

## Paragon Updated Frequently Asked Questions

Updated August 22, 2016

*Note: The provided FAQ document should not be read in vacuum and readers should not assume that all relevant information is contained within this FAQ document. This FAQ document should be read in conjunction with Paragon's other publicly provided information including, but not limited to, press releases, earnings conference call transcripts, filings with U.S. Securities and Exchange Commission, and filings with the U.S. Bankruptcy Court.*

- **Where does the process stand?**

- The initial testimony concluded on June 30, 2016.
- On August 8, Paragon announced that it had filed a downside sensitivity to its base business case in a supplement to the company's Disclosure Statement (the "**Supplement.**") Paragon also announced it had reached an agreement in principle on a revised restructuring plan (the "**Revised Plan**") with the company's Bondholders and Revolver Lenders.
- On August 10, Paragon announced it had obtained the requisite signatures of support to make the Revised Plan binding.
- On August 16, a hearing was held before the court to review and approve the Supplement. The company received approval for the Supplement. A number of discovery-related issues were also resolved in the company's favor.  
On August 18, Paragon commenced re-soliciting votes for the Revised Plan. Only those Bondholders and Revolver Lenders of record on April 6, 2016 will be entitled to vote.

- **Has the restructuring plan changed?**

- *Yes.*
- The revised plan addresses certain feasibility-related concerns which arose during the initial testimony of the confirmation hearing. To address these concerns, the company developed and filed the Revised Plan.
- For additional details, readers should consult Paragon's press release dated August 8, 2016 titled "Paragon Offshore Announces Agreement in Principle for Revised Restructuring Agreement With Bondholders and Revolver Banks" as well as the Supplement filed on August 5, 2016.

- **How does the Revised Plan differ from the original plan?**

- The following tables show the main differences between the Revised Plan and the original plan.
- For the treatment of the Revolver Lenders:

Element	Original Plan	Revised Plan
Cash to Revolver Lenders	\$165 Million	\$165 Million
Balance to be converted to new term loan including		

~\$87 MM of outstanding letters of credit	\$631 Million	\$631 Million
Minimum liquidity covenant to be maintained at all times	\$110 Million	\$103 Million
Re-introduction of net leverage ratio and interest coverage ratio covenants	First quarter 2018	First quarter 2019
Initial maximum net leverage ratio covenant (higher is better)	5.50X	6.35X
Initial minimum interest coverage covenant (lower is better)	2.75X	2.30X

- For the Bondholders:

<b>Element</b>	<b>Original Plan</b>	<b>Revised Plan</b>
Total bond debt eliminated	\$984 Million	\$984 Million
Cash to Bondholders	\$345 Million	\$285 Million
Common equity to be issued to Bondholders	35%	47%
Common equity to be retained by existing shareholders	65%	53%
Approximate shares outstanding on the effective date (based on 87.9 million shares as of June 30, 2016)	135.1 million	165.7 million

Contingency payments	2016: \$20 Million 2017: \$15 - \$30 Million	None
Bondholder Note payable	None	\$60 Million due 2021 (See details in text)
Entitled to appoint an additional Paragon board member?	Yes - 1	Yes - 1

