FRN Deep Sea Supply Bond Issue 2006/2011 with call for issuer

Before investing in the bond, the investor is encouraged to become familiar with relevant documents such as this term sheet, the Loan Agreement and the Issuer’s financial accounts and articles of association. The documents are available from the Issuer and in Relevant Places. In the case of any discrepancies between the Loan Agreement and this term sheet, the Loan Agreement will apply.

www.deepseasupply.no

Term sheet written in connection with application of listing on Oslo Børs

Date: 06 February 2006

ISIN: NO 001 029795.5

Issuer: Deep Sea Supply ASA

Borrowing Limit – Tap Issue: N/A

First Tranche / Loan Amount: 2) NOK 200,000,000

Disbursement Date: 3) 23rd of January 2006

Maturity Date: 4) 24th of January 2011

NIBOR: 5) 3 months NIBOR

Margin: 3,00 percentage points

Coupon Rate: 6) 3 months NIBOR + 3,00 percentage points

Day Count Fraction – Coupon: ACT/360

Date of interest adjustment: 7) 9) Interest Payment Date

Business Day Convention: 8) Modified Following

Interest Payment Date: 9) 23rd of January, 23rd of April, 23rd of July, 23rd of October.

Interest accrual date: Disbursement Date

Final coupon date: Maturity Date

# days first term: 91 days

Status of the loan 10) Second priority mortgages (“Mortgage(s)”) in vessels securing banks and the bondholders in the aggregate amount of NOK 331.5 million on a pari passu basis (with the addition of interest and costs). Technically the Issuer has retained NOK 96,5 million of bonds and provided them as security for loans in an equivalent amount received by the Issuer on similar terms as the Loan. The current net outstanding secured under the Mortgages is therefore NOK 235 million.

Issue Price: 11) 100,00 (par)

Denomination: NOK 500,000

Bondholder’s put option: 12) Bondholders’ put option: 12) Redemption Date(s): N/A Price: N/A

Issuer’s call option: 13) Issuer’s call option: 13) Redemption Date(s): 23rd of July 2008 Price: 104,00%

Issuer’s org. number: NO 986 792 694

Number / Codes: Sector Code :

Usage of funds: The net proceeds of the Loan will be employed to refinance all outstanding indebtedness under a USD 28.2 mill mezzanine loan agreement entered into inter alia between the wholly owned subsidiary of the Issuer, Deep Sea Supply Shipowning AS (“DSSS”) as borrower and Fortress Credit Corp. as agent and dated 14 July 2005.

Approvals / Permissions: The board of directors have approved raising the loan on 30 November 2005. Oslo Børs has granted the Borrower partial exemption from the obligation to prepare a full prospectus (ref “overgangsreglene”) Oslo Børs has granted the Borrower exemption from using capital appraisal valuation from approved appraiser regarding valuation of the Vessels. The documentation is reviewed by Oslo Børs.

Trustee / Bondholders’ Representative: Norsk Tillitsmann ASA, Postboks 1470 Vika, 0116 Oslo, Norway

Arranger: Swedbank Markets
Paying Agent: Nordea Bank Norge
Securities Depository: Verdipapirsentralen (VPS)
Market making: There is no market making agreement entered into in connection with the loan

Special (distinct) conditions: During the term of the Loan the Borrower shall:
- maintain a positive working capital (the term "working capital" shall not include short-term portion of long term debt);
- maintain minimum 20 % Equity, and
The Borrower shall not without the approval of the Loan Trustee or, where necessary, the Bondholders’ meeting:
- distribute dividends greater than 75 per cent of its consolidated net profit after taxes for the previous financial year, based on the latest annual accounts. Any unutilised portion may be utilised by the Borrower in any subsequent calendar year.

Terms with capital letters not defined herein shall have the same meaning as set out in the Loan Agreement.

Deep Sea Supply ASA is the parent company and the operational company where the employees are employed. All chartering in respect of the Vessels will take place through Deep Sea Supply Shipowning. Deep Sea Supply Shipowning is a wholly owned subsidiary, which owns all the Vessels. Cash flow will be generated in Deep Sea Supply Shipowning and available for servicing interest and principal payment under the Loan Agreement, subject to no Event of Default having occurred under the NOK 730 Loan Agreement.

