On behalf of the Applicants
David Soden
First
19 May 2017
DS1

IN THE HIGH COURT OF JUSTICE **CR-2017-003729**

CHANCERY DIVISION

COMPANIES COURT

IN THE MATTER OF PARAGON OFFSHORE PLC

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

EXHIBIT DS1

This is the exhibit marked "**DS1**" referred to in the First Witness Statement of David Soden dated 19 May 2017.

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David Soden

Date: 19 May 2017

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INDEX TO EXHIBIT DS1

Deloitte.

DRAFT

Court Case No. CR-2017-003729
High Court Chancery Division
Company Number: 08814042

Registered Office:
c/o Deloitte LLP
Four Brindley Place
Birmingham, B1 2HZ

Paragon Offshore Plc

Draft Statement of Insolvency Practice 16 (England & Wales) ("SIP 16")

19 May 2017 | Strictly Private and Confidential

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SIP 16 statement

Paragon Offshore Plc (the "Company")

Background Information

Background

Noble Corporation Plc ("**Noble**") was set up in 1921, commencing operations in the US and the Gulf. In September 2013, Noble announced it would create a separate standard specification drilling company (the "**Noble Spin Off**").

On 30 April 2014, Noble commenced plans to effect the Noble Spin Off, which completed on 1 August 2014. The spun off entity became the Company and its subsidiaries (together, the "**Group**"). The Company is a public limited company under the laws of England and Wales with a principal place of business in Houston, Texas. The Group is an international offshore drilling services provider owning standard specification drilling rigs, which it contracts to oil majors.

During 2014, following the Noble Spin Off, the Group identified indicators of impairment, including lower crude oil prices, a decrease in contractual activities particularly for floating rigs, and resultant projected declines in day rates and utilisation. In the fourth quarter of 2014 the Group concluded that a triggering event occurred requiring it to perform an impairment analysis of its drilling rigs resulting in an impairment loss of $1.1bn for the year ended 31 December 2014. The implementation of the Noble Spin Off has therefore been a key concern for the shareholders. The right to assert claims against Noble in relation to the Noble Spin Off (the "**Noble Claims**") will be included in the Fifth Chapter 11 Plan (defined below).

Due to their continued financial difficulties, on 14 February 2016, the Company and certain subsidiaries (the **"Chapter 11 Debtors"**) commenced chapter 11 proceedings in the US Bankruptcy Court (the "**Chapter 11 Proceedings**"). On 2 May 2017, the Chapter 11 Debtors filed their fifth chapter 11 plan (the **"Fifth Plan"**) which contemplates an administration of the Company in order to implement the compromise proposed with certain of the Company's creditors in the Fifth Plan.

It is therefore proposed that Neville Kahn and David Soden (the "**Proposed Administrators**") are appointed as administrators of the Company in order to implement the Fifth Plan following confirmation of the Fifth Plan by the US Bankruptcy Court.

Operations

The Group's operated fleet includes 32 jackups (self-elevating, buoyant mobile platforms with movable legs capable of raising the platforms above the sea), including two high-specification, heavy duty/harsh environment jackups and five floaters (four drillships and one semisubmersible).

The Group's primary business is contracting its rigs, related equipment and work crews to conduct oil and gas drilling and workover operations for its exploration and production customers on a day rate basis around the world. None of the rigs are owned by the Company itself which only has one employee.

Given the very public and long-running restructuring process, the Group has been unable to capitalise on the slow uptick in this highly competitive market and is now only operating a small number of rigs in the North Sea, Middle East and India.

Debt

The Group has c.$2.4bn of debt which is immediately due and payable. The debt is made up as follows.

(a) *Secured debt*, from:

- lenders under the revolving credit agreement (the "**RCF**") dated 17 June 2014 (the "**RCF Lenders**") of c.$756m outstanding; and

- lenders under the term loan agreement (the "**Term Loan**") dated 18 June 2014 (the "**Term Loan Lenders**") of c.$642m outstanding,

totalling c.$1.4bn (the RCF Lenders and the Term Loan Lenders, together, the "**Secured Lenders**").

