
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): January 18, 2017

Paragon Offshore plc

(Exact name of registrant as specified in its charter)

England and Wales
(State or Other Jurisdiction
of Incorporation)

001-36465
(Commission
File Number)

98-1146017
(IRS Employer
Identification No.)

3151 Briarpark Drive, Suite 700
Houston, Texas 77042
(Address of principal executive offices) (Zip Code)

+44 20 330 2300
(Registrant's telephone number, including area code)

(Not applicable)
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

As previously reported, on February 14, 2016, Paragon Offshore plc (the “*Company*”) and certain of its subsidiaries (collectively, the “*Debtors*”) filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “*Bankruptcy Court*”).

The Company recently engaged in discussions concerning a potential restructuring of the Debtors’ capital structure with certain lenders under Paragon’s Senior Secured Revolving Credit Agreement maturing July 2019 (the “*Revolver Lenders*”) and certain lenders under Paragon’s Senior Secured Term Loan Agreement maturing July 2021 (the “*Term Lenders*,” and together with the Revolver Lenders, the “*Secured Lenders*”) and certain holders of Paragon’s 6.75% senior unsecured notes maturing July 2022 and 7.25% senior unsecured notes maturing August 2024 (collectively, the “*Bondholders*,” and together with the Secured Lenders, the “*Debt Holders*”). In connection with these discussions, the Company provided a presentation dated December 8, 2016 to the Debt Holders, which included an overview of revenue projections (collectively, the “*Projections*”) and other information included in Exhibit 99.1. The Company and certain Debt Holders are parties to nondisclosure agreements and the disclosure herein is being made in accordance with the terms of such nondisclosure agreements.

The Projections and other information are included herein only because they were provided to the Debt Holders. The Projections were not prepared with a view toward public disclosure or compliance with the published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants regarding projections or forecasts. The Projections do not purport to present financial condition in accordance with accounting principles generally accepted in the United States. The Company’s independent accountants have not examined, compiled or otherwise applied procedures to the Projections and, accordingly, do not express an opinion or any other form of assurance with respect to the Projections. The Projections were prepared for internal use, capital budgeting and other management decisions and are subjective in many respects. The Projections reflect numerous assumptions made by management of the Company with respect to financial condition, business and industry performance, general economic, market and financial conditions, and other matters, all of which are difficult to predict, and many of which are beyond the Company’s control. Accordingly, there can be no assurance that the assumptions made in preparing the Projections will prove accurate.

It is expected that there will be differences between actual and projected results, and the differences may be material, including due to the occurrence of unforeseen events occurring subsequent to the preparation of the Projections. The inclusion of Projections should not be regarded as an indication that the Company or its affiliates or representatives consider them to be a reliable prediction of future events, and the Projections should not be relied upon as such. Neither the Company nor any of its affiliates or representatives has made or makes any representation to any person regarding the ultimate performance of the Company or its subsidiaries compared to the Projections, and none of them undertakes any obligation to publicly update the Projections to reflect circumstances existing after the date when the Projections were made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying the Projections are shown to be in error.

In addition, on January 18, 2017 the Company announced that it reached agreement in principle with a steering committee of Revolver Lenders and an ad hoc committee of Term Lenders to support a new chapter 11 plan of reorganization for the Debtors (the “*New Plan*”). Pursuant to the New Plan contemplated by the term sheet filed as Exhibit 99.2 hereto (the “*Term Sheet*”), approximately \$2.4 billion of previously existing debt will be eliminated in exchange for a combination of cash, debt and new equity set forth in the Term Sheet. Secured Lenders are projected to receive their pro rata share of approximately \$421 million in cash, subject to adjustment on account of claims reserves to be established and working capital and other adjustments at the time of emergence from bankruptcy, and an estimated 58% of the new equity. Secured Lenders shall also be allocated new senior first lien debt in the original aggregate principal amount of \$85 million maturing in 2022. Bondholders are projected to receive approximately \$50 million in cash, subject to adjustment on account of claims reserves to be established, and an estimated 42% of the new equity. Existing shareholders are not expected to receive a recovery under the New Plan. The Company intends to file a New Plan and disclosure statement for the New Plan in the next few weeks. The New Plan will be subject to usual and customary conditions to plan confirmation, including obtaining

the requisite vote of creditors and approval of the Bankruptcy Court. The Company has been and remains in discussions with the Bondholders, who have currently not agreed to the Term Sheet.

A complete copy of the Term Sheet and related materials are filed as Exhibit 99.2. In addition, a copy of the press release that the Company issued on January 18, 2017 with respect to the Term Sheet is being filed as Exhibit 99.3.

The information contained in this Item 7.01 shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), or otherwise subject to the liabilities of that section, and shall not be deemed to be incorporated by reference into any of the Company’s filings under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and regardless of any general incorporation language in such filings, except to the extent expressly set forth by specific reference in such a filing.

Cautionary Note Regarding Forward-Looking Statements

This release contains forward-looking statements that involve certain risks, uncertainties and assumptions. These include but are not limited to risks associated with the Company’s reorganization, the general nature of the oil and gas industry, actions by regulatory authorities, customers and other third parties, and other factors detailed in the “Risk Factors” section of the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2015, and in its other filings with the SEC, which are available free of charge on the SEC’s website at www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. The Company disclaims any duty to update or alter any forward-looking statements, except as required by applicable law.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

- 99.1 Release of Private Information – Presentation
- 99.2 Non-Binding Term Sheet
- 99.3 Press Release, dated January 18, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Paragon Offshore plc

January 18, 2017

By: /s/ Lee M. Ahlstrom
Name: Lee M. Ahlstrom
Title: SVP & CFO

Exhibit Index

Exhibit No.	Description
99.1	Release of Private Information – Presentation
99.2	Non-Binding Term Sheet
99.3	Press Release, dated January 18, 2017



PARAGON OFFSHORE

December 8, 2016

Restructuring Discussion Materials

Executive Summary

- Paragon has developed a new business plan for a going concern business that aims to achieve the following goals:
 - Reduce cash-burn to make Paragon cash flow neutral on an operating basis in the near-term
 - Right-size the company resulting in a smaller asset base than previously proposed, allowing the company to recapitalize with significantly lower fixed costs, much less capital and much less debt
 - Maximize optionality and value by increasing the runway for the company until a market turnaround at no or greatly reduced cost



Business Plan

Overview of Revenue Projections

Rig by rig, bottoms up revenue and utilization forecast

- 2017 utilization and rates based on existing contracts and current customer conversations regarding specific work programs targeted against specific rigs
- 2018 and beyond build on 2017's utilization and rates
- More conservative approach than Downside Sensitivity

