

Date: 24 November 2009

Final

ISIN: [TBD]



## FRN Solstad Offshore ASA Senior Unsecured Open Bond Issue 2009/2014 (the "Bonds")

**Terms:**

**Documentation:**

The Loan Agreement <sup>1)</sup> is described more closely in Standard Terms

Before investing in the Bonds, 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 and if relevant, listing document. 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.

<b>Relevant Places:</b>	<a href="http://www.solstad.no">www.solstad.no</a>		
<b>Issuer/Borrower:</b>	Solstad Offshore ASA		
<b>Borrowing Limit – Tap Issue:</b>	NOK 700,000,000		
<b>First Tranche / Loan Amount : <sup>2)</sup></b>	Minimum NOK 400,000,000		
<b>Disbursement Date: <sup>3)</sup></b>	11 December 2009		
<b>Maturity Date: <sup>4)</sup></b>	11 December 2014		
<b>NIBOR: <sup>5)</sup></b>	3 month NIBOR		
<b>Margin:</b>	500 basis points		
<b>Coupon Rate: <sup>6)</sup></b>	NIBOR + Margin		
<b>Day Count Fraction– Coupon:</b>	Act/360		
<b>Date of interest adjustment: <sup>7) 9)</sup></b>	Interest Payment Date		
<b>Business Day Convention: <sup>8)</sup></b>	Modified following		
<b>Interest Payment Date: <sup>9)</sup></b>	11 March, 11 June, 11 September and 11 December each year		
<b>Interest accrual date (from and including):</b>	Disbursement Date		
<b>Final coupon date (to):</b>	Maturity Date		
<b># days first term:</b>	90 days		
<b>Status of the Loan <sup>10)</sup></b>	Senior Unsecured		
<b>Issue Price: <sup>11)</sup></b>	100.00 (par)		
<b>Denomination:</b>	NOK 500,000		
<b>Bondholder's put option: <sup>12)</sup></b>	<b>Redemption Date(s):</b>	N/A	<b>Price:</b> N/A
<b>Issuer's call option: <sup>13)</sup></b>	<b>Redemption Date(s):</b>	N/A	<b>Price:</b> N/A

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<b>Issuer's org. number:</b>	945 883 294				
<b>Number / Codes:</b>	<b>Sector Code :</b>	710	<b>Geographic code:</b>	1149	<b>Industry (trade) Code:</b> 50204
<b>Usage of funds:</b>	Refinancing and for general corporate purposes.				
<b>Approvals / Permissions:</b>	Approved in Board Meeting on 6 November 2009.				
<b>Trustee / Bondholders' Representative:</b>	Norsk Tillitsmann AS, Postboks 1470, Vika, 0116 Oslo.				
<b>Arranger(s):</b>	Pareto Securities AS				
<b>Paying Agent:</b>	DnB NOR Bank ASA				

**Securities**  
**Depository:**  
**Market making:**  
**Special (distinct)**  
**conditions:**

Verdipapirsentralen (VPS)

There will be no market making agreement for the Bond

The Loan Agreement shall be based on Norwegian bond market standard, hereunder standard covenants and default provisions.

During the term of the Bonds, the Borrower (or on Group level when appropriate) shall (unless the Loan Trustee or the Bondholders' meeting (as the case may be) in writing has agreed to otherwise) comply with the following, including but not limited to:

a) **Continuation of business**

(i) The Issuer shall not, and shall ensure that each of the Material Subsidiary shall not, cease to carry out its business.

(ii) The Issuer shall procure that no material (substantial) change is made to the nature of the business of the Group from that carried on at the date of the Loan Agreement or as contemplated by the Loan Agreement in a manner that might jeopardize the Issuer's fulfillment of its obligations under the Loan Agreement.

b) **Disposal of business**

The Issuer shall not be entitled to sell or otherwise dispose of all or a substantial part of the Group's assets or operations, unless

(i) the transaction is carried out at fair market value, on terms and conditions customary for such transactions; and

(ii) such transaction would not have a Material Adverse Effect.

c) **Third party loans, etc**

The Issuer shall not grant any new loans to, new guarantees for or other similar financial assistance to any third party not being a member of the Group (other than in ordinary course of business) with exemption for

