

Paragon Updated Frequently Asked Questions

Updated January 3, 2017

Note: The provided FAQ document should not be read in a 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, previous FAQ documents posted on Paragon's public website at www.paragonoffshore.com, filings with the U.S. Securities and Exchange Commission, and filings with the U.S. Bankruptcy Court.

General Questions and Answers

- **Where does Paragon's process stand?**
 - On October 28, 2016, the Bankruptcy Court denied confirmation of our original Plan of Reorganization ("**POR**"). In addition, the Bondholders and Revolving Credit Facility Lenders ("**Revolver Lenders**") have terminated their agreement (the "**Plan Support Agreement**," or "**PSA**") to support the original POR.
 - In light of the Bankruptcy Court's ruling, we are developing a new business plan and are now engaged with all creditor groups, including agents for the Term Loan Lenders, in an attempt to develop a new POR. We are working to achieve an outcome on a consensual basis, but cannot guarantee we will be able to do so.
 - If we are able to reach a consensual resolution on a new POR, the treatment of claims under the new POR may be substantially different from the original POR and all creditors and other stakeholders should carefully review any proposed POR and accompanying disclosure statement.

- **What does the termination of the Plan Support Agreement mean?**
 - Paragon, certain Revolver Lenders, and certain Bondholders entered into the PSA to guarantee support for the original POR. By signing the PSA, the Revolver Lenders and Bondholders were prohibited from trading Paragon's debt while the PSA was in effect.
 - Because the Bankruptcy Court denied confirmation of the original POR and Paragon is seeking to negotiate a new POR, there is no benefit to us under the PSA. In fact, termination of the PSA was necessary to allow the Debtors to move forward with negotiating a new POR.
 - By exercising their right to terminate, those parties who want to trade are able to do so.

- **Does this mean that the Revolver Lenders and Bondholders no longer support a reorganization of Paragon?**
 - Termination of the PSA merely reflects that the Revolver Lenders and Bondholders no longer support the original POR. If and when a new POR is developed and agreed to with a group of lenders, a new PSA may be put in place.

- **Is there a deadline by which Paragon must submit a plan?**
 - **No.** Paragon and its advisors are working diligently with creditors to develop a plan, but there is no specific deadline.

- Paragon is currently the only party that is permitted to file a chapter 11 plan through January 16, 2017 (“*Exclusivity Period*”).
- **What happens at the end of the Exclusivity Period?**
 - If the Exclusivity Period ends, another party may submit its own plan of reorganization.
- **Will Paragon comment on proposals by individual debt holders, equity holders, or others?**
 - No. Paragon will not comment on proposals or questions relating to hypothetical scenarios (e.g., “What if you...?”, “Why can’t you just...?”, “Wouldn’t it be easiest if...?”, etc.).
 - We understand you may have questions and/or ideas about possible solutions, but the facts of Paragon’s case are complex and external parties often do not have a sufficient understanding of the legal, commercial, and other issues involved.
- **Is the recently announced OPEC agreement helpful to Paragon’s case?**
 - The recently announced agreement by OPEC to limit production has had a positive impact on oil prices. Over time, if the agreement is implemented and adhered to by the participating countries, commodity prices could continue to increase and drive industry activity, including offshore drilling.
 - Nevertheless, we do not believe the mere announcement of this agreement will have a significant impact on offshore drilling activity in the very near term.

Questions and Answers Relating to the Bar Date to File Proofs of Claim

- **What is a Claims Bar Date and what does it mean?**
 - The Claims Bar Date is the date by which all entities, including governmental units, holding prepetition claims must file Proofs of Claim, so that such Proofs of Claim are actually received by the Debtors’ notice and claims agent, Kurtzman Carson Consultants LLC (“*KCC*”), unless such entity’s claim falls within one of the exceptions set forth in the Bar Date Notice. On December 16, 2016, the Court issued an Order (“Bar Date Order”) establishing **February 10, 2017, at 5:00 p.m. (Prevailing Eastern Time)** as the Claims Bar Date.
- **Does the Bar Date Order mean that the reorganization has failed and what does this mean for my interest or claim (as an unsecured creditor, employee, or equity holder)?**
 - No, Paragon’s restructuring efforts are still ongoing. At this stage, a variety of options regarding chapter 11 plans are being discussed. Some options involve plans where general unsecured claimants or shareholders will be impaired and not receive a full recovery. Paragon continues to believe, but cannot provide any assurances, that a positive resolution of Paragon’s restructuring process can be achieved.