- The agreement with Noble Corporation (the “Noble Settlement”) remains the same with the exception that in connection with the Revised Plan, Noble has agreed that in lieu of cash, Paragon may pay to Noble any taxes owed under the Noble Agreement relating to Mexican taxes under the amended and restated tax sharing agreement between Paragon and Noble via a note (the “*Paragon Note*”) up to a maximum value of \$5 million, potentially enabling the company to preserve additional cash during the course of the downturn. If issued, the Paragon Note would be due four years following the effective date of Paragon’s restructuring. There would be no amortization required, but interest would be borne at the same rates as the Bondholder Note and Noble would be entitled to quarterly interest payments with Paragon having the option to pay in cash at an interest rate of 12% or in-kind at an interest rate of 15%.
- The treatment of the Term Loan Lenders remains the same; namely, the Revised Plan would reinstate the Term Loan Lenders as we would have under the original plan.
- **Where does the schedule stand?**
  - The confirmation hearing commenced on Tuesday, June 21<sup>st</sup> at 10 AM Eastern time.
  - On June 15, 2016, the judge extended the timeframe of the hearing from three days to five days plus a possible 6<sup>th</sup> day if required. He did this to allow adequate time to hear the witnesses that are expected to be called at the hearing. The hearing schedule was/is:
    - June 21<sup>st</sup>, 10 AM—Hearing commences
    - June 22<sup>nd</sup>—Day 2 of hearing
    - June 23<sup>rd</sup>—Day 3 of hearing
    - June 24<sup>th</sup>—No session
    - June 27<sup>th</sup>—No session
    - June 28<sup>th</sup>—No session
    - June 29<sup>th</sup>—Day 4 of hearing
    - June 30<sup>th</sup>—Day 5 of hearing
    - July 1<sup>st</sup> - July 4<sup>th</sup>—NO Session—Holiday Break
    - July 5<sup>th</sup>—Possible day—not used
    - July 8<sup>th</sup>—Status conference regarding scheduling
    - July 21<sup>st</sup>—Tentative date for further testimony on Noble settlement-Not used
    - July 27<sup>th</sup>—Hearing to discuss downside sensitivity and set a date for the Noble settlement testimony
    - August 5—Paragon filed its Supplement including the downside sensitivity

- August 8—Paragon announced its Revised Plan
  - August 10—Paragon announced it had received the necessary signatures from Bondholders and Revolver Lenders to make the Revised Plan binding if approved
  - August 16—Hearing held to approve the Supplement.
  - August 18—Launch date for re-solicitation of votes on the Revised Plan (Note, only those Bondholders and Revolver Lenders of record as of April 6, 2016 are entitled to vote)
  - September 8—Hearing to provide Noble settlement testimony
  - September 9—Deadline to file objection to the Revised Plan
  - September 15—Voting deadline
  - September 20—Voting certification deadline
  - September 22—Deadline to file confirmation brief
  - September 22—Deadline to respond to objections filed on or before September 9
  - September 27<sup>th</sup> - 30<sup>th</sup>—Hearing to review the downside sensitivity and revised restructuring plan.
- **What happened at the August 16<sup>th</sup> hearing?**
  - The judge approved Paragon’s Supplement, clearing the path for process to continue as scheduled above. There were no objections to the Supplement by the Term Loan Lenders, however, this does not imply that they will not file an objection to the Revised Plan by September 9.
  - The judge also ruled on a number of discovery related issues, generally in favor of the company.
- **What is the vote resolicitation? Who will be able to vote?**
  - Even though we have reached agreement on the Revised Plan and received binding support from 69% of Bondholders and 100% of the Revolver Lenders, the process will require another vote.
  - Because the threshold we needed to achieve binding support was 66% and because not all Bondholders were party to the confidential negotiation of the Revised Plan, these remaining Bondholders must be given an opportunity to vote.
  - We fully anticipate that the remaining Bondholders will vote in favor of the Revised Plan.
- **What will happen at the hearing on the 27<sup>th</sup> – 30<sup>th</sup>?**
  - Similar to the hearing in June, there will be testimony regarding the assumptions and outcomes of the downside sensitivity.
  - We expect that we will provide a number of witnesses to testify and that this testimony will be challenged by the Term Loan.
- **When will you announce the outcome?**
  - Paragon expects to announce the outcome of the hearing once the judge has issued his ruling.
  - We remain confident that the judge will confirm a plan that will allow Paragon to exit the chapter 11 process.

- We do not expect the judge to issue his ruling the same day the hearing concludes as he has already indicated that he will ask each side to provide a post-trial briefing, a process which could take a couple of weeks.
- **While it could be earlier, you should not be surprised if the ruling is not issued until sometime in October 2016.**