(i) joint venture companies and

(ii) other companies not being a member of the Group with a maximum total consolidated amount of NOK 25 million per year.

d) **Cross default**

Standard cross default provisions, subject to a NOK 50 million threshold.

e) **Mergers**

The Issuer shall not, and shall ensure that no Material Subsidiary shall, carry out any merger or other business combination or corporate reorganization involving consolidating the assets and obligations of the Issuer with any other company or entity not being a member of the Group if such transaction would have a Material Adverse Effect. The Issuer shall notify the Bond Trustee of any such transaction, providing relevant details thereof, as well as, if applicable, its reasons for believing that the proposed transaction would not have a Material Adverse Effect.

f) **Demergers**

The Issuer shall not, and shall ensure that no Material Subsidiary shall, carry out any de-merger or other corporate reorganization involving splitting the Issuer into two or more separate companies or entities, if such transaction would have a Material Adverse Effect. The Issuer shall notify the Bond Trustee of any such transaction, providing relevant details thereof, as well as, if applicable, its reasons for believing that the proposed transaction would not have a Material Adverse Effect.

g) **Reporting**

without being requested to do so, produce Financial Statements at least quarterly and make them available on its website in English language (including any Quarterly Financial Reports) (alternatively by sending them to the Bond Trustee) as soon as they become available, and not later than 150 days after the end of the financial year and 60 days after the end of the relevant quarter).

h) **Listing of shares**

The Issuer's shares shall remain listed on the Oslo Stock Exchange or on another stock exchange reasonably acceptable to the Bond Trustee.

i) **Minimum Book Equity**

From Disbursement Date to Maturity Date, the Issuer shall on a consolidated basis maintain a Book Equity of minimum NOK 1,500 million.

- j) **Value Adjusted Equity Ratio**  
From Disbursement to Maturity Date, the Issuer shall ensure that the Value Adjusted Equity Ratio of the Issuer on consolidated basis shall not fall below 20%.
- k) **Minimum Working Capital**  
From Disbursement Date to Maturity Date, the Issuer shall on a consolidated basis maintain positive Working Capital.
- l) **Change of Control**  
Upon a Change of Control Event occurring, each Bondholder shall have a right of prepayment (Put Option) of the Bonds at a price of 100% of par value (plus accrued interest) during a period of 60 days following the notice of a Change of Control Event.

The Issuer must report that the Issuer is in compliance with the Minimum Book Equity, Equity Ratio and the Minimum Working Capital under i), j) and k) above in connection with the Reporting.

**Definitions:**

**Material Subsidiary** means the following companies:

- (i) Solstad Rederi AS (Nesavegen 39, 4280 Skueneshavn with organization number 977228212) and all its Subsidiaries from time to time.
- (ii) Solstad Offshore UK Ltd. (3rd Floor, Salvesen Tower, Blaikies Quay, Aberdeen, AB11 5PW, Reg No - SC 91332) and all its Subsidiaries from time to time.

**Group** means the Borrower and all its (direct or indirect owned) Subsidiaries from time to time.

**Subsidiary** means an entity over which another entity or person has a determining influence due to (i) direct and indirect ownership of shares or other ownership interests, and/or (ii) agreement, understanding or other arrangement. An entity shall always be considered to be the subsidiary of another entity or person if such entity or person has such number of shares or ownership interests so as to represent the majority of the votes in the entity, or has the right to vote in or vote out a majority of the directors in the entity.

**Material Adverse Effect** means a material adverse effect on the Issuer's ability to perform and comply with its obligations under this Bond Agreement, or on the validity or enforceability of this Bond Agreement.

**Financial Statements** means the audited unconsolidated and consolidated annual accounts and financial statements of the Issuer for any financial year, drawn up according to IFRS, such accounts to include a profit and loss account, balance sheet, cash flow statement and report from the Board of Directors.

**GAAP** means the generally accepted accounting practice and principles in the country in which the Issuer is incorporated including, if applicable, the International Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

**Book Equity** means Solstad Offshore ASA's (consolidated) book equity, calculated in accordance with the GAAP.

**Current Assets** means the aggregate at the date of computation of the current assets of Solstad Offshore ASA (consolidated) calculated in accordance with the GAAP.

