

Updated Frequently Asked Questions

Updated August 2, 2016

- **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.
 - On July 27, 2016, a hearing was held before Judge Sontchi. At the hearing, Paragon announced that the company would be filing an amended Disclosure Statement which will include a downside sensitivity to the business plan provided to the court in our Disclosure Statement approved April 19, 2016.
 - Additionally, the judge set dates to hear the planned additional testimony on the Noble settlement as well as testimony regarding the downside sensitivity.

- **Why is Paragon filing a downside sensitivity? Has the company changed its base business plan? What does the sensitivity address?**
 - First, the Company strongly believes that it will achieve the business plan filed in the April 19, 2016 Disclosure Statement and, in fact, the Company has significantly outperformed the plan during the first six months of the year.
 - However, after reviewing the business plan during the initial testimony and considering the current state of uncertainty with respect to the speed and extent of the industry's eventual recovery, Paragon, working together with Bondholders and Revolving Credit Facility Banks, determined it could be prudent to leave more cash in the company to protect against the possibility that this unprecedented downturn continues for a longer period than anticipated in the business plan.
 - Therefore, Paragon prepared a downside sensitivity to the business plan provided in the April 19, 2016 Disclosure Statement.
 - This downside sensitivity is not a new business plan and the company is not changing the original plan. The sensitivity assumes:
 - That the recovery does not occur until late in 2018, well beyond anyone's expectations;
 - That certain of the company's rigs do not go back to work as quickly as in the business plan; and
 - That the dayrates associated with new work increase at a slower rate versus the business plan.
 - Additionally, it includes our actual year-to-date results, which have been better than originally anticipated.
 - *It is important to note that this additional work will increase Paragon's liquidity and extend the runway in the event of a greatly prolonged industry downturn. We view this as a Win-Win for Paragon and all of its stakeholders, including equity holders and lenders, because it places Paragon in a stronger position regardless of how the industry situation develops:*
 - *If the Company performs to plan as it anticipates, the additional liquidity and covenant relief will make the Company much stronger*

- *If (as no one anticipates) this unprecedented downturn continues, the Company will have sufficient runway to make it through because of the increased liquidity and more relaxed covenants*

- **What is the impact of the downside sensitivity on the business plan?**
 - Details of the downside sensitivity will be available when we file the amended Disclosure Statement, which is expected to occur on August 5, 2016.
 - However, in general, a delay in the timing and dayrates for rigs returning to work will yield revenue and EBITDA figures that are below those of the base business plan.
- **Has anything about the restructuring plan changed?**
 - At this point, there have been no changes to the plan. *However, we expect there **will** be changes to the plan as we negotiate with the Bondholders and the Revolving Credit Facility Banks to allow the company to maintain more cash on its balance sheet. We anticipate filing the amended plan on August 5, 2016.*
- **What could change in the restructuring plan?**
 - First, we expect that we will continue to be able to meet the debt and interest expense reductions achieved in the original restructuring plan, namely the elimination of more than \$1.1 billion of debt and approximately \$60 million of annual cash interest expense.
 - However, to allow the company to maintain more cash on its balance sheet versus the original plan, we are negotiating with the two lender groups who supported the original plan, the Bondholders and the Revolving Credit Facility Banks. These negotiations will focus on adjusting the treatment of the Bondholders and Revolving Credit Facility Banks to take into account the downside sensitivity giving the Company significantly more liquidity and covenant relief through the forecast period.
 - The Bondholders and Revolving Credit Facility Banks have been supportive of the process.
 - We expect that in exchange for keeping more cash, we may need to make concessions which could include additional equity, contingent payments, or other alternatives.
- **What does the downside sensitivity mean for discussions with Paragon's lenders? Are you negotiating with all of Paragon's lenders? Could there be some sort of settlement that speeds the process?**
 - Paragon has presented the downside sensitivity to all three lender groups (Bondholders, Revolving Credit Facility Banks, and the Term Loan Holders) and we have been engaged in discussions.
 - It is our expectation that our current Plan Support Agreement which includes cash payments, equity awards, and covenant relief (as detailed in the question "Has anything about the restructuring plan changed?") will be modified to allow the company to retain more cash.
 - There is always the possibility of reaching a mutually acceptable solution that could speed the process, but our current expectation is that the Term Loan Lenders will continue their challenge.

- **If the restructuring plan is revised, will there need to be a new vote by parties? Who will be able to vote?**
 - Yes, even though we expect to reach agreement on the modifications to the restructuring plan, the process will require another vote.
 - However, since this is a continuation of the original process to approve the plan, the Bondholders and Revolving Credit Facility Banks who voted overwhelmingly to support the original restructuring plan are the ones who will be voting on the amended plan.
 - We fully anticipate that the Bondholders and Revolving Credit Facility Banks will vote in favor of any revised restructuring plan.

- **Will the Term Loan Holders object to the revised restructuring plan?**
 - We expect them to continue their objection. Their objection would be heard when the hearing continues (see “What does that mean for the schedule?”) and will likely continue to focus on feasibility and their treatment under any revised restructuring plan.

- **What does this mean for the schedule?**
 - The confirmation hearing commenced on Tuesday, June 21st 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 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-Not used
 - July 27th—Hearing to discuss downside sensitivity and set a date for the Noble settlement testimony
 - August 5—Paragon to file the amended Disclosure Statement to include the downside sensitivity.
 - August 16—Hearing scheduled to approve the amended Disclosure Statement.
 - September 8—Hearing to provide Noble settlement testimony
 - September 27th - 30th—Hearing to review the downside sensitivity and revised restructuring plan.

- **What will happen at the hearing on the 27th – 30th?**
 - 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.**