by reference in this prospectus from the SEC through its public reference facilities or its website at the addresses provided above. You also may request a copy of any document incorporated by reference in this prospectus (excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference in this document), at no cost, by visiting our internet website at www.teekayoffshore.com, or by writing or calling us at the following address:

Teekay Offshore Partners, L.P.
4th floor, Belvedere Building,
69 Pitts Bay Road
Hamilton HM 08, Bermuda Attn: Corporate Secretary
(441) 298-2530

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with any information. You should not assume that the information incorporated by reference or provided in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each document.

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus and any prospectus supplements are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, and the markets in which we operate. In some cases, you can identify the forward-looking statements by the use of words such as “may,” “will,” “could,” “should,” “would,” “expect,” “plan,” “anticipate,” “intend,” “forecast,” “believe,” “estimate,” “predict,” “propose,” “potential,” “continue” or the negative of these terms or other comparable terminology.

Forward-looking statements include statements with respect to, among other things:

- our ability to make cash distributions on our units or any increases in our quarterly distributions;
- our future financial condition or results of operations and future revenues and expenses;
- the repayment of debt;
- expected compliance with financing agreements and the expected effect of restrictive covenants in such agreements;

- growth prospects of the offshore and tanker markets;
- offshore and tanker market fundamentals, including the balance of supply and demand in the offshore and tanker market;
- the expected lifespan of a new shuttle tanker, floating storage and off-take (or *FSO*) unit and conventional tanker;
- future capital expenditures and the availability of capital resources to fund capital expenditures;
- our ability to maintain long-term relationships with major crude oil companies;
- our ability to leverage to our advantage Teekay Corporation's relationships and reputation in the shipping industry;
- our continued ability to enter into fixed-rate charters with customers;
- obtaining offshore projects that we or Teekay Corporation bid on or that Teekay Corporation is awarded;
- our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term time charter;
- the ability of counterparties to our derivative contracts to fulfill their contractual obligations;
- our pursuit of strategic opportunities, including the acquisition of vessels and expansion into new markets;
- delivery dates and financing for newbuildings;
- the commencement of service of newbuildings under long-term contracts;
- the ability to compete successfully for future chartering and newbuilding opportunities;
- our expected financial flexibility to pursue acquisitions and other expansion opportunities;
- anticipated funds for liquidity needs and the sufficiency of cash flows;
- the expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards applicable to our business;
- the expected impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;
- Teekay Corporation increasing its ownership interest in Teekay Petrojarl ASA (formerly Petrojarl ASA) or offering us additional interests in OPCO;
- our general and administrative expenses as a public company and expenses under service agreements with other affiliates of Teekay Corporation and for reimbursements of fees and costs of our general partner;

- the anticipated taxation of our partnership and its subsidiaries and distributions to our unitholders, including our estimate of the percentage of our distributions that will constitute dividends;
- our exposure to foreign currency fluctuations, particularly in Norwegian Kroner; and
- our business strategy and other plans and objectives for future operations.

These and other forward-looking statements are subject to the risks, uncertainties and assumptions, including those risks discussed in “Risk Factors” below and those risks discussed in other reports we file with the SEC and that are incorporated in this prospectus by reference. 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.

Forward-looking statements are made based upon management’s current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and, therefore, involve a number of risks and uncertainties, including those risks discussed in “Risk Factors.” We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

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.

RISK FACTORS

Although many of our business risks are comparable to those of a corporation engaged in a similar business, limited partner interests are inherently different from the capital stock of a corporation. When evaluating an investment in our common units, you should carefully consider the following risk factors together with all other information included in this prospectus, including those risks discussed under the caption “Risk Factors” in our latest Annual Report on Form 20-F filed with the SEC, which are incorporated by reference into this prospectus, and information included in any applicable prospectus supplement.

If any of the risks actually occur, our business, financial condition, operating results or cash flows could be materially adversely affected. In that case, we might be unable to pay distributions on our common units, the trading price of our common units could decline, and you could lose all or part of your investment.