PLAN REVENUE COMPARISON			
	2017	2018	2019
Downside Sensitivity to Prior Plan	\$465	\$678	\$834
New Business Plan	291	333	408
<i>Percent Reduction</i>	37%	51%	51%

- **Key assumptions:**
 - Dayrates have largely bottomed as they are approaching indifference rates
 - Consensual reorganization process

Revised plan assumes average of 11 rigs working in 2017, 14 in 2018 and 16 in 2019, with limited increase in dayrates over the period

- Downside Sensitivity to prior plan assumed 13 rigs working in 2017, 19 in 2018 and 21 in 2019

Rates and utilization reviewed and supported by IHS

Consolidated Operating Performance (\$ in millions)

Paragon will be cash flow break even on an operating basis from 2017 to 2019

CONSOLIDATED OPERATING PERFORMANCE			
	2017	2018	2019
Contract Drilling Revenues	\$278	\$319	\$392
Reimbursable Revenues	13	14	16
Operating Revenues	\$291	\$333	\$408
Contract Drilling Expenses	\$148	\$192	\$213
Shorebase Costs	28	29	30
Corporate Operations	22	22	23
Reimbursable Expenses	9	10	11
G&A	37	37	38
EBITDA	\$47	\$43	\$93
Cash Taxes	(\$4)	(\$3)	(\$13)
Capital Expenditures - Base	(30)	(41)	(49)
Start-up Capex	--	(28)	(7)
SIMPLE UNLEVERED FCF	\$13	(\$29)	\$23
Change in NWC	(38)	(6)	(7)
Discontinued Operations	(28)	(5)	(3)
Restructuring Expenses ^(a)	(40)	--	--
Unlevered FCF	(\$93)	(\$40)	\$13
<i>UFCF (excl. Non-Recurring Items)^(b)</i>	\$13	(\$1)	\$30
<i>Cumulative UFCF</i>	(93)	(132)	(119)
<i>Post Transaction Cumulative UFCF^(c)</i>	4	(35)	(47)

- Note: Does not include Prospector financing costs (approximately \$25 million and \$99 million of interest and principal, respectively).
- (a) Assumes April 2017 emergence.
- (b) Excludes discontinued operations, restructuring expenses, changes to NWC, and start-up capital expenditures.
- (c) Through minimum liquidity point (August, 2019). Excludes restructuring expense. Majority of \$47 million operating cash usage post-emergence would be incurred in a wind-down.



Restructuring Considerations

Restructuring Proposal / Term Sheet

- Paragon reorganizes around proposed business plan and asset configuration
 - Priority and administrative claims, including restructuring costs shall be paid in full
 - Company funded with \$210 million of cash on emergence (subject to working capital adjustment TBD)^(a)
 - Remaining distributable cash (estimated to be \$516 million) and equity distributed to creditors as described below
 - Company to issue \$100 million of new debt (the “New Debt”)
 - L + 500; interest payable quarterly
 - 5 year maturity
 - Prepayable at any time; other terms TBD and typical of financings of this type
 - Lenders to provide Company with LC facility (terms TBD)
 - Governance, incentive plan and other terms TBD
- In exchange for their secured claims, secured lenders receive:
 - Balance of encumbered cash at emergence (\$216.5 million as of 11/30/16)
 - Cash on account of their adequate protection claim
 - In the event that creditor groups do not reach consensual agreement regarding the amount of secured lenders’ adequate protection claim, the Company and its advisors will make a determination for plan filing purposes by 12/16/16
 - \$100 million New Debt
- Remaining distributable cash and equity distributed pro rata to secured lenders and unsecured noteholders
- Treatment of general unsecured claims subject to additional discussion
- Noble Settlement to be assumed under RSA
- Customary Releases similar to prior POR

Note: Amounts based on business plan outlined in these materials.
(a) Represents amount required at emergence after payment of all professional fees and closing costs.

Cash Available for Distribution (\$ in millions)

Paragon is projected to have ~\$516 million of cash available for distribution at emergence (assuming for analysis emergence date at the end of April 2017)

- Estimate includes cash burn from 10/31/16 to 4/30/17, restructuring and financing costs, cash required to fund the business through its minimum liquidity point at the end of August, 2019 and minimum working capital requirements

CASH SOURCES AND USES	
SOURCES	USES
Cash on Balance Sheet (10/31)	Cash Used Through Emergence (4/30/17)^(a)
\$922	Operating Losses \$29
	Capital Expenditures 22
	Change in Working Capital 24
	Existing Debt Service 30
	Prospector SLB Debt Service 32
	Total \$138
	Cash Used for Restructuring Costs (Post 10/31/2016) \$57
	Cash Required for Company Post Emergence^(b)
	Cash Required for Operations \$47
	New Financing Costs ^(c) 17
	Prospector SLB Interest 19
	Prospector SLB Principal 73
	Minimum Working Capital 55
	Total \$210
	Cash Available for Distribution \$516
Total Sources \$922	Total Uses \$922

Restructuring costs assume a consensual plan process with emergence at 4/30/17

Delay in confirmation would reduce distributable cash as a result of increase in professional fees (current monthly run-rate of ~\$6 million)

Note: Numbers may not sum due to rounding.

(a) Excludes restructuring fees, which are shown on a separate line. Does not include any amounts for potential employee retention programs.

(b) Cash required through minimum liquidity point. Minimum liquidity projected to occur at end of August, 2019.

(c) Assumes 2% interest on \$65 million of LCs and \$100 million New Debt priced at L + 500, payable quarterly. Change in new financing costs would result in adjustment to cash required for the company.

Reconciliation of 12/8/2016 Presentation EBITDA to Net Income for GAAP Purposes (\$ in millions)

The following reconciles projected EBITDA to Net Income based on the assumptions provided in the 12/8/2016 presentation to restricted creditors

Reconciliation of EBITDA to Net Income			
	2017	2018	2019
EBITDA (a)	\$47	\$43	\$93
(+) Income/(loss) from Discontinued Operations	(20)	(3)	(3)
(+) Realized Gain/(Loss) & Restructuring Expenses ^(a)	2,206	--	--
(+) Depreciation and Amortization	(176)	(131)	(120)
(+) Interest Expense	(44)	(17)	(16)
(+) Income Tax Expense	(4)	(3)	(12)
Net Income (Loss)	\$2,009	(\$111)	(\$58)

(a) EBITDA excludes restructuring expenses, which are included in "Realized Gain/(Loss) & Restructuring Expenses" category.