Supplementary information about status of the loan: ¹¹ For valuation of the Vessels, see attached estimated value from Seabrokers Group.

Status of the Loan

The Loan shall rank pari passu with other existing senior debt of the Borrower and shall rank ahead of subordinated capital.

The Loan is secured with the Mortgage in favour of the Loan Trustee (on behalf of the Bondholders) to secure repayment of the Loan (together with any interest accrued thereon and any other amounts outstanding under the Loan Agreement). The Mortgage has second priority after the Senior Lenders. The Borrower may refinance the Senior Lenders NOK 730 million loan to a maximum of NOK 730 million during the term of the Loan, provided that the refinanced Senior Lenders NOK 730 million loan after such refinancing is maximum 60 % of the market value of the Vessels then applicable.

Upon sale of any Vessel, the Mortgage in respect of such Vessel granted under the Loan Agreement shall be released by the Loan Trustee, and if (i) no Event of Default has occurred under the Senior Lenders NOK 730 million loan agreement and (ii) there is a surplus after the sale proceeds have been distributed to the Senior Lenders pursuant to the Senior Lenders NOK 730 million loan agreement, an amount of such surplus being equal to 1/6th of the Remaining Loan (but not more than such Vessel’s share of the aggregate Market Value (calculated about that time) of all the Vessels), shall be deposited as cash collateral, pledged in favour of the Loan Trustee (on behalf of the Bondholders) to secure repayment of the Loan (together with any interest accrued thereon and any other amounts outstanding under the Loan Agreement). Such cash collateral may be utilised by the Borrower or any of the Borrowers wholly owned subsidiaries to acquire new vessels, always provided that the Loan will be secured with the mortgage in such vessel(s), on (minimum) the same terms as the Mortgage. Always provided that the Borrower may change the nationality of the mortgagor or make other intra-group re-organisation without any repayment subject to the Borrower providing the Loan Trustee (on behalf of the Bondholders) a mortgage in such vessel(s), on (minimum) the same terms as the Mortgage.

The Loan Trustee shall, before release of security, receive a statement from the Borrower’s external legal advisor and documentation confirming sale of vessel and duly establishment of cash collateral, or evidence for acquisition of new vessel(s) and establishment of a mortgage in such vessel(s).

Standard Terms: If any discrepancy should occur between this Loan Description and the Loan Agreement, then the Loan Agreement will apply.

Loan Agreement: ¹¹ The Loan Agreement will be entered into between the Issuer and the Trustee prior to Disbursement Date. The Loan Agreement regulates the Bondholder’s rights and obligations in relations with the Issuer. The Trustee enters into this agreement on behalf of the Bondholders and is granted authority to act on behalf of the Bondholders to the extent provided for in the Loan Agreement.

When bonds are subscribed/purchased, the Bondholder has accepted the Loan Agreement and is bound by the terms of the Loan Agreement. If subscription is made prior to finalisation of the Loan Agreement, the subscriber is deemed to have granted authority to the Trustee to finalise the Loan Agreement. For tap issues, the Loan Agreement will apply for later issues made within the

FRN Bullet Bond
Tap Issues will be opened on Disbursement Date and closed no later than five banking days before Maturity Date. Payment of the First Tranche / Loan Amount takes place on the Disbursement Date. In case of late payment, a default interest rate of 9.25 % p.a. will accrue.

For Tap Issues the Issuer can increase the loan above the First Tranche/Loan Amount, before the initial Disbursement Date. For taps not falling on Interest Payment Dates, Accrued Interest will be calculated using standard market practice in the secondary bond market. The Issuer may apply for an increase of the Borrowing Limit.

Any taps under the Tap Issue will be made at market prices, and will fall under the regulations set out in “emisjonsforskriften av 20. desember 1996”.

The interest is paid in arrears on the Interest Payment Date. The first interest period matures on the 4 largest authorised exchange banks in the Norwegian market at approximately 12 p.m. in Oslo on the Interest Determination Date for loans in NOK to leading banks in Europe for a comparable amount. An interest rate determined by calculation of the arithmetic mean is rounded to the nearest hundredth percentage points.