Risks Inherent in an Investment in Us

Our Partnership Agreement Limits Our General Partner’s Fiduciary Duties to Our Unitholders and Restricts the Remedies Available to Unitholders for Actions Taken by our General Partner.

Our partnership agreement contains provisions that reduce the standards to which our general partner would otherwise be held by Marshall Islands law. For example, our partnership agreement:

- permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. Where our partnership agreement permits, our general partner may consider only the interests and factors that it desires, and in such cases it has no duty or obligation to give any consideration to any interest of, or factors affecting us, our affiliates or our unitholders. Decisions made by our general partner in its individual capacity are made by its sole owner, Teekay Corporation, and not by the board of directors of our general partner. Examples include the exercise of its call right, its voting rights with respect to the units it owns, its registration rights and its determination whether to consent to any merger or consolidation of the partnership;
- provides that our general partner is entitled to make other decisions in “good faith” if it reasonably believes that the decision is in our best interests;
- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of the board of directors of our general partner and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be “fair and reasonable” to us and that, in determining whether a transaction or resolution is “fair and reasonable,” our general partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly favorable or advantageous to us; and
- provides that our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that the general partner or those other persons acted in bad faith or engaged in fraud, willful misconduct or gross negligence.

In order to become a limited partner of our partnership, a common unitholder agrees to be bound by the provisions in the partnership agreement, including the provisions discussed above.

Fees and Cost Reimbursements, Which Our General Partner Determines for Services Provided to us, are Substantial and Reduce Our Cash Available for Distribution to You.

Prior to making any distribution on the common units, we and OPCO pay fees for services provided to us, OPCO and our and its operating subsidiaries by certain subsidiaries of Teekay Corporation, and we reimburse our general partner for all expenses it incurs on our behalf. These fees are negotiated on our behalf by our general partner, and our general partner also determines the amounts it is reimbursed. These fees and expenses include all costs incurred in providing certain administrative services to us and OPCO and certain advisory, ship management, technical and administrative services to our and OPCO's operating subsidiaries, including services rendered to us pursuant to certain advisory and administrative services agreements. The payment of fees to Teekay Corporation and reimbursement of expenses to our general partner could adversely affect our ability to pay cash distributions to you.

Our General Partner, Which is Owned and Controlled by Teekay Corporation, Makes all Decisions on Our Behalf, Subject to the Limited Voting Rights of Our Common Unitholders. Even if Public Unitholders are Dissatisfied, they cannot Remove Our General Partner without Teekay Corporation's Consent.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders did not elect our general partner or its board of directors and have no right to elect our general partner or its board of directors on an annual or other continuing basis. Teekay Corporation, which owns and controls our general partner, appoints our general partner's board of directors, which in turn appoints the board of directors of OPCO's general partner. Our general partner makes all decisions on our behalf. If the unitholders are dissatisfied with the performance of our general partner, they have little ability to remove our general partner. As a result of these limitations, the price at which the common units trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

The vote of the holders of at least 66-²/₃% of all outstanding units, voting together as a single class, is required to remove our general partner. Teekay Corporation currently owns 58.9% of the units. Also, if our general partner is removed without "cause" during the subordination period and no units held by our general partner and Teekay Corporation are voted in favor of that removal, all remaining subordinated units (which are held by Teekay Corporation) will automatically convert into common units and any existing arrearages on the common units will be extinguished. A removal of our general partner under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until we had met certain distribution and performance tests. "Cause" is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding our general partner liable for actual fraud or willful or wanton misconduct in its capacity as our general partner. Cause does not include most cases of charges of poor management of the business.

In addition, unitholders' voting rights are further restricted by our partnership agreement provision providing that any units held by a person that owns 20.0% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees, and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

The Control of Our General Partner may be Transferred to a Third Party without Unitholder Consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. In addition, our partnership agreement does not restrict the ability of the members of our general partner from transferring their respective membership interests in our general partner to a third party. In the event of any such transfer, the new members of our general partner would be in a position to replace the board of directors and officers of our general partner with their own choices and to control the decisions taken by the board of directors and officers.