PARAGON OFFSHORE PLC

Summary of Indicative Terms of Restructuring

This Summary of Indicative Terms of Restructuring (this “Term Sheet”), dated as of January 18, 2017,¹ reflects possible terms upon which Paragon Offshore plc’s (“Paragon”, and together with its now or hereafter affiliated debtors, the “Debtors”) capital structure may be restructured in connection with the cases filed in the Bankruptcy Court for the District of Delaware captioned under lead case In re Paragon Offshore plc, Case No. 16-10386 (the “Cases”). This Term Sheet has been prepared for discussion purposes only, is non-binding and is not a commitment to amend or modify any terms or provisions of the Secured Term Loan Agreement or the Revolving Credit Agreement (each as defined below).

This Term Sheet contemplates that the transactions described herein will be effectuated pursuant to a chapter 11 plan acceptable to the Debtors, the requisite Term Lenders and the requisite Revolving Lenders (the “Chapter 11 Plan”). THIS TERM SHEET IS NOT AN OFFER OR A SOLICITATION WITH RESPECT TO ANY SECURITIES OF PARAGON, ITS AFFILIATES OR ITS SUBSIDIARIES. ANY SUCH OFFER OR SOLICITATION SHALL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.

The statements contained in this Term Sheet and all discussions between and among the parties in connection therewith constitute (i) privileged settlement communications entitled to protection under FRE 408 and (ii) an integrated compromise and settlement under Rule 9019 of the Federal Rules of Bankruptcy Procedure of any and all potential issues among the Debtors, the Term Lenders, and the Revolving Lenders, including, without limitation any issues with respect to: (i) amount, value and treatment under the Chapter 11 Plan of claims, including the Secured Term Loan Claims and the Revolving Credit Agreement Claims (each as defined below); (ii) validity, extent and priority of the liens securing the Secured Term Loan Claims and Revolving Credit Agreement Claims, including with respect to cash held by Paragon; (iii) value of encumbered assets and unencumbered assets; (iv) the adequate protection or diminution in value claim held by the Term Lenders and Revolving Lenders (collectively, the “Secured Lenders”); and (v) the rights and security interests of the Secured Lenders in the Debtors’ intercompany claims (collectively, the “Settled Claims”). Accordingly, all terms herein shall not be treated as an admission regarding the truth, accuracy or completeness of any fact or the applicability or strength of any legal theory relating to the Settled Claims. All assumptions, principles and numbers are subject to change as the parties’ positions develop further and based upon receipt of due diligence.

Overview of Restructuring	
<u>Key Assumptions</u>	<p>The following are preliminary key assumptions and principles that would underlie a Chapter 11 plan supported by the Debtors, the requisite Term Lenders and the requisite Revolving Lenders.</p> <ul style="list-style-type: none">• All Cash Collateral (as defined below) and cash subject to adequate protection liens to be distributed pro rata, based upon the outstanding principal amount of loans and letter of credit exposure, to the Secured Lenders on account of their secured claims

¹ Capitalized terms shall have the meanings set forth below in this Term Sheet. Capitalized terms used but not otherwise defined in the Term Sheet shall have the meanings for such terms set forth or incorporated in the Secured Term Loan Agreement or Revolving Credit Agreement, as applicable.

	<p>and Adequate Protection Obligations (as defined in the final cash collateral order [ECF No. 140] entered into the docket in the Cases (the “<u>Cash Collateral Order</u>”)) (the “<u>Secured and Adequate Protection Claims</u>”).</p> <ul style="list-style-type: none"> ○ Cash Collateral shall have the meaning set forth in the Cash Collateral Order and shall include all such Cash Collateral as of the effective date (the “<u>Effective Date</u>”) of the Chapter 11 Plan (for the avoidance of doubt and without duplication, all cash designated by the Debtors as encumbered in the Budget provided from time to time pursuant to the Cash Collateral Order shall be Cash Collateral). ○ Unencumbered cash (“<u>Unencumbered Cash</u>”) shall include all unencumbered and unrestricted cash as of the Effective Date of all Debtor and non-Debtor entities, including Paragon, Paragon International Investment Limited (or its parent) and Prospector Rig 1 Contracting Company S.à.r.l, Prospector Rig 1 Owning Company S.à.r.l, Prospector Rig 5 Contracting Company S.à.r.l., or Prospector Rig 5 Owning Company S.à.r.l. (collectively, the “<u>Prospector Entities</u>”). ○ “<u>Remaining Unencumbered Cash</u>” shall mean all Unencumbered Cash after (i) payment in full of the Settled Adequate Protection Claim (as defined below), (ii) reserving for the Minimum Cash Balance (as defined below) or the Adjusted Minimum Cash Balance (as defined below), as applicable, (iii) reserving cash sufficient to satisfy estimated allowed administrative claims (including, but not limited to, costs and expenses on account of the U.K. Administration), priority claims and other secured claims and (iv) distributing cash or other consideration in an amount to be agreed upon by the requisite Term Lenders, the requisite Revolving Lenders and the Debtors to the holders of Other General Unsecured Claims (as defined below).²
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² Reserve amounts to be further discussed. Any claims for which sufficient cash to satisfy such claim in full has been accounted for in the Debtors’ business plan and projections shall not be included in the calculation of the reserve amounts. For the avoidance of doubt, distributions on account of the Term Lender Unsecured Claims, Revolving Lender Unsecured Claims, and the Senior Notes Claims (each, as defined

	<ul style="list-style-type: none"> • The Debtors and the Secured Lenders agree that, as a part of the compromise of the Settled Claims, the allowed amount of the Adequate Protection Obligations is not less than \$352 million in the aggregate (such amount, the “<u>Settled Adequate Protection Claim</u>”). • On account of the Secured Lenders’ collateral (other than Cash Collateral) and the Settled Claims, the Secured Lenders shall be allocated new senior secured first lien debt in the original aggregate principal amount of \$85 million (the “<u>Take Back Debt</u>”). • Amount of cash to remain on the reorganized Debtors’ balance sheet as of the Effective Date shall be \$190 million or such lesser amount agreed to by the Debtors (the “<u>Minimum Cash Balance</u>”), <i>provided, however,</i> that if the cash on the Debtors’ balance sheet as of the Effective Date is in excess of the Minimum Cash Balance, then the Debtors shall apply the working capital and timing of emergence adjustments to be agreed among the requisite Term Lenders, the requisite Revolving Lenders and the Debtors to such excess cash to determine the adjusted amount of minimum cash required to remain on the reorganized Debtors’ balance sheet as of the Effective Date (the “<u>Adjusted Minimum Cash Balance</u>”). • The Debtors shall not be substantively consolidated for purposes of the Chapter 11 Plan.
Classification and Treatment of Claims and Interests	
<u>Administrative Expense Claims</u>	<p>Each holder of an allowed administrative expense claim (each, an “<u>Administrative Expense Claim</u>”), in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Administrative Expense Claim, shall receive payment in full, in cash, of its Allowed Administrative Expense Claim on the later of (a) the Effective Date and (b) the date on which such claim becomes allowed, or, in each case, as soon as reasonably practicable thereafter, except to the extent a holder of such claim and the Debtors or Reorganized Paragon³ agree to less favorable treatment; <i>provided,</i> that any allowed Administrative Expense Claim representing a liability incurred in the ordinary course of business by the Debtors shall be paid by</p>

below) shall be made of Remaining Unencumbered Cash after giving effect to the payments and reserves set forth in the definition thereof.