- The Bar Date Order simply allows Paragon to pursue all restructuring options when it is prepared to put forth a new proposed chapter 11 plan and will aid Paragon in properly evaluating its restructuring options by allowing it to obtain an estimate of the general unsecured claims that potentially may exist against Paragon.
- **Should I file a proof of claim form?**
 - You may file a proof of claim if you believe you are owed money by any of the Paragon chapter 11 Debtors for any reason that arose on or before the chapter 11 filing date of February 14, 2016 (the “*Petition Date*”).
 - Those who are owed money for transactions or dealings with a Paragon Debtor **after** February 14, 2016 should not file a proof of claim form. Amounts owed for those wages or benefits (up to a cap of \$12,850) and goods and services are being paid in the ordinary course of the Debtor’s business or dealt with in a chapter 11 plan as described below. Disputes over any amount due that arose after the chapter 11 filing date may be resolved by making a motion to the Bankruptcy Court.
- **Should I file a proof of claim or interest if I own ordinary shares or another type of equity interest in one or more of the Debtors?**
 - You **do not need** to file a proof of claim or interest if you own ordinary shares or another type of equity interest in any of the Debtors merely to preserve your rights as the owner of such equity interest. However, if you wish to assert a separate claim against any Debtor that is related to the issuance, ownership, purchase, sale or any other similar transaction involving your equity interest in any of the Debtors, you must file a proof of claim for any such damages related to such transaction. If you believe you have this kind of separate claim for damages related to any such transaction involving your interest, you must file a proof of claim on or prior to the Claims Bar Date.
- **I am a current or former Employee – do I need to file a proof of claim? Does my claim entitle me to priority treatment?**
 - The bankruptcy code provides that certain claims may be entitled to “priority” or paid ahead of other unsecured claims. For example, unpaid wages, vacation, and commissions earned within 180 days prior to the bankruptcy filing date are entitled to priority up to \$12,850. Any amount owed in excess of the limit is a general unsecured claim. Employees’ claims were included in the Debtors’ Schedules.
 - You **do not need** to file a proof of claim if an order of the Bankruptcy Court authorized the Debtors to honor your claim in the ordinary course of business as a wage, commission, or benefit. However, you must submit a proof of claim by the Claims Bar Date for any claim arising on or before the Petition Date, including a claim for benefits not provided for pursuant to an order of the Bankruptcy Court, wrongful termination, discrimination, harassment, hostile work environment, and/or retaliation. If you believe you have a claim and it is not scheduled OR you disagree with how the Debtors have

scheduled your claim OR your claim has been scheduled as contingent, disputed or unliquidated, then you must file a proof of claim by the Claims Bar Date or your claim will be disallowed.

- **Should I file a proof of claim for my bonds?**
 - Please see the instructions in the bar date notice (the “Bar Date Notice”) for who should and should not file a claim. **Holders of claims that are limited exclusively to the repayment of principal, interest, or other applicable fees and charges (a “Debt Claim”) owed under any bond or note issued by the Debtors pursuant to an indenture do not need to file a proof of claim.** The indenture trustee under each debt instrument is responsible for filing one proof of claim, on or before the Claims Bar Date, with respect to all of the amounts owed under the debt instrument. Any holder of a Debt Claim wishing to assert a claim, other than a Debt Claim, arising out of or relating to a debt instrument must file a proof of claim on or before the Claims Bar Date. Outside of what information is available in the Bar Date Notice we are not permitted to advise creditors if they should file a claim.

- **How can I obtain a proof of claim form?**
 - The claims process is being administered by a court approved “claims agent” – in this case KCC. Pursuant to the Bar Date Order, the Bankruptcy Court set a deadline of **February 10, 2017 at 5:00 p.m. (prevailing Eastern Time)** for the filing of proofs of claim (“*Claims Bar Date*”). Known creditors should receive by mail a proof of claim form and instructions about how to file a proof of claim. Creditors may also obtain a claim form and instructions about how to file a proof of claim at KCC’s website: www.kccllc.net/paragon. Click on “Proof of Claim Form” to access a form and instructions for completing and submitting it.