If We Cease to Control OPCO, We may be Deemed to be an Investment Company Under the Investment Company Act of 1940.

If we cease to manage and control OPCO and are deemed to be an investment company under the U.S. Investment Company Act of 1940 because of our ownership of OPCO partnership interests, we would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC or modify our organizational structure or our contract rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property to or from our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage, and require us to add additional directors who are independent of us or our affiliates.

Common Unitholders may Experience Immediate and Substantial Dilution of their Interest.

In the past, purchasers of our common units have experienced immediate and substantial dilution of their ownership interest in us. This dilution results primarily because the assets contributed by our general partner and its affiliates in connection with our initial public offering are recorded at their historical cost, and not their fair value, in accordance with GAAP. Depending on whether the offering price for any common units exceeds the pro forma net tangible book value per common unit, you could incur immediate and substantial dilution.

We may Issue Additional Equity Securities without Your Approval, Which would Dilute Your Ownership Interests.

Our general partner, without the approval of our unitholders, may cause us to issue an unlimited number of additional units or other equity securities.

The issuance by us of additional common units or other equity securities will have the following effects:

- our unitholders' proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

In Establishing Cash Reserves, Our General Partner may Reduce the Amount of Cash Available for Distribution to You.

OPCO's partnership agreement provides that the board of directors of our general partner, on our behalf, approves the amount of reserves from OPCO's cash flow that is retained by OPCO to fund its future operating expenditures. Our partnership agreement requires our general partner to deduct from our operating surplus cash reserves that it determines are necessary to fund our future operating expenditures. These reserves affect the amount of cash available for distribution by OPCO to us and by us to our unitholders. In addition, our general partner may establish reserves for distributions on the subordinated units, but only if those reserves will not prevent us from distributing the full minimum quarterly distribution, plus any arrearages, on our common units for the following four quarters. Furthermore, our partnership agreement requires our general partner each quarter to deduct from operating surplus estimated maintenance capital expenditures, as opposed to actual expenditures, which could reduce the amount of available cash for distribution.

Our General Partner has a Call Right that may Require you to Sell Your Common Units at an Undesirable Time or Price.

If at any time our general partner and its affiliates own more than 80.0% of the common units, our general partner has the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price as determined in accordance with our partnership agreement. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your units.

Teekay Corporation, an affiliate of our general partner, currently owns approximately 17.9% of the common units. At the end of the subordination period applicable to our subordinated units, and assuming no additional issuances of common units and conversion of our subordinated units into common units, Teekay Corporation will own approximately 58.9% of the common units. Teekay Corporation may acquire additional common units from us in connection with future transactions or through open-market or negotiated purchases.

Our Partnership Agreement Restricts the Voting Rights of Unitholders Owning 20% or More of Our Common Units.

Our partnership agreement restricts unitholders' voting rights by providing that any units held by a person that owns 20.0% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter. The partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

You may not have Limited Liability if a Court Finds that Unitholder Action Constitutes Control of Our Business.

As a limited partner in a partnership organized under the laws of the Republic of The Marshall Islands, you could be held liable for our obligations to the same extent as a general partner if you participate in the "control" of our business. Our general partner generally has unlimited liability for the obligations of the partnership, such as its debts and environmental liabilities, except for those contractual obligations of the partnership that are expressly made without recourse to our general partner. In addition, the Marshall Islands Limited Partnership Act (or the *Marshall Islands Act*) provides that a unitholder may be liable to us for the amount of a distribution for a period of three years from the date of the distribution, as described below under

“— Unitholders may have liability to repay distributions.” In addition, the limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some jurisdictions in which we do business.

We can Borrow Money to Pay Distributions, Which would Reduce the Amount of Credit Available to Operate Our Business.

Our partnership agreement allows us to make working capital borrowings to pay distributions. Accordingly, we can make distributions on all our units even though cash generated by our operations may not be sufficient to pay such distributions. Any working capital borrowings by us to make distributions will reduce the amount of working capital borrowings we can make for operating our business.

