



## **PARAGON OFFSHORE ANNOUNCES AGREEMENT WITH BONDHOLDERS AND REVOLVER BANKS TO RESTRUCTURE ITS BALANCE SHEET**

### **ANNOUNCES SETTLEMENT UNDER WHICH NOBLE CORPORATION WILL PROVIDE TAX BONDING AND ASSUME TAX LIABILITIES**

#### **Frequently Asked Questions**

**February 12, 2016**

- **What are the terms of the Paragon Offshore restructuring agreement?**
  - Paragon has reached an agreement to restructure the company's balance sheet.
  - The agreement will significantly reduce the company's outstanding debt, strengthen the balance sheet, provide certain covenant relief, and help to position the company to emerge from the current industry downturn in a more competitive stance.
  - Upon completion, the restructuring is expected to eliminate more than \$1.1 billion of debt and approximately \$60 million of annual cash interest expense. Specifically:
    - Paragon's unsecured senior noteholders will exchange \$984 million in senior unsecured notes for \$345 million in cash up-front plus 35% of equity, and
    - Paragon's Revolver banks will receive \$165 million in exchange for providing covenant relief.
  - Paragon intends to facilitate this restructuring through a voluntary filing of a petition of relief under Chapter 11 of the United States Bankruptcy Code on or before February 14, 2016.
  - Paragon intends to emerge from Chapter 11 with a significantly stronger balance sheet and maintain its position as the High-Quality, Low-Cost drilling contractor delivering safe, reliable, and efficient operations to our customers.
  - Paragon's existing equity holders will retain 65% of the company's resulting common equity.
  - We are confident that this agreement is in the best interests of all stakeholders and will allow us to significantly reduce our debt, positioning Paragon for long-term growth and success.
  
- **What are the terms of the settlement with Paragon's former parent company, Noble Corporation?**
  - The Noble Agreement is a positive outcome for all parties. Under the terms of the Noble Agreement, Noble will:
    - Provide direct bonding in fulfillment of the requirements necessary to challenge tax assessments in Mexico relating to the Paragon Business for 2005 through 2010;
    - Assume 100% liability for any taxes eventually owed by Noble legal entities; and
    - Assume 50% liability for any taxes eventually owed by Paragon legal entities.
  - Paragon also has agreed to release Noble, fully and unconditionally, from any and all claims in relation to the Spin-Off.

- Paragon will eliminate a significant potential draw on its cash by securing bonding for tax assessments from Noble relating to certain tax and customs claims as well as Noble agreeing to take back certain underlying liabilities relating to such claims.
- **What is Chapter 11?**
  - Chapter 11 is the section of the U.S. Bankruptcy Code that allows companies to implement financial restructuring transactions.
  - A Chapter 11 filing is a legal process enabling companies such as ours to reduce debt, *while continuing to operate in the ordinary course*.
  - Many companies have utilized Chapter 11 to restructure their debt and have gone on to grow and prosper, including General Motors and both United Airlines and American Airlines.
  - We are confident that this process will allow us to significantly reduce our debt, positioning Paragon for long-term growth and success.
- **What is the difference between Chapter 11 and Chapter 7?**
  - A Chapter 11 filing is a legal process designed to help companies such as ours to restructure, *while continuing to operate in the ordinary course*.
  - A Chapter 7 filing is a legal process that is designed to liquidate (sell-off) a company's assets to pay creditors as it goes out of business. **Paragon is not filing for Chapter 7.**
- **Why does Paragon Offshore need to file for Chapter 11 if the Company has reached an agreement?**
  - Paragon believes that the implementation of the agreements reached with the various debtholders and Noble can best be implemented with a voluntary Chapter 11 filing.
  - A Chapter 11 process will allow Paragon to implement its financial restructuring *while maintaining our ordinary course of business*.
  - Paragon will operate as usual throughout the process, continuing to pay our employees and vendors while providing the same high level of service to our customers.
- **What does this mean for employees?**
  - Our employees are one of Paragon's competitive advantages. They are critical to our continuing ability to deliver safe, reliable, and efficient operations and we value them highly.
  - This announcement and the upcoming court-supervised process should have very little impact on the day-to-day responsibilities and activities of most employees.
  - Furthermore, we do not expect this announcement to have any impact on employee pay or benefits, including health insurance, 401(k) retirement plan, vacation time, employer-provided life insurance, or any other benefits programs.
  - Paragon will continue its day-to-day operations in the normal course, providing safe, reliable, and efficient operations to our customers worldwide.
- **Is Paragon Offshore going out of business?**
  - **No.** It is important to understand that *this is a financial restructuring, not an operational restructuring*.