**Current Liabilities** means the aggregate amount of the current liabilities of Solstad Offshore ASA (consolidated), calculated in accordance with the GAAP, not including the next twelve months instalments on long term debt.

**Working Capital** means Current Assets less Current Liabilities.

**Value Adjusted Equity Ratio** means the ratio of **Value adjusted equity** to **Value adjusted total assets**.

**Value Adjusted Equity** means the Borrower's consolidated equity adjusted for the Market Value of vessels.

**Value Adjusted Total Assets** means the Borrower's consolidated total assets adjusted for

the Market Value of vessels.

**Market Value of the vessels** is set as the average value from three reputable and independent appraisers appointed by the Borrower. Such appraisers to be the same appraisers as for any bank loan facilities, to the extent possible.

**Change of Control Event** means any person or group (as such term is defined in the Norwegian Limited Liability Companies Act § 1-3), other than companies affiliated with the Solstad family becomes the owner, directly or indirectly, of more than 50% of the outstanding shares of the Issuer.

**Supplementary information about the status of the loan:** <sup>10)</sup>

The Bonds shall be senior debt of the Issuer. The Bonds shall rank at least *pari passu* with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and shall rank ahead of subordinated debt.

The Bonds are unsecured.

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

**Loan Agreement:** <sup>1)</sup> 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 Issue. 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 finalization 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 Borrowing Limit. The parties' rights and obligations are also valid for subsequent issued bonds within the Borrowing Limit.

**Open / Close:** <sup>3)4)</sup> Tap Issues will be opened on Disbursement Date and closed no later than five banking days before Maturity Date.

**Disbursement Date:** <sup>3)</sup> Payment of the First Tranche / Loan Amount takes place on the Disbursement Date. In case of late payment, the applicable default interest rate according to "lov 17. desember 1976 nr 100 om renter ved forsinket betaling m.m." will accrue.

**Expansions – Tap Issues:** <sup>2)</sup> 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.

**Issue price – Tap Issues:** <sup>11)</sup> 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".

**Interest Determination Date:** <sup>7)</sup> 2 Business Days prior to Date of Interest Payment Date

**Interest Determination:** <sup>6)7)</sup> The regulation of the Interest Rate is effective from each Interest Payment Date. The new interest rate is determined on Interest Determination Date based on NIBOR with additional margin.

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 ABM 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 ABM.

<b>NIBOR – definition:</b> <sup>5)</sup>	<p>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.</p> <p>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.</p>
<b>NIBOR – reference banks:</b>	<p>The interest rate fixed on basis of the interest on deposits in the inter-bank market in Oslo quoted by the 4 largest authorized 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.</p>
<b>Yield:</b>	<p>Dependent on the market price. Yield for the first Interest Period will be notified 2 Banking Days prior to Disbursement Date.</p>
<b>Interest Period:</b> <sup>9)7)</sup>	<p>The interest is paid in arrears on the Interest Payment Date. The first interest period matures on the first Interest Payment Date after the Disbursement Date. The next period runs from this date until the next Interest Payment Date. The last period of interest ends on Maturity Date.</p>
<b>Accrued interest:</b>	<p>Accrued Interest for trades in the secondary bond market are calculated on the basis of current recommendations of Norsk Finansanalytikerforening.</p>
<b>Standard Business Day Convention:</b> <sup>8)</sup>	<p>Modified Following: If the Interest Payment Date is not a banking day, the Interest Payment Date shall be postponed to the next banking day. However, if this day falls in the following calendar month, the Interest Payment Date is moved to the first banking day preceding the original date.</p>
<b>Registration:</b>	<p>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.</p>
<b>Issuer's acquisition of bonds:</b>	<p>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.</p>
<b>Amortisation:</b> <sup>4)</sup>	<p>The bonds will run without installments and be repaid in full on Maturity Date at par, provided the Issuer has not called the bonds.</p>
<b>Redemption:</b>	<p>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 to 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.</p>
<b>Sale:</b>	<p>Tranche 1/ Loan Amount will be sold by the Arranger(s). Later taps can be made by authorized securities brokers.</p>
<b>Legislation:</b>	<p>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.</p>
<b>Fees and expenses:</b>	<p>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.</p>



**Oslo,  
24 November 2009**

**Pareto** Securities

*Solstad Offshore ASA*

*Pareto Securities AS*