Increases in Interest Rates may Cause the Market Price of Our Common Units to Decline.

An increase in interest rates may cause a corresponding decline in demand for equity investments in general, and in particular for yield-based equity investments such as our common units. Any such increase in interest rates or reduction in demand for our common units resulting from other relatively more attractive investment opportunities may cause the trading price of our common units to decline.

Unitholders may have Liability to Repay Distributions.

Unitholders may have to repay amounts wrongfully distributed to them. Under the Marshall Islands Act, we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets. Marshall Islands law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Marshall Islands law will be liable to the limited partnership for the distribution amount. Purchasers of units who become limited partners are liable for the obligations of the transferring limited partner to make contributions to the partnership that are known to the purchaser at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement. Liabilities to partners on account of their partnership interest and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

We have been Organized as a Limited Partnership Under the Laws of the Republic of the Marshall Islands, Which does not have a Well-Developed Body of Partnership Law.

Our partnership affairs are governed by our partnership agreement and by the Marshall Islands Act. The provisions of the Marshall Islands Act resemble provisions of the limited partnership laws of a number of states in the United States, most notably Delaware. The Marshall Islands Act also provides that it is to be applied and construed to make it uniform with the Delaware Revised Uniform Limited Partnership Act and, so long as it does not conflict with the Marshall Islands Act or decisions of the Marshall Islands courts, interpreted according to the non-statutory law (or case law) of the courts of the State of Delaware. There have been, however, few, if any, court cases in the Marshall Islands interpreting the Marshall Islands Act, in contrast to Delaware, which has a fairly well-developed body of case law interpreting its limited partnership statute. Accordingly, we cannot predict whether Marshall Islands courts would reach the same conclusions as Delaware courts. For example, the rights of our unitholders and the fiduciary responsibilities of our general partner under Marshall Islands law are not as clearly established as under judicial precedent in existence in Delaware. As a result, unitholders may have more difficulty in protecting their interests in the face of actions by our general partner and its officers and directors than would unitholders of a limited partnership formed in the United States.

Because we are Organized Under the Laws of the Marshall Islands, It may be Difficult to Serve us with Legal Process or Enforce Judgments Against Us, Our Directors or Our Management.

We are organized under the laws of the Marshall Islands, and all of our assets are located outside of the United States. Our business is operated primarily from our offices in Bermuda, Norway and Singapore. In addition, our general partner is a Marshall Islands limited liability company and a majority of its directors and officers are non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against our assets or the assets of our general partner or its directors and officers. For more information regarding the relevant laws of the Marshall Islands, please read “Service of Process and Enforcement of Civil Liabilities.”

Tax Risks

In addition to the following risk factors, you should read “Material U.S. Federal Income Tax Considerations” and “Non-United States Tax Considerations” for a more complete discussion of the expected material U.S. federal and non-U.S. income tax considerations relating to us and the ownership and disposition of our common units, as well as the information included in Item 4(E) of our latest Annual Report on Form 20-F filed with the SEC and any updates thereof, which information is incorporated by reference into this prospectus.

U.S. Tax Authorities could Treat us as a “Passive Foreign Investment Company,” Which could have Adverse U.S. Federal Income Tax Consequences to U.S. Holders.

A foreign entity taxed as a corporation for U.S. federal income tax purposes will be treated as a “passive foreign investment company” (or *PFIC*), for U.S. federal income tax purposes if at least 75.0% of its gross income for any taxable year consists of certain types of “passive income,” or at least 50.0% of the average value of the entity’s assets produce or are held for the production of those types of “passive income.” For purposes of these tests, “passive income” includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute “passive income.” U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

While there are legal uncertainties involved in this determination, our counsel, Perkins Coie LLP, is of the opinion that we should not be a PFIC based on certain assumptions made by them as well as certain representations we made to them regarding the composition of our assets, the source of our income, and the nature of our operations. However, no assurance can be given that the U.S. Internal Revenue Service will accept this position or that we would not constitute a PFIC for any future taxable year if there were to be changes in our assets, income or operations.