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“Reorganized Paragon” shall mean, collectively, all of the reorganized Debtors.

	<p>the Debtors or Reorganized Paragon, as applicable, in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any orders or agreements governing, instruments evidencing, or other documents establishing, such liabilities.</p> <p>The treatment of the Administrative Expense Claims of the Secured Lenders on account of the Adequate Protection Obligations is set forth in the treatment section of the Secured and Adequate Protection Claims of the Revolving Lenders and the Term Lenders.</p> <p>Unclassified; Unimpaired – Deemed to Accept</p>
<p><u>Priority Tax Claims</u></p>	<p>Each holder of an allowed claim described in section 507(a)(8) of the Bankruptcy Code (each, a “<u>Priority Tax Claim</u>”), in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Priority Tax Claim, shall be treated in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, except to the extent a holder of such claim and the Debtors or Reorganized Paragon agree to less favorable treatment.</p> <p>Unclassified; Unimpaired – Deemed to Accept</p>
<p><u>Priority Non-Tax Claims</u></p>	<p>Each holder of an allowed claim described in section 507(a) of the Bankruptcy Code other than a Priority Tax Claim (each, a “<u>Priority Non-Tax Claim</u>”), in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Priority Non-Tax Claim, shall receive payment in full, in cash, of its Allowed Priority Non-Tax Claim on the later of (a) the Effective Date and (b) the date on which such claim becomes allowed, or, in each case, as soon as reasonably practicable thereafter, except to the extent a holder of such claim and the Debtors or Reorganized Paragon agree to less favorable treatment; <i>provided</i>, that any allowed Priority Non-Tax Claim that arises in the ordinary course of the Debtors’ business and which is not due and payable on or before the Effective Date shall be paid in the ordinary course of business, consistent with the terms and subject to the conditions of any orders or agreements governing, instruments evidencing, or other documents establishing, such liabilities.</p> <p>Classified; Unimpaired– Deemed to Accept</p>
<p><u>Other Secured Claims</u></p>	<p>Each holder of an allowed secured claim that is not a Secured Term Loan Claim or Revolving Credit Agreement Claim (each, an “<u>Other Secured Claim</u>”), in full and final</p>

	<p>satisfaction, compromise, settlement, release, and discharge of and in exchange for each allowed Other Secured Claim, shall, except to the extent a holder of such claim and the Debtors or Reorganized Paragon agree to less favorable treatment, be satisfied by either (a) payment in full in cash on the Effective Date, (b) reinstatement pursuant to section 1124 of the Bankruptcy Code or (c) such other recovery necessary to satisfy section 1129 of the Bankruptcy Code.</p> <p>Classified; Unimpaired– Deemed to Accept</p>
<p><u>Secured and Adequate Protection Term Loan Claims</u></p>	<p>Obligations outstanding under the Paragon Senior Secured Term Loan Agreement, dated as of July 18, 2014 (as amended, supplemented or otherwise modified from time to time, the “<u>Secured Term Loan Agreement</u>”, and the lenders thereunder, the “<u>Term Lenders</u>”) in the approximate aggregate principal amount of \$642 million (the “<u>Secured Term Loan Claims</u>”) and, except as set forth in clause (b) below, Adequate Protection Obligations payable to the Term Lenders, including 507(b) Claims and obligations secured by Adequate Protection Liens (each as defined in the Cash Collateral Order), shall be collectively restructured or satisfied on the Effective Date as follows:</p> <p>Each Term Lender shall receive:</p> <p>(a) (i) Its Ratable Share⁴ of all Cash Collateral⁵;</p> <p>(ii) Unencumbered Cash in an amount equal to its Ratable Share of the Settled Adequate Protection Claim; and</p> <p>(iii) Its Ratable Share of the Take Back Debt, the terms of which shall be set forth in a credit agreement in form and substance reasonably satisfactory to each of the Debtors, the requisite Term Lenders and the requisite Revolving Lenders (the “<u>Take Back Debt Agreement</u>”) that is substantially consistent with the terms set forth on <u>Annex A</u> hereto.</p> <p>(b) In addition to the foregoing, the Secured Term Loan</p>

⁴ “Ratable Share” shall mean, as of the date of determination, with respect to any Term Lender or Revolving Lender, the sum of the principal amount of loans held by such lender and, subject to further discussion among the Term Lenders and Revolving Lenders, the principal amount held by such lender on account of a participation interest in any Existing Letter of Credit (as defined below) *divided* by the sum of (x) the aggregate principal amount of the term loans outstanding under the Secured Term Loan Agreement *plus* (y) the aggregate principal amount of loans outstanding under the Revolving Credit Agreement and, subject to further discussion among the Term Lenders and the Revolving Lenders, the outstanding undrawn face amount of the Existing Letters of Credit.

⁵ Subject to working capital and timing of emergence adjustments to be agreed among the requisite Term Lenders, the requisite Revolving Lenders and the Debtors.