- **When should I fill out the proof of claim form?**
 - If you believe you are a creditor, you may submit a proof of claim at any time prior to the deadline Claims Bar Date. Claims must be submitted prior to the Claims Bar Date to be eligible for distribution in the bankruptcy case.

 - If you are required to file a proof of claim and you do not send it so that it is actually received on or before the Claims Bar Date set by the Bankruptcy Court, **you will be forever barred from asserting any claim you hold or wish to assert against any of the Debtors, except as otherwise provided by further court order. Additionally, to the extent a plan is proposed in the future where you otherwise could have been a voting creditor, you will be barred from voting to accept or reject any chapter 11 plan for any of the Debtors if you fail to timely file a proof of claim.**

- **Will I be notified if I need to submit a proof of claim form?**
 - Those who the Debtors understand to be creditors will receive notice via mail of the Claims Bar Date and instructions regarding the preparation and submission of a proof of claim. Examples of potential claimants include those listed on the Debtors' Schedules of Assets and Liabilities (the “*Schedules*”) filed with the Bankruptcy Court, employees, executory

contract or lease parties, parties with whom the Paragon Debtors transacted business within the last couple of years and individuals who have asserted litigation-type claims against a Paragon Debtor.

- Please note, the fact that you received a bar date notice and are listed in the Debtor's records does not necessarily mean you have a claim. If you need help in determining whether or not you should file a claim, or if your specific situation and circumstances warrant filing a claim you will need to seek the advice of your attorney.
- **What if a Debtor or someone else disagrees with the amount I list in my proof of claim form?**
 - The Paragon Debtors will evaluate all claims filed and determine their validity and the amount claimed. If a Debtor disagrees with the amount you list in your proof of claim, the Debtor will file an objection to your claim with the Bankruptcy Court and will send a copy to you. All objections will be considered and ruled upon by the Bankruptcy Court. You will receive notice of any hearing date and you will have an opportunity to present your case to the Bankruptcy Court to justify the amount of your claim.
- **Where do I find the Debtor's schedules?**
 - The Debtors' Schedules are available for inspection free of charge on KCC's website at www.kccllc.net/paragon. Copies of the Schedules and other documents filed in these chapter 11 cases also may be examined between the hours of 8:00 a.m. and 4:00 p.m. (Prevailing Eastern Time), Monday through Friday, at the Office of the Clerk of the Bankruptcy Court, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801.
- **What if I disagree with the amount the Debtor lists for my claim in its schedules?**
 - If your claim is listed in a Debtor's Schedules as contingent, unliquidated or disputed, or if you disagree with the amount of your claim listed by the relevant Debtor in its schedules, then you must file a proof of claim with KCC by the Claims Bar Date or your claim will be disallowed.
- **What does it mean if my claim is listed on a Debtor's financial schedules as "contingent," "unliquidated" and/or "disputed?"**
 - On April 14, 2016, each Debtor company that has filed a chapter 11 proceeding filed its required Schedules listing the claims of those that the Debtor believes is or may be a creditor of the Debtor. The Schedules list the amount the applicable Debtor believes is owed to or is claimed by the creditor based upon facts currently available to the Debtor. Many claims may be listed as "contingent," "unliquidated," or "disputed."
 - A "contingent claim," in the context of bankruptcy law, is a claim that may be owed against the Debtor under certain circumstances. A contingent debt is one in which there is a "triggering event" or some condition precedent for the debt to exist. All the events giving rise to a liability have not occurred before the filing of a bankruptcy petition. An "unliquidated claim" is a claim for

which a specific amount has not been determined. If the Debtor disagrees with the validity of the claim or the amount claimed, it is called disputed.