The Preferential Tax Rates Applicable to Qualified Dividend Income are Temporary, and the Enactment of Proposed Legislation could Affect Whether Dividends Paid by Us Constitute Qualified Dividend Income Eligible for the Preferential Rate.

Certain of our distributions may be treated as qualified dividend income eligible for preferential rates of U.S. federal income tax to U.S. individual unitholders (and certain other U.S. unitholders). In the absence of legislation extending the term for these preferential tax rates, all dividends received by such U.S. taxpayers in tax years beginning on January 1, 2011 or later will be taxed at ordinary graduated tax rates. Please read “Material U.S. Federal Income Tax Considerations — United States Federal Income Taxation of U.S. Holders — Distributions.”

Legislation has been, and may in the future be, proposed which, if enacted, could deny the preferential rate of U.S. federal income tax currently imposed on distributions paid by us. As of the date of this prospectus, it is not possible to predict with any certainty whether such proposed legislation will be enacted.

We are Subject to Taxes, Which Reduces Our Cash Available for Distribution to You.

Some of our subsidiaries are subject to tax in the jurisdictions in which they are organized or operate, which reduces the amount of our cash available for distribution. In computing our tax obligation in these jurisdictions, we are required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which we have not received rulings from the governing authorities. We cannot assure you that upon review of these positions the applicable authorities will agree with our positions. A successful challenge by a tax authority could result in additional tax imposed on our subsidiaries, further reducing the cash available for distribution. In addition, changes in our operations or ownership could result in additional tax being imposed on us, OPCO or our or its subsidiaries in jurisdictions in which operations are conducted. For example, if Teekay Corporation holds less than 50.0% of the value of our units in the future, our U.S. source income may become subject to taxation under Section 883 of the U.S. Internal Revenue Code.

You may be Subject to Income Tax in One or More Non-U.S. Countries, Including Canada, as a Result of Owning Our Common Units If, Under the Laws of any Such Country, We or OPCO are Considered to be Carrying on Business there. Such Laws may Require You to file a Tax Return with and Pay Taxes to those Countries.

We intend that our affairs and the business of each of our controlled affiliates, including OPCO, be conducted and operated in a manner that minimizes income taxes imposed upon us and these controlled affiliates or which may be imposed upon you as a result of owning our common units. However, because we are organized as a partnership, there is a risk in some jurisdictions that our activities and the activities of OPCO and our or its subsidiaries may be attributed to our unitholders for tax purposes and, thus, that you will be subject to tax in one or more non-U.S. countries, including Canada, as a result of owning our common units if, under the laws of any such country, we or OPCO are considered to be carrying on business there. Under the Income Tax Act (Canada), our election to be treated as a corporation for U.S. tax purposes has no effect. Therefore, we will continue to be treated as a partnership for Canadian tax purposes. If you are subject

to tax in any such country, you may be required to file a tax return with and to pay tax in that country based on your allocable share of our income. We may be required to reduce distributions to you on account of any withholding obligations imposed upon us by that country in respect of such allocation to you. The United States may not allow a tax credit for any foreign income taxes that you directly or indirectly incur.

We believe we conduct our and OPCO's activities in a manner so that our unitholders should not be considered to be carrying on business in Canada solely as a consequence of the acquisition, holding, disposition or redemption of our common units. However, the question of whether either we or any of our controlled affiliates will be treated as carrying on business in any country, including Canada, will largely be a question of fact determined through an analysis of contractual arrangements, including the services agreements we, OPCO and our and its operating subsidiaries have entered into and, will enter into in the future, with subsidiaries of Teekay Corporation, and the way we and OPCO conduct business or operations, all of which may change over time. Please read "Non-United States Tax Considerations — Canadian Federal Income Tax Considerations." The laws of Canada or any other foreign country may also change, which could cause the country's taxing authorities to determine that we or OPCO are carrying on business in such country and are subject to its taxation laws. Any foreign taxes imposed on us, OPCO or any subsidiaries will reduce our cash available for distribution to you.