	<p>Claims in respect of unpaid fees and expenses of the Administrative Agent, Collateral Agent and certain other specified Term Lenders will be paid in cash on the Effective Date, consistent with the Cash Collateral Order.</p> <p>Classified; Impaired – Entitled to Vote</p>
<p><u>Secured and Adequate Protection Revolving Credit Agreement Claims</u></p>	<p>Obligations outstanding under the Paragon and Paragon Offshore Finance Company (“<u>Paragon Finance</u>”) Senior Secured Revolving Credit Agreement, dated as of June 17, 2014 (as amended, supplemented or otherwise modified from time to time, the “<u>Revolving Credit Agreement</u>”, and the lenders thereunder, the “<u>Revolving Lenders</u>”), in the approximate aggregate principal amount of \$777 million (the “<u>Revolving Credit Agreement Claims</u>,” which term includes issued and undrawn Existing Letters of Credit and (ii) except as set forth in clause (b) below, Adequate Protection Obligations payable to the Revolving Lenders, including 507(b) Claims and obligations secured by Adequate Protection Liens shall be collectively restructured or satisfied on the Effective Date as follows:</p> <p>Each Revolving Lender shall receive:⁶</p> <p>(a) (i) Its Ratable Share of the Cash Collateral⁷;</p> <p>(ii) Unencumbered Cash in an amount equal to its Ratable Share of the Settled Adequate Protection Claim; and</p> <p>(iii) Its Ratable Share of the Take Back Debt.</p> <p>The letters of credit outstanding under the Revolving Credit Agreement (including any renewals, extensions or replacements thereof, the “<u>Existing Letters of Credit</u>”) shall continue to remain outstanding, pursuant to and subject to the terms of a letter of credit agreement in form and substance reasonably satisfactory to each of the Debtors, the requisite Term Lenders and the requisite Revolving Lenders; <i>provided</i> that the Borrower (as defined below) shall not have any ongoing draw reimbursement obligations, other than such reimbursement obligations as are set forth in the Chapter 11 Plan and such letter of credit fees as are agreed by the requisite Revolving Lenders, the requisite Term Lenders and the Debtors, provided that the amount of such</p>

⁶ Allocation of distributions of the Cash Collateral, the Unencumbered Cash, the Take Back Debt, and new equity interests on account of Existing Letters of Credit to be set forth in the definitive documentation relating to the Chapter 11 Plan, which allocation must be reasonably acceptable to the requisite Term Lenders and the requisite Revolving Lenders.

⁷ Subject to working capital and timing of emergence adjustments to be agreed among the requisite Term Lenders, the requisite Revolving Lenders and the Debtors.

	<p>letter of credit fees shall not exceed the amount of letter of credit fees currently payable under the Revolving Credit Agreement.</p> <p>(b) In addition to the foregoing, the Revolving Credit Agreement Claims, in respect of unpaid fees and expenses of the Administrative Agent, Collateral Agent and the Revolving Lenders, will be paid in cash on the Effective Date, consistent with the Cash Collateral Order.</p> <p>Classified; Impaired – Entitled to Vote</p>
<p><u>Term Lender Unsecured Claims, Revolving Lender Unsecured Claims and Senior Notes Claims</u></p>	<p>In further compromise of the Settled Claims, and for purposes of treatment in this class, the Term Lenders shall have an allowed general unsecured claim in the approximate aggregate principal amount of \$642 million (the “<u>Term Lender Unsecured Claim</u>”), and the Revolving Lenders shall have an allowed general unsecured claim in the approximate aggregate principal amount of \$777 million (the “<u>Revolving Lender Unsecured Claim</u>”).</p> <p>The Term Lender Unsecured Claim, the Revolving Lender Unsecured Claim, and the unsecured claim of each holder of 6.75% Senior Notes due 2022 in the approximate amount of \$457 million or 7.25% Senior Notes due 2024 in the approximate amount of \$537 million, in each case, issued under the Senior Notes Indenture, dated as of July 18, 2014 (as amended, supplemented or otherwise modified from time to time) (the holders thereof, the “<u>Senior Noteholders</u>”), which altogether equal the aggregate approximate amount of \$1.021 billion (the “<u>Senior Notes Claims</u>”), shall be satisfied on the Effective Date as follows:</p> <p>Each Term Lender, Revolving Lender, and Senior Noteholder shall receive:</p> <p>(a) Its pro rata share of the Remaining Unencumbered Cash; and</p> <p>(b) Its pro rata share of the new equity interests to be issued by a new holding company to which shall be transferred all or substantially all assets of Paragon upon completion of the restructuring (“<u>Reorganized Paragon Parent</u>”), subject to dilution for new equity interests issued pursuant to the MIP.</p> <p>Classified; Impaired – Entitled to Vote</p>
<p><u>Other General Unsecured Claims</u></p>	<p>Each holder of a general unsecured claim that is not a Senior Notes Claim, Term Lender Unsecured Claim, or Revolving Lender Unsecured Claim (including tax claims, trade claims and contract rejection damages claims but excluding any</p>

	<p>claims set forth in the definitive documentation with respect to any settlement with Noble (as defined below), an “<u>Other General Unsecured Claim</u>”), in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Other General Unsecured Claim, shall receive its pro rata share of cash or other consideration in an amount to be agreed upon by the requisite Term Lenders, the requisite Revolving Lenders and the Debtors on the later of (a) the Effective Date and (b) the date on which such claim becomes Allowed, or, in each case, as soon as reasonably practicable thereafter, except to the extent a holder of such claim and the Debtors or Reorganized Paragon agree to less favorable treatment.</p> <p>Classified; Impaired – Entitled to Vote</p>
<p><u>Intercompany Claims</u></p>	<p>On or after the Effective Date, all claims held by one Debtor against another Debtor (each, an “<u>Intercompany Claim</u>”) shall be paid, adjusted, continued, settled, reinstated, discharged, or eliminated, in each case to the extent determined to be appropriate by Reorganized Paragon, in its sole discretion. All Intercompany Claims between any Debtor and a nondebtor affiliate shall be Unimpaired under this Plan.</p> <p>Classified; Unimpaired – Deemed to Accept</p>
<p><u>Parent Interests</u></p>	<p>The ordinary shares in Paragon outstanding prior to the Effective Date (the “<u>Parent Interests</u>”) shall not be cancelled on the Effective Date; <i>however</i> such Parent Interests shall be deemed of no value as all or substantially all of the assets of Paragon shall be transferred to Reorganized Paragon Parent on completion of restructuring pursuant to a prepackaged administration to be initiated by Paragon in the United Kingdom (the “<u>U.K. Administration</u>”).</p> <p>Classified; Impaired – Deemed to Reject</p>
<p><u>Intercompany Interests</u></p>	<p>Interests in a Debtor held by another Debtor (each, an “<u>Intercompany Interest</u>”) on the Effective Date, at the Debtors’ option with the consent of the Administrative Agents, shall either be (a) cancelled (or otherwise eliminated) and receive no distribution under the Plan or (b) unaffected by the Plan.</p> <p>Classified; Impaired – Deemed to Reject / Unimpaired – Deemed to Accept</p>