The interest rate fixed on basis of the interest on deposits in the inter-bank market in Oslo quoted by the 4 largest authorised exchange banks in the Norwegian market at approximately 12 p.m. in Oslo on the Interest Determination Date and is valid for a comparable amount. The Trustee shall ask the head office of each bank to quote such an interest rate. If two or more quotes are given, the interest rate shall be fixed to the arithmetic mean of the quotes. If less than two quotes are given, the interest rate shall be set to the arithmetic mean of the interest rates quoted by banks selected by the Trustee approximately 12 p.m. in Oslo on the Interest Determination Date for loans in NOK to leading banks in Europe for a time period as mentioned in NIBOR which starts on the date of which the interest rate is set valid for a comparable amount. An interest rate determined by calculation of the arithmetic mean is rounded to the nearest hundredth percentage points.

The notification of the complaint together with the final determination of the interest rate shall be forwarded to the Bondholders through the Securities Depository. If a complaint is made, the current notification shall also be forwarded to Oslo Børs.

The interest rate, rounded to the nearest hundredth percentage points, for an equivalent time period as mentioned under NIBOR that is quoted on the Reuters page NIBR at 12 p.m. in Oslo on the Interest Determination Date.

Should NIBOR not be available, the interest rate is set based on NIBOR Reference Banks plus Margin. The new interest rate and the next interest term/period will be notified the Bondholders in writing through the Securities Depository. The Trustee and Oslo Børs shall also be notified immediately.

If any discrepancy should occur between the Issuer and the Trustee regarding change of page, or if the interest rate is set in accordance with NIBOR-reference banks, the Issuer or the Bondholders who represents minimum 1/10 of Outstanding Loan may appeal against the Interest Determination. Such an appeal must be presented in writing to the Trustee no later than 20 Business days after the bondholders being informed of the interest rate. The appeal will be dealt with by a committee comprising three members, of which one representative is nominated by the Issuer, one representative is nominated by the Trustee and a chairman agreed by the representatives of the two parties. If the parties cannot agree upon a chairman, this person will be nominated by Lord Chief Justice of the City of Oslo Magistrates Court. The decision made by the committee is final.

The notification of the complaint together with the final determination of the interest rate shall be forwarded to the Bondholders through the Securities Depository. If a complaint is made, the current notification shall also be forwarded to Oslo Børs.

The interest rate, rounded to the nearest hundredth percentage points, for an equivalent time period as mentioned under NIBOR that is quoted on the Reuters page NIBR at 12 p.m. in Oslo on the Interest Determination Date.

Should the content of the Reuters page NIBR be changed such that the quoted interest rate is not representing, according to the Trustee and the Issuer, the same interest rate as at the time of disbursement or if the page in question is removed from the Reuters system, another page on Reuters shall be used. A page from another electronic news agency that gives the same interest rate as Reuters’ page NIBR did at disbursement date can also be used if the Trustee and the Issuer agree upon this.

The interest rate fixed on basis of the interest on deposits in the inter-bank market in Oslo quoted by the 4 largest authorised exchange banks in the Norwegian market at approximately 12 p.m. in Oslo on the Interest Determination Date for a period as mentioned in NIBOR that starts on the Interest Determination Date and is valid for a comparable amount. The Trustee shall ask the head office of each bank to quote such an interest rate. If two or more quotes are given, the interest rate shall be fixed to the arithmetic mean of the quotes. If less than two quotes are given, the interest rate shall be set to the arithmetic mean of the interest rates quoted by banks selected by the Trustee approximately 12 p.m. in Oslo on the Interest Determination Date for loans in NOK to leading banks in Europe for a time period as mentioned in NIBOR which starts on the date of which the interest rate is set valid for a comparable amount. An interest rate determined by calculation of the arithmetic mean is rounded to the nearest hundredth percentage points.

The interest rate, rounded to the nearest hundredth percentage points, for an equivalent time period as mentioned under NIBOR that is quoted on the Reuters page NIBR at 12 p.m. in Oslo on the Interest Determination Date.