- In a Chapter 11 case, all creditors with claims not scheduled by the Debtor-in-possession or scheduled as disputed, contingent, or unliquidated must file proofs of claim if they desire to preserve their right to obtain any recovery from the estate.
- If your claim is scheduled and it is not identified as contingent, unliquidated or disputed, and you agree with the amount listed for your claim, you need do nothing and your claim will be “allowed” in the amount listed. Your allowed claim will be treated later in a plan of reorganization. If your claim is listed as contingent, unliquidated or disputed, or if you disagree with the amount listed for your claim, then you must file a proof of claim with KCC by the Claims Bar Date or your claim will be disallowed. You may examine the Debtor’s Schedules by accessing them for free on KCC’s website at www.kccllc.net/paragon.
- **What if I file my claim form after the Claims Bar Date (outside deadline)?**
 - If you are required to file a proof of claim, but fail to do so by the Claims Bar Date, your claim will not be included in the bankruptcy case and you will receive nothing on account of your claim. You will also be barred from voting to accept or reject any POR for any of the Debtors.
- **Who do I contact if I have a question about filling out the form?**
 - You can find instructions for filling out the claim form at www.kccllc.net/paragon by clicking on “Proof of Claim Form.” Page Two of the form includes instructions and definitions related to the preparation of the proof of claim form.
 - **The Debtors do not handle the claims process and the Debtors’ personnel, their lawyers and KCC cannot help you or advise you as to how to complete or submit your proof of claim form.**
 - **The Bankruptcy Court cannot provide you with legal advice. Do not contact the Bankruptcy Court for assistance or advice as to how to complete the proof of claim form, your rights as a creditor or the amount of your claim.**
 - If you have questions as to your rights as a creditor or your claim, you should contact your own lawyer.
- **Do I need to file a separate proof of claim form for each of my claims?**
 - You should include all claims against a particular Debtor in a single proof of claim form. If you have a claim against more than one Debtor, you must file a separate proof of claim form against each Debtor.

- **If I made an error on my proof of claim form, how do I correct it?**
 - You may file an amended claim that corrects any previous errors. As long as the original claim was filed before the Claims Bar Date, an amended claim that corrects errors, but that does not assert a new or different claim, is still timely if filed after the Claims Bar Date. You may file more than one amended claim if necessary. An amended claim filed after the Claims Bar Date that asserts new or different claims may be objected to as untimely.

- **Where do I send my completed claim form?**
 - All forms should be mailed to:

Paragon Claims Processing Center
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue,
El Segundo, California 90245
 - Claim forms must be transmitted via U.S. mail, FedEx or other hand-delivery system. Facsimile, email and other electronic delivery methods are not acceptable. If you would like a copy of your claim returned to you as proof of receipt, please enclose an additional copy and a self-addressed postage-paid envelope.
 - **Do not send your proof of claim form to the Debtors' offices.**
 - **Do not send your proof of claim form to the Debtors' lawyers.**
 - **Do not send your proof of claim form directly to the Bankruptcy Court.**

- **Will my claim be paid? If so, when will I receive my money?**
 - Before your claim can be paid, your proof of claim form must be reviewed by the Debtors and reconciled with the Debtors' books and records. Even if it is reconciled, your claim cannot be paid by a Debtor until a chapter 11 POR for the Debtors is approved by the Bankruptcy Court.
 - The Debtors are in the process of developing a plan of reorganization to be filed at a later date that will address the timing and payment of claims. At this time no plan has been filed by the Debtors and, therefore, it is not possible to answer when, if or how claims will be paid.

- **If my claim is "allowed," does that mean I will get paid 100% of my claim?**
 - The Debtors will develop a chapter 11 POR that outlines in detail how claims will be satisfied based on the value of the Debtors' assets as compared to the amount of the claims asserted against the Debtors. **Claims are likely to be satisfied on a pro rata (or proportional) basis.** But, at this time, the Debtors do not know what that proportion may be.

- **Why is there no 503(b)(9) form? I think my claim is a priority but it doesn't apply to any of these categories, what should I put?**
 - If you are a supplier and delivered goods within 20 days before the bankruptcy filing date, you should check the "503(b)(9)" box (number 13) on the proof of

claim form you received. If your form does not include this box, where the claim form specifies the type of priority claim you may write in “503(b) (9)” and include supporting documents.

FORWARD LOOKING STATEMENT

This document contains forward-looking statements. Statements regarding the Chapter 11 process including timing and steps, expectations around the confirmation hearing timing or outcomes, 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.