Other Provisions	
<u>Releases, Exculpation, Injunction, and Discharge</u>	The Chapter 11 Plan shall include standard debtor and third party releases and standard exculpation, injunction, and discharge provisions, all consistent with the practice in the District of Delaware and to the extent permitted by law, including (a) customary release and exculpation provisions in favor of the Debtors and their present and former directors and officers, and (b) customary consensual releases of and continuation of indemnification for the Term Lenders, the Revolving Lenders, the Administrative Agents, the Collateral Agent and their respective attorneys and advisors.
<u>Executory Contracts</u>	All executory contracts to which the Debtors are a party shall be assumed under the Chapter 11 Plan on the Effective Date unless specifically rejected.
<u>Noble Settlement</u>	The Debtors shall assume on the Effective Date the settlement agreement between the Debtors and the Noble Corporation plc (“Noble”) with respect to certain bonding obligations and potential claims relating to the Noble spin-off.
<u>Post-Restructuring Management</u>	Subject to the discretion of the board of directors of Reorganized Paragon Parent, new employment agreements to be entered into with key executives on a case by case basis.
<u>Management Incentive Plan</u>	Reorganized Paragon shall implement a long-term management incentive plan (the “MIP”) for certain employees in an aggregate amount of up to 10% of the new equity interests of Reorganized Paragon Parent, on a fully diluted basis, which may take the form of cash, options, or other equity based compensation, or a combination thereof. Among other things, the terms of the MIP including eligibility to participate in the MIP, the amount and timing of any award and the vesting conditions of any award shall be determined by the board of directors of Reorganized Paragon Parent.
<u>Board Composition of Reorganized Paragon Parent</u>	7 members, including: the Chief Executive Officer, 5 members designated by the Secured Lenders, and 1 member designated by the Senior Noteholders.
<u>Indemnification of Officers and Directors</u>	Any obligations of the Debtors pursuant to its corporate charters, bylaws, limited liability company agreements, other organizational documents, deeds of indemnity or

	<p>similar contractual agreements to indemnify directors, officers, agents and/or employees who serve in such capacity as of or after the date of this term sheet, and any other directors or officers as may be agreed upon by and among the requisite Term Lenders, the requisite Revolving Lenders, and the Debtors, with respect to all present and future actions, suits, and proceedings against the Debtors or such directors, officers, agents, and/or employees, based upon any act or omission for or on behalf of the Debtors shall not be discharged or impaired by confirmation of the Chapter 11 Plan. All such obligations shall be deemed and treated as executory contracts to be assumed by the Debtors under the Chapter 11 Plan and will continue as obligations of Reorganized Paragon. In addition, after the Effective Date, Reorganized Paragon shall not terminate or otherwise reduce the coverage under any directors' and officers' insurance policies (including any "tail policy") in effect as of the commencement of the Cases, and all members, managers, directors and officers of the Debtors who served in such capacity at any time prior to the Effective Date will be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such members, managers, directors, and/or officers remain in such positions after the Effective Date.</p>
<u>Miscellaneous</u>	<p>The Take Back Debt shall not be stapled with the new equity interests to be issued by Reorganized Paragon Parent, and each shall trade separately subject to the terms of the Take Back Debt Agreement and shareholders agreement, as applicable.</p>
<u>Tax Considerations</u>	<p>The Debtors shall seek to implement the restructuring in a tax efficient manner.</p>
<u>Documentation</u>	<p>All documentation, including the Chapter 11 Plan and related documentation, shall be reasonably satisfactory to the Debtors and reasonably satisfactory to the requisite Term Lenders, the requisite Revolving Lenders and the New Agent (as defined below).</p>
<u>Conditions to Effectiveness</u>	<p>Customary for transactions of this type; distribution of cash to Secured Lenders on the Effective Date shall be in an aggregate amount not less than \$405 million (unless agreed to by the requisite Term Lenders and the requisite Revolving Lenders); the U.K. Administration shall proceed and be implemented in a manner reasonably satisfactory to the requisite Term Lenders and the requisite Revolving Lenders; the Effective Date shall occur not later than June 15, 2017.</p>

Annex A

Summary Terms of Take Back Debt Agreement

The summary below describes the anticipated principal terms of the Take Back Debt Agreement. It does not purport to be a complete description of the terms and conditions thereof, certain terms and conditions of which have not yet been determined.

<p><u>Obligor and Guarantors</u></p>	<p>The borrower shall be Reorganized Paragon Parent (the "<u>Borrower</u>").</p> <p>All obligations under the Take Back Debt Agreement, shall be guaranteed (other than by the Borrower) and secured by (a) the Borrower, reorganized Paragon Finance and each other existing reorganized Guarantor and Pledgor currently obligated under the Existing Term Loan Agreement and Existing Revolving Credit Agreement, and (b) each other direct and indirect, existing and future, material¹, reorganized wholly-owned subsidiary (collectively, the "<u>Loan Parties</u>"), except to the extent such guarantee or granting of security (v) would be provided by a joint venture, (w) is provided by Prospector Offshore Drilling S.a.r.l. (Luxembourg) or any of its subsidiaries (including the Prospector Entities) and Prospector Offshore Drilling Rig Construction S.a.r.l. (Luxembourg) or any of its subsidiaries (collectively the "<u>Prospector Excluded Subsidiaries</u>"), (x) could reasonably be expected to result in material and adverse tax consequences to the Borrower or its subsidiaries, (y) is contractually prohibited by contracts in existence on the Effective Date or at the time such entity becomes a subsidiary, or (z) is prohibited by applicable law, rule or regulation (including any requirement to obtain governmental authority or third party consent).</p> <p>For the avoidance of doubt, the Prospector Excluded Subsidiaries shall not be required to be guarantors or grantors under the Take Back Debt Agreement only for so long as Reorganized Paragon is contractually prohibited from granting liens on the Prospector Excluded Subsidiaries by any third party, including by any financing or refinancing of any indebtedness of any Prospector Excluded Subsidiary. Notwithstanding anything provided for in this Term Sheet, if there is no such financing or refinancing of the Prospector Excluded Subsidiaries within forty five (45) days from the date of repayment of any existing financing, the Prospector Excluded Subsidiaries will become guarantors of the Take Back Debt for the benefit of the Secured Lenders and provide liens on their assets as additional collateral for the</p>
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¹ Materiality of subsidiaries subject to diligence.