- While bankruptcy may imply liquidation in certain parts of the world, a **Chapter 11 filing is not a liquidation of the company.**
  - Paragon has a significant cash balance, more than \$750 million at the time of this announcement. This balance is more than adequate to pay employees and vendors and conduct operations.
  - Paragon will continue its day-to-day operations in the normal course, providing safe, reliable, and efficient operations to our customers worldwide.
  - We will continue to market and operate our rigs, pay employees, and meet our obligations to both customers and suppliers in the ordinary course of business.
- **Aren't you a UK Company? Why can you file in the US?**
    - Paragon is incorporated in the UK.
    - However, because legal entities within our structure are subject to U.S. jurisdiction, we are able to file for Chapter 11 in a U.S. venue.
- **What does the financial restructuring mean for customers?**
    - Paragon will continue to provide customers with safe, reliable, and efficient operations.
    - Customers can continue to expect the best from Paragon, and look to us as the High-Quality, Low-Cost drilling contractor.
    - Our offshore rig crews and onshore supervision will not change due to the restructuring, nor will our high standards for delivering our services, including our focus on safety.
    - Paragon will have adequate liquidity during this process to ensure that we are able to purchase supplies, maintain our assets, and pay our employees.
- **What does the financial restructuring mean for suppliers?**
    - Paragon has a significant cash balance, more than \$750 million at the time of this announcement. This balance is more than adequate to fulfill our obligations under the agreements, pay employees and vendors, and conduct operations.
    - We will be able to continue to operate, maintain, and supply our rigs as normal, with no impact to our operations.
    - The company expects the terms of its current contracts with suppliers to remain in place.
- **What will this mean for shareholders?**
    - The agreement calls for Bondholders to own 35% of the shares of the Company upon emergence from Chapter 11.
    - As a result, current shareholders will retain 65% of the equity of the Company upon emergence from Chapter 11.
- **Can I still buy or sell shares?**
    - The company's shares are currently traded "over-the-counter" on the OTC Markets under the trading symbol PGNPQ.
    - We anticipate that shareholders will be able to continue to trade their equity over-the-counter until the restructuring is complete.
    - At that time, the company may seek to re-list its equity on the NYSE or NASDAQ.



- *You are cautioned that trading Paragon's stock during the restructuring involves serious risks, and there can be no assurance that a trading market will be available during the restructuring.*
  
- **Should I sell my stock?**
  - The company cannot provide investment advice. Please contact your personal financial advisor and/or tax advisor.
  
- **Will Paragon continue to file public reports, like earnings releases, SEC filings, etc.?**
  - We expect Paragon to continue issuing press releases and making all necessary filings required by the U.S. Securities and Exchange Commission as required, including Forms 10-Q, 10-K, 8-K, etc.
  - In addition, Paragon expects to be required to file certain documents at the direction of the court under the Chapter 11 process.
  
- **Will the Chapter 11 process impact the previously announced sale-leaseback agreement on *Prospector 1* and *Prospector 5*?**
  - We are in communication with the lender, SinoEnergy, and we do not expect that there will be any impact to the sale-leaseback agreement.
  
- **What's next?**
  - Between now and mid-February, Paragon will begin preparing the necessary papers, motions, etc., to file for Chapter 11.
  - We expect to make our Chapter 11 filing in Delaware by mid-February.
  - Our goal is to emerge from this process stronger and more competitive than ever, and with ample liquidity.
  
- **How long will the Chapter 11 process take?**
  - At this point, we cannot provide a specific timeframe. However, Paragon hopes to move the process as quickly and efficiently as possible and emerge a stronger, more competitive company.
  
- **Who do I talk to for more information?**
  - It is the company's intent to keep all stakeholders well-informed throughout this process.
  - We will provide a page on Paragon's public website to facilitate any updates. Paragon's website address is [www.paragonoffshore.com](http://www.paragonoffshore.com)
  - Paragon has established a toll-free hotline at 1-888-369-8935 to address specific concerns and questions.

## **FORWARD LOOKING STATEMENT**

This document contains forward-looking statements. Statements regarding any agreements reached with debtholders, implications for customers, suppliers, shareholders, and employees, the



Chapter 11 process including timing and steps, future filings and earnings reports, and the continued ability to trade shares, 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, 2014, 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](http://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.