USE OF PROCEEDS

Unless we specify otherwise in any prospectus supplement, we will use the net proceeds from our sale of securities covered by this prospectus for general partnership purposes, which may include, among other things:

- paying or refinancing all or a portion of our indebtedness outstanding at the time; and
- funding working capital, capital expenditures or acquisitions.

The actual application of proceeds from the sale of any particular offering of securities covered by this prospectus will be described in the applicable prospectus supplement relating to the offering.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2007.

This table is derived from and should be read in conjunction with our consolidated financial statements, including accompanying notes, incorporated by reference in this prospectus. You should also read this table in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes thereto, which are incorporated by reference herein from our Annual Report on Form 20-F for the year ended December 31, 2007.

	<u>As of December 31,</u> <u>2007</u>
	<u>(in thousands)</u>
Total cash and cash equivalents	<u>\$ 121,224</u>
Long-term debt, including current portion	\$1,517,467
Non-controlling interest	391,645
Partners’ equity	<u>80,969</u>
Total capitalization	<u>\$1,990,081</u>

PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

As of April 30, 2008, there were 9,800,000 common units outstanding, held by approximately 4 holders of record. Our common units were first offered on the New York Stock Exchange on December 14, 2006, at an initial price of \$21.00 per unit. Our common units are traded on the New York Stock Exchange under the symbol “TOO.”

The following table sets forth, for the periods indicated, the high and low sales prices for our common units, as reported on the New York Stock Exchange, and quarterly cash distributions declared per common unit. The last reported sale price of common units on the New York Stock Exchange on May 15, 2008 was \$22.11 per common unit.

	<u>Closing Sales Price Ranges</u>		<u>Quarterly Cash Distributions per Unit (1)</u>
	<u>High</u>	<u>Low</u>	
Years Ended			
Year Ended December 31, 2007	\$37.45	\$24.04	
Year Ended December 31, 2006 (2)	\$26.77	\$25.00	
Quarters Ended			
June 30, 2008 (3)	\$24.35	\$20.35	
March 31, 2008	\$26.46	\$20.71	\$ 0.40
December 31, 2007	\$30.46	\$24.04	\$ 0.40
September 30, 2007	\$37.45	\$28.00	\$0.385
June 30, 2007	\$35.40	\$29.00	\$ 0.35
March 31, 2007	\$31.66	\$26.00	\$ 0.35
December 31, 2006 (2)	\$26.77	\$25.00	\$ 0.05 (4)
Months Ended			
May 31, 2008 (5)	\$22.18	\$20.35	
April 30, 2008	\$24.35	\$21.51	
March 30, 2008	\$25.32	\$20.71	
February 29, 2008	\$26.46	\$22.09	
January 31, 2008	\$25.86	\$22.75	
December 31, 2007	\$26.37	\$24.41	

(1) Distributions are shown for the quarter with respect to which they were declared. Cash distributions were declared and paid within 45 days following the close of each quarter.

(2) Period beginning December 14, 2006.

(3) Period beginning April 1, 2008 and ending May 15, 2008.

(4) The distribution reflects the 13-day period from December 19, 2006 to December 31, 2006.

(5) Period beginning May 1, 2008 and ending May 15, 2008.

DESCRIPTION OF THE COMMON UNITS

Our common units and our subordinated units represent limited partner interests in us. The holders of units are entitled to participate in partnership distributions and exercise the rights and privileges available to limited partners under our partnership agreement. For a description of the relative rights and privileges of holders of common units, holders of subordinated units and our general partner in and to partnership distributions, together with a description of the circumstances under which subordinated units convert into common units, please read “How We Make Cash Distributions.”

