

Updated Frequently Asked Questions

Updated July 13, 2016

Updates and new items are highlighted

- **Where does the process stand?**

- The initial testimony concluded on June 30, 2016.
- However, during the hearing, an issue was raised with regard to the Noble settlement. To provide the judge with additional information about the Noble settlement, Paragon has agreed to provide additional testimony.

- **What does this mean for the schedule?**

- With respect to the testimony regarding the Noble settlement, a tentative hearing has been scheduled for July 21st. However, we believe the likelihood is high that date may slip.
- The judge will go on vacation at the end of July for several weeks. His vacation, combined with his other court obligations, could push this testimony to late-August or early September.
- Once this testimony has been provided, it should conclude formal testimony.

- **What happens when formal testimony has concluded?**

- The judge has already told both sides that he will require each side to provide a 'post-trial briefing' *before* he makes his ruling.
- In the post-trial briefings, each side will lay out the rationale, including citing the relevant case law, as to why the judge should rule in that party's favor.
- The judge will use these briefings in preparing the actual ruling.
- Our advisors have indicated that it may take a couple of weeks to prepare these briefings *following the conclusion of formal testimony*.
- ***This could push the date for his confirmation ruling into September.***

- **Are there other issues before the court with respect to the confirmation ruling?**

- Yes, there are a number of other issues which the judge must decide that impact both the schedule and the content of the confirmation ruling.
- For example, with respect to the testimony about the Noble settlement, the judge must make a ruling about the extent of the discovery he will allow in preparing for the testimony. If he allows the Term Loan holders additional discovery, we will have to produce more documentation and it will likely push out the date for such testimony.
- In addition, the judge must make a determination about certain points of law with respect to the restructuring plan language. For example, the agreement proposed with the Revolving Credit Facility banks which converts the revolver to a term loan contains language which grants them additional rights. The judge must rule whether this language puts other lenders, i.e., the Term Loan holders who would be reinstated under the plan, at a disadvantage.

- **Has anything about the restructuring plan changed?**
 - No, there have been no changes to the plan.
 - 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’s existing equity holders will retain 65% of the company’s resulting common equity.
 - Further details and specifics are available in our filings.

- **What was the schedule for the confirmation hearing?**
 - The hearing commenced on Tuesday, June 21st at 10 AM Eastern time.
 - On June 15, 2016, the judge in our case extended the timeframe of the hearing from three days to five days plus a possible 6th 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 21st, 10 AM—Hearing commences
 - June 22nd—Day 2 of hearing
 - June 23rd—Day 3 of hearing
 - June 24th—No session
 - June 27th—No session
 - June 28th—No session
 - June 29th—Day 4 of hearing
 - June 30th—Day 5 of hearing
 - July 1st - July 4th—NO Session—Holiday Break
 - July 5th—Possible day—not used
 - July 8th—Status conference regarding scheduling
 - July 21st—Tentative date for further testimony on Noble settlement
 - Any objections/arguments against the plan will be heard by the judge. Expert testimony will be offered by both sides.

- **When will you announce the outcome?**
 - Paragon expects to announce the outcome of the hearing once the judge has issued his ruling.
 - 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 September 2016.

- **Have the Term Loan holders filed an objection?**
 - Yes, as expected. The holders of our current Term Loan (“TL”) have filed an objection to our plan. Their objection has been heard by the court during the hearing.
 - You can find a copy of their objection at:
<https://www.kccllc.net/paragon/document/1610386160607000000000006>
 - You can find a copy of our response to their objection at:
<http://www.kccllc.net/paragon/document/16103861606140000000000003>

- **What did the TL holders object to?**
 - Primarily, they have objected to the ‘feasibility’ of the plan. In other words, they have argued that Paragon’s plan is unrealistic in terms of its financial projections (oil prices, dayrates, utilizations, etc.) and that if Paragon cannot carry out its plan, then the TL holders will not be paid what they are owed under the TL provisions.

- **Was Paragon surprised by their objection?**
 - No. Counsel for the TL indicated at the first hearing in February that they would object to their treatment under the plan.
 - Their objection contains no surprises versus what we were expecting.

- **Why is so much within the objection blacked out?**
 - This is called ‘redaction’ and seeks to protect confidential information.
 - Under our agreements with TL holders, certain information is considered confidential and cannot be made public.

- **Did the TL get to vote on the plan?**
 - No. Under the plan, their position remains unchanged. Paragon currently owes repayment of the TL in 2021. Our plan assumes that we will retain the obligation to repay that loan in full in 2021. Therefore, the TL holders are considered ‘unimpaired’ under the plan and are not entitled to a vote.

- **Who got to vote and what were the results?**
 - Only the lenders who were impacted or impaired under the plan, that is, they would receive less than what we would owe them with restructuring, were entitled to vote.
 - The impaired parties were our bondholders and our revolving credit facility lenders. Majorities of both of these groups had agreed to support the plan when we filed it in February 2016.
 - In the formal vote, 100% of the revolving credit facility holders and 99% of the bondholders ultimately voted in favor of the plan.

- **Has anyone else filed an objection?**
 - When looking at the document list available at <https://www.kccllc.net/paragon/document/list/4208>, you may see other objections. For example, these include objections by the Cy-Fair Independent School district and the U.S. Internal Revenue Service—these pertain to tax-related issues and seek to preserve

the rights of these entities to receive tax payments owed. Paragon intends to pay any taxes owed.

- ***These objections have been resolved.***

- **What do you think the outcome of the confirmation hearing will be?**
 - We continue to be confident that the judge will confirm a plan of reorganization for the company.
 - It's important to note that while our projections for a recovery in the industry go through 2019, we would really be able to repay or refinance as long as the elements of the recovery were realized by 2021, which gives us even more room. We, of course, have our own experts to refute the TL holders' objection.

- **What happens if the judge rules against you?**
 - In the event that the judge rules against us, we will seek to understand the specific nature of his ruling and its implications. We will then re-consider our options and develop a new way forward which we would communicate publicly when appropriate.

- **What happens assuming the judge rules in your favor?**
 - If the judge rules in our favor, the plan will be 'confirmed,' but not 'effective.'
 - There will be a period of time after the judge rules during which our legal team will prepare the final paperwork for signature by all parties and conclude any other matters that must be finalized before we become effective. When the plan becomes effective, we will announce the occurrence of the 'effective date' of the plan.

- **When will the plan be effective? When will you emerge from bankruptcy?**
 - Upon confirmation, there will be a period of time after the judge rules during which time the legal team will prepare the final paperwork for signature by all parties and conclude any other matters that must be finalized.
 - We would expect to emerge sometime over the summer, but the precise timing is currently unknown.

- **When is the debt paid down? When are the new shares issued?**
 - The debt is not paid down nor new shares issued **until the effective date.**

- **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
 - Paragon has established a toll-free hotline at 1-888-369-8935 to address specific concerns and questions.
Court filings as well as other information related to Paragon's restructuring are available through the company's claims agent, Kurtzman Carson Consultants, at <http://www.kccllc.net/paragon> or via phone call to 866-967-0491 (toll-free in North America) or 310-751-2691 (Outside North America.)



FORWARD LOOKING STATEMENT

This document contains forward-looking statements. Statements regarding any agreements reached with debtholders, the Chapter 11 process including timing and steps, expectations around the confirmation hearing timing or outcomes, impact of objections to our restructuring plan, timing of confirmation or emergence, 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.