	<p>Take Back Debt for the benefit of the Secured Lenders.</p> <p>Such security interest shall be first priority liens on substantially all assets of the grantors now or hereafter acquired and all proceeds thereof subject to certain exclusions to be mutually agreed (including a limitation that in the case of foreign subsidiaries, to 66-²/₃% of the capital stock thereof to the extent a pledge of a greater percentage could reasonably be expected to result in material and adverse tax consequences). Without limiting the generality of the foregoing and subject to mutually agreed exceptions and materiality thresholds reasonably satisfactory to the Borrower, the requisite Revolving Lenders and the requisite Term Lenders, the New Agent (as defined below), for the benefit of itself and the Secured Lenders under the Take Back Debt Agreement, shall obtain control agreements, in form and substance reasonably satisfactory to the Secured Parties, on each grantor's material deposit and securities accounts.</p> <p>Notwithstanding the foregoing, the New Agent shall not take liens on property as to which the requisite Term Lenders and the requisite Revolver Lenders determine in their reasonable discretion that the costs of obtaining a lien on such property, or the perfection thereof, is excessive in relation to the value to the Secured Lenders of the lien afforded thereby.</p> <p>In addition, the liens securing the obligations under the Take Back Debt Agreement shall (i) be subordinated to a new letter of credit facility (or new letters of credit) (collectively, "<u>New L/C</u>") in an aggregate face amount not to exceed \$35 million pursuant to an intercreditor agreement reasonably satisfactory to the Debtors, the requisite Term Lenders, the requisite Revolving Lenders and the provider of the New L/C; <i>provided</i> that, such intercreditor agreement shall, among other things, make the liens and security interests granted to the New Agent for the benefit of the Secured Lenders a "silent second" and/or (ii) to the extent such liens relate to cash collateral permitted to be pledged under the Take Back Agreement in connection with any New L/C (which cash collateral shall not exceed 105% of the face amount of such New L/C), be automatically released; <i>provided</i> that upon the release of any such cash collateral securing a New L/C, such cash will be deposited into an account subject to a control agreement with the New Agent and applicable depository institution.</p>
<u>Administrative Agent</u>	[JPMorgan Chase Bank, N.A. (" <u>JPMorgan</u> ")], subject to fee arrangements reasonably satisfactory to [JPMorgan] and

	Paragon (the “ <u>New Agent</u> ”).
<u>Original Principal Amount</u>	\$85 million.
<u>Interest Rate</u>	LIBOR plus 6% per annum, payable on a quarterly basis in kind or in cash, at Reorganized Paragon’s option; <i>provided</i> that (w) LIBOR shall not be less than zero at any time, (x) not less than 1% shall be payable in cash on each interest payment date and (y) there shall not be a LIBOR floor.
<u>Maturity Date</u>	5-year anniversary of the Effective Date.
<u>Repayments</u>	Payable in full on the maturity date.
<u>Prepayments</u>	Payable in full or in part at any time before the maturity date without penalty or premium.
<u>Representation and Warranties</u>	Customary representations and warranties for debt of this type, to be mutually agreed.
<u>Covenants</u>	<p>The Loan Parties shall not be subject to any material covenants, other than the following:</p> <ol style="list-style-type: none"> 1. Affirmative covenants regarding corporate existence, maintenance of properties, taxes, ERISA, insurance, financial statement reporting with deadlines consistent with the SEC reporting deadlines applicable to the Borrower, as in effect from time to time (or, in the event the Borrower is not a SEC reporting entity, the deadlines shall be consistent with the SEC reporting deadlines for a non-accelerated filer), inspection rights, use of proceeds, compliance with laws, regulations, environmental laws and further assurances and additional collateral and other customary affirmative covenants reasonably satisfactory to the Borrower, the requisite Term Lenders and the requisite Revolving Lenders; 2. Restrictions on dividends and equity repurchases; and 3. Incurrence of secured indebtedness for borrowed money in the form of credit facilities or indentures with a carve out for the New L/C <p>; <i>provided</i> that, for the avoidance of doubt, (i) the Loan</p>

	<p>Parties shall not be subject to the following covenants: restrictions on fundamental changes, restrictions on investments (including the making of loans), restrictions on the incurrence of indebtedness (other than as stated above) or other restrictions on liens (other than as stated above) or contingent obligations, restrictions on transactions with affiliates, restrictions on asset sales or releases of liens in connection with asset sales (subject to agreement regarding the use of proceeds of asset sales which shall include an agreed amount of proceeds the Borrower may retain and customary reinvestment rights), restrictive and negative pledge agreements, limitations on debt payments or other junior payments and the amendment of any agreement, limitations on changes to the Borrower’s fiscal year or other accounting changes, financial (incurrence or maintenance-based) covenants, restrictions on unrestricted subsidiaries, limitations on equity issuances, or limitations on sale and leaseback arrangements and (ii) the affirmative covenants shall not also be included in the Take Back Debt as negative covenants.</p>
<p><u>Defaults</u></p>	<p>Customary events of default for debt of this type, including change of control, to be mutually agreed.</p>

Paragon Offshore plc
3151 Briarpark Drive
Suite 700
Houston, Texas 77042



PRESS RELEASE

PARAGON OFFSHORE ANNOUNCES AGREEMENT IN PRINCIPLE TO SUPPORT A NEW PLAN OF REORGANIZATION WITH TERM LENDERS AND REVOLVER LENDERS

- Eliminates approximately \$2.4 billion of debt through combination of cash and equity
- Re-focuses core business on North Sea, Middle East, and India
- Secured Term Lenders and Secured Revolver Lenders projected to receive their pro rata share of approximately \$421 million in cash, subject to certain adjustments, \$85 million in take-back debt, and approximately 58% of the new common equity
- Unsecured Bondholders projected to receive approximately \$50 million in cash, subject to certain adjustments, and approximately 42% of the new common equity
- Settlement Agreement with Noble Corporation to be assumed

HOUSTON, January 18, 2017 – Paragon Offshore plc (“*Paragon*” or the “*company*”) (OTC: PGNPQ) announced today that it has reached an agreement in principle with an ad hoc committee holding secured debt under Paragon’s Senior Secured Term Loan maturing July 2021 (the “*Term Loan*,” and such lenders, the “*Term Lenders*”) and a steering committee holding a majority of the secured debt under Paragon’s Senior Secured Revolving Credit Agreement maturing July 2019 (the “*Revolving Credit Agreement*” and such lenders, the “*Revolver Lenders*”) on a term sheet (the “*Term Sheet*”) to support a new plan of reorganization (the “*New Plan*”) under chapter 11 of the United States Bankruptcy Code. Holders of Paragon’s 6.75% senior unsecured notes maturing July 2022 and 7.25% senior unsecured notes maturing August 2024 (together, the “*Senior Unsecured Notes*,” and such holders, the “*Bondholders*”) are not party to the Term Sheet. However, the Company has been and remains in discussions with the Bondholders regarding the terms of a new chapter 11 plan of reorganization.