Number of Units

We currently have 9,800,000 common units outstanding, of which 1,750,000 are held by Teekay Corporation, which owns our general partner. We also have 9,800,000 subordinated units outstanding, for which there is no established public trading market, all of which are held by Teekay Corporation. The common units and the subordinated units represent an aggregate 98% limited partner interest and the general partner interest represents a 2% general partner interest in us.

Issuance of Additional Securities

Our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and rights to buy partnership securities for the consideration and on the terms and conditions determined by our general partner without the approval of our unitholders.

We may fund acquisitions through the issuance of additional common units or other equity securities. Holders of any additional common units we issue will be entitled to share equally with the then-existing holders of common units in our distributions of available cash. In addition, the issuance of additional common units or other equity securities interests may dilute the value of the interests of the then-existing holders of common units in our net assets.

In accordance with Marshall Islands law and the provisions of our partnership agreement, we may also issue additional partnership securities interests that, as determined by the general partner, have special voting or other rights to which the common units are not entitled.

Upon issuance of additional partnership securities, our general partner will have the right, but not the obligation to make additional capital contributions to the extent necessary to maintain its 2% general partner interest in us. In addition, our general partner and its affiliates have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units, subordinated units or other equity securities whenever, and on the same terms that, we issue those securities to persons other than our general partner and its affiliates, to the extent necessary to maintain its and its affiliates' percentage interest, including its interest represented by common units and subordinated units, that existed immediately prior to each issuance. Other holders of common units do not have similar preemptive rights to acquire additional common units or other partnership securities.

Meetings; Voting

Unlike the holders of common stock in a corporation, the holders of our units have only limited voting rights on matters affecting our business. They have no right to elect our general partner (who manages our operations and activities), or the directors of our general partner, on an annual or other continuing basis. On those matters that are submitted to a vote of unitholders, each record holder of a unit may vote according to the holder's percentage interest in us, although additional limited partner interests having special voting

rights could be issued. However, if at any time any person or group, other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates or a transferee approved by the board of directors of our general partner, acquires, in the aggregate, beneficial ownership of 20% or more of any class of units then outstanding, that person or group will lose voting rights on all of its units and the units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum, or for other similar purposes.

Holders of our subordinated units sometimes vote as a single class together with the holders of our common units and sometimes vote as a class separate from the holders of common units. Holders of subordinated units, like holders of common units, have very limited voting rights. During the subordination period, common units (excluding common units held by our general partner and its affiliates) and subordinated units each vote separately as a class generally on the following matters:

- a merger of our partnership;
- a sale or exchange of all or substantially all of our assets;
- the election of a successor general partner in connection with certain withdrawals of our general partner;
- dissolution or reconstitution of our partnership;
- some amendments to our partnership agreement; and
- some amendments to the operating agreement of our operating company or action taken by us as a member of the operating company if such amendment or action would materially and adversely affect our limited partners.

Neither the subordinated units nor any common units held by our general partners or any of its affiliates are entitled to vote on approval of the withdrawal of our general partner or the transfer by our general partner of its general partner interest or incentive distribution rights under some circumstances. Removal of our general partner requires:

- a 66-²/₃% vote of all outstanding units, voting as a single class, including units held by our general partner and its affiliates; and
- the election of a successor general partner by the holders of a majority of the outstanding common units and subordinated units, voting as separate classes.

Except as described above regarding a person or group owning 20% or more of any class of units then outstanding, unitholders or assignees who are record holders of units on the record date will be entitled to notice of, and to vote at, any meetings of our limited partners and to act upon matters for which approvals may be solicited. Common units that are owned by an assignee who is a record holder, but who has not yet been admitted as a limited partner, will be voted by the general partner at the written direction of the record holder. Absent direction of this kind, the common units will not be voted, except that, in the case of common units held by our general partner on behalf of unpermitted citizen assignees, our general partner will distribute the votes on those common units in the same ratios as the votes of limited partners on other units are cast.

Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or without a meeting if consents in writing describing the action so taken are signed by holders of the number of units necessary to authorize or take that action at a meeting. Meetings of the unitholders may be called by our general partner or by unitholders owning at least 20% of the outstanding