Should the content of the Reuters page NIBR be changed such that the quoted interest rate is not representing, according to the Trustee and the Issuer, the same interest rate as at the time of disbursement or if the page in question is removed from the Reuters system, another page on Reuters shall be used. A page from another electronic news agency that gives the same interest rate as Reuters’ page NIBR did at disbursement date can also be used if the Trustee and the Issuer agree upon this.

The interest rate fixed on basis of the interest on deposits in the inter-bank market in Oslo quoted by the 4 largest authorised exchange banks in the Norwegian market at approximately 12 p.m. in Oslo on the Interest Determination Date for a period as mentioned in NIBOR that starts on the Interest Determination Date and is valid for a comparable amount. The Trustee shall ask the head office of each bank to quote such an interest rate. If two or more quotes are given, the interest rate shall be fixed to the arithmetic mean of the quotes. If less than two quotes are given, the interest rate shall be set to the arithmetic mean of the interest rates quoted by banks selected by the Trustee approximately 12 p.m. in Oslo on the Interest Determination Date for loans in NOK to leading banks in Europe for a time period as mentioned in NIBOR which starts on the date of which the interest rate is set valid for a comparable amount. An interest rate determined by calculation of the arithmetic mean is rounded to the nearest hundredth percentage points.

The interest rate, rounded to the nearest hundredth percentage points, for an equivalent time period as mentioned under NIBOR that is quoted on the Reuters page NIBR at 12 p.m. in Oslo on the Interest Determination Date.

Should the content of the Reuters page NIBR be changed such that the quoted interest rate is not representing, according to the Trustee and the Issuer, the same interest rate as at the time of disbursement or if the page in question is removed from the Reuters system, another page on Reuters shall be used. A page from another electronic news agency that gives the same interest rate as Reuters’ page NIBR did at disbursement date can also be used if the Trustee and the Issuer agree upon this.
Condition – Bondholder’s put option:  
12) On Redemption Date the Bondholders have a right to redeem the bonds at the Corresponding Price. Claim of redemption must be received by the account operator investor in writing no later than 15 banking days prior to the Redemption Date in question, as mentioned under The Bondholders Put Option.

Condition – Issuer’s call option:  
13) On Redemption Date, the Issuer has a right to redeem the bonds, completely or partly by drawing lots at the Corresponding Price. If the Issuer makes use of this right to redemption, the Issuer shall notify the Trustee, Bondholders and Oslo Børs regarding this matter no later than 30 banking days prior to the Redemption Date in question. The notification shall also be forwarded to the Bondholders through the Securities Depository as soon as possible.

Registration:  
The loan must prior to disbursement be registered in the Securities Depository. The bonds are being registered on each Bondholders account in the Securities Depository.

Issuer’s acquisition of bonds:  
The issuer has the right to acquire and own the bonds. Such bonds may at the Issuer’s discretion be retained by the Issuer, sold or used for partial redemption.

Amortisation:  
The bonds will run without instalments and be repaid in full on Maturity Date at par, provided the Issuer has not called the bonds.

Redemption:  
Matured interest and matured principal will be credited each Bondholder directly from the Securities Registry. Claims for interest and principal shall be limited in time pursuant the Norwegian Act relating to the Limitation Period Claims of May 18 1979 no 18, p.t. 3 years for interest rates and 10 years for principal.

Sale:  
Tranche 1/ Loan Amount has been sold by the Arranger(s). Later taps can be made by authorized securities brokers.

Legislation:  
Disputes arising from or in connection with the Loan Agreement, which are not resolved amicably, shall be resolved in accordance with Norwegian law and the Norwegian courts. Legal suits shall be served at the Trustee’s competent legal venue.

Fees and expenses:  
The Issuer shall pay any stamp duty and other public fees in connection with the loan. Any public fees or taxes on sales of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise decided by law or regulation. The Issuer is responsible for withholding any withholding tax imposed by Norwegian law.

Deep Sea Supply  
Oslo, 06 February 2006  
Swedbank Markets