Dean E. Taylor, President and Chief Executive Officer, said, “After confirmation of our previous plan of reorganization was denied, the company regrouped, developing a revised business plan which focuses our future activity on Paragon’s core regions in the North Sea, Middle East, and India. We incorporated feedback from the court’s ruling by adopting more

conservative dayrate and utilization projections in our model and had these assumptions validated by outside parties. Under our new business plan, our operations will be focused on markets where we have an installed base, strong customer relationships, and that we believe are ripe for a recovery. We expect to be well positioned to capitalize on that recovery through a strong balance sheet, sufficient liquidity, and a more efficient cost structure.”

“Using this business plan as our basis, we entered discussions with all of our creditor groups and, after significant negotiation, reached agreement on this Term Sheet with our secured lenders, which virtually eliminates all of the previous debt from the company’s balance sheet while providing sufficient liquidity to position us for a longer-term recovery in the offshore drilling industry.”

“Although our New Plan is not consensual among all of the creditor groups, we will continue to remain in discussions with the Term Lenders, Revolver Lenders, and Bondholders in hopes of reaching a fully consensual agreement,” continued Mr. Taylor. “However, even if we are unable to reach a consensual deal, we will diligently seek approval of the New Plan as outlined in the Term Sheet. In the interim, Paragon will continue to operate our business in the Safe, Reliable, and Efficient manner for which we are known throughout the industry.”

Terms of the Revised Plan

Under the New Plan, approximately \$2.4 billion of previously existing debt will be eliminated in exchange for some combination of cash, debt and to-be-issued new equity. The current debt consists of:

- An aggregate principal amount of approximately \$642 million related to claims by the Term Lenders;
- An aggregate principal amount of approximately \$777 million related to claims by the Revolver Lenders; and
- An aggregate principal amount of approximately \$1.0 billion related to claims by the Bondholders.

If confirmed, the Term Lenders and Revolver Lenders (collectively, the “***Secured Lenders***”) are projected to each receive their pro rata share of approximately \$421 million in cash, which amount is subject to further adjustment on account of claims reserves to be established and working capital and other adjustments at the time of emergence, and an estimated 58% of the new, to-be-issued common equity, subject to dilution. The

Bondholders are projected to receive approximately \$50 million in cash, which amount is subject to further adjustment on account of claims reserves to be established, and an estimated 42% of the new, to-be-issued common equity, subject to dilution. Existing shareholders are not expected to receive a recovery under the New Plan.

Mr. Taylor commented, “We are disappointed that we were unable to develop a plan of reorganization that preserves value for existing equity holders, especially after previous plans did so. Unfortunately, during the course of our most recent negotiations, it became clear that there was no viable way forward that included a recovery component for our current shareholders.”

Additional elements of the New Plan include:

- The Secured Lenders shall be allocated new senior secured first lien debt in the original aggregate principal amount of \$85 million maturing in 2022 (the “**New Debt**”). Interest on the New Debt will be LIBOR + 6%, payable quarterly in-kind or in cash at the company’s discretion with a minimum of 1% of interest to be paid in cash. The New Debt will contain customary affirmative covenants, restrictions on dividends or equity repurchases, and restrictions on additional incurrence of secured indebtedness, notwithstanding the ability to refinance the Prospector sale leaseback arrangement. There will be no prepayment restrictions or penalties.
- The New Debt will permit the company to obtain up to an aggregate face amount of \$35 million in letters of credit senior to the New Debt. Existing letters of credit will remain in place.
- The sale-leaseback arrangement for the Prospector rigs remains unchanged.
- The Term Sheet contemplates adopting the previously disclosed settlement agreement between Paragon and Noble Corporation (“*Noble*”) (NYSE: NE), subject to agreement by Noble.
- The company expects to emerge from the Chapter 11 process with approximately \$190 million of cash on hand, providing adequate liquidity for the company’s revised, more focused business plan.
- The Secured Lenders will be entitled to appoint a majority of the reorganized company’s new board of directors upon emergence.

Anticipated Process and Schedule

Paragon, with the support of its Secured Lenders, is currently developing and expects to file the New Plan and a new disclosure statement with respect to the New Plan in the next few weeks. Upon approval of the disclosure statement, the company expects to enter a solicitation period during which certain impaired creditor classes will have the opportunity to vote on the New Plan. The New Plan will be subject to usual and customary conditions to plan confirmation, including obtaining the requisite vote of creditors and approval of the United States Bankruptcy Court for the District of Delaware. The company will seek to obtain court approval of the New Plan and emerge from chapter 11 as soon as possible in the first half of 2017. Any objections to the New Plan could result in a delay in the date of emergence.

Additional Information

Details of the agreements described herein and copies of the Term Sheet relating to the New Plan can be found in the Current Report on Form 8-K that the company expects to file today. Additional information will be available on Paragon's website at www.paragonoffshore.com or by calling Paragon's Restructuring Hotline at 1-888-369-8935.

Weil, Gotshal & Manges LLP is serving as legal counsel to Paragon, Lazard is serving as financial advisor, and AlixPartners is serving as restructuring advisor.

Forward-Looking Disclosure Statement

This document contains forward-looking statements. Statements regarding any agreements reached with debtholders, including the Term Sheet and its description, Paragon's new business plan, Paragon's ability to obtain approval of the New Plan, its ability to implement the proposed transaction set forth under the New Plan, Paragon's capital structure and competitive position following emergence from bankruptcy, the bankruptcy process including timing and steps, the ability to adopt the previously disclosed settlement agreement with Noble, and implications for shareholders, as well as any other statements that are not historical facts in this release, are forward-looking statements that involve certain risks, uncertainties and assumptions. These include but are not limited to risks associated with the general nature of the oil and gas industry, actions by regulatory authorities, customers and other third parties, and other factors detailed in the "Risk Factors" section of Paragon's annual report on Form 10-K for the fiscal year ended December 31, 2015, Paragon's most recently filed report on Form 10-Q, and in Paragon's other filings with the SEC, which are available free of charge on the SEC's website at www.sec.gov. Should one or more of these

risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated.

About Paragon Offshore

Paragon is a global provider of offshore drilling rigs. Paragon's operated fleet includes 34 jackups, including two high specification heavy duty/harsh environment jackups, four drillships, and two semisubmersibles. Paragon's primary business is contracting its rigs, related equipment and work crews to conduct oil and gas drilling and workover operations for its exploration and production customers on a dayrate basis around the world. Paragon's principal executive offices are located in Houston, Texas. Paragon is a public limited company registered in England and Wales with company number 08814042 and registered office at 20-22 Bedford Row, London, WC1R 4JS, England. Additional information is available at www.paragonoffshore.com.

For additional information, contact:

For Investors	Lee M. Ahlstrom
& Media:	Senior Vice President & Interim Chief Financial Officer
	+1.832.783.4040