(b) *Unsecured debt*, from:

- 2022 notes of c.$475m outstanding (the "**2022 Notes**"); and

- 2024 notes of c.$546m outstanding(the "**2024 Notes**"),

totalling c.$1bn (the holders of the 2022 Notes and the 2024 Notes, together, the "**Senior Noteholders**" and the Secured Lenders and the Senior Noteholders, together, the "**Lenders**").

The Secured Lenders hold security against certain assets of the Company and against certain subsidiaries.

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Paragon Offshore Plc (the "Company")

Background Information

Restructuring Plan

The Group filed the Chapter 11 Proceedings in the United States in February 2016. The Group remains subject to the Chapter 11 Proceedings and has been in discussions with its various stakeholders over the last c.15 months to seek to agree to a financial restructuring.

The Fifth Plan has been agreed in principle with the steering committee of the RCF Lenders, the steering committee of the Term Loan Lenders and the official committee of unsecured creditors ("**UCC**") and contemplates, among other things, a debt-for-equity swap which will involve the transfer of certain of the Company's assets to the Secured Lenders and the Senior Noteholders (the "**Transaction**").

The Proposed Administrators are being appointed primarily to implement the Transaction following the confirmation of the Fifth Plan by the US Bankruptcy Court. The steps required to implement the Transaction will, in summary, involve the following actions:

- the incorporation of a new Cayman holding company ("**Reorganised Paragon**"), which will be incorporated as a direct subsidiary of the Company;
- a direct or indirect transfer of certain assets of the Company to Reorganised Paragon for nominal consideration (on the basis that, at the time of the transfer, the Company's assets are still subject to the security and guarantees securing all the debt outstanding and therefore have no economic value and Reorganised Paragon is 100% owned by the Company);
- the Company will procure the distribution of the shares in Reorganised Paragon and distribute other assets including cash to the Secured Lenders and Senior Noteholders in settlement of the Company's financial liabilities to the Secured Lenders and the Senior Noteholders;
- consideration to the Company for the transfer or distribution of its assets to the Secured Lenders and Senior Noteholders will therefore be the release of all debt owed by the Company to the Secured Lenders and Senior Noteholders, in accordance with the Fifth Plan.

The creditors will receive their respective entitlements to cash, shares in Reorganised Paragon and proceeds from the Noble Claims, as applicable, and, in the case of the Secured Lenders only, senior secured first lien debt of $85 million.

Once the Fifth Plan is confirmed by the US Bankruptcy Court, the Administrators proposed to implement the Transaction. The confirmation hearing for the Fifth Plan is scheduled to commence on 7 June 2017 (the "Fifth Plan Confirmation Hearing").

A detailed history of the Chapter 11 proceedings is set out in slides 4 and 5.

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Paragon Offshore Plc (the "Company")

Background Information – Chapter 11 Process

Overview of the Chapter 11 process

The Group filed Chapter 11 Proceedings in the United States in February 2016.

Previous plans

First Plan

An initial plan was filed on 14 February 2016, when the Chapter 11 Debtors filed voluntary petitions to commence the Chapter 11 Proceedings. On 19 April 2016, the Chapter 11 Debtors filed the Second Amended Joint Chapter 11 Plan (the "**Original Plan**"). The Original Plan provided for, among other things:

- partial pay down of the RCF;
- a downsizing of the Senior Noteholders' claims in return for 35% equity in the Group, cash payment of $345m and further deferred cash payments; and
- reinstatement of the Term Loan debt.

The US Bankruptcy Court subsequently held a confirmation hearing on the Original Plan which commenced on 21 June 2016. On 8 July 2016 the Bankruptcy Court conducted a chambers conference with representatives of the Chapter 11 Debtors, the RCF Lenders, the Term Loan Lenders and the Senior Noteholders.

At that chambers conference, the US Bankruptcy Court communicated its concerns regarding the feasibility of the Original Plan, including with respect to the achievability of the projected day rates and rig utilisation contemplated by the projections in the Chapter 11 Debtors' business plan.

Second Amended Plan

To address the US Bankruptcy Court's concerns, on 15 August 2016, the Chapter 11 Debtors filed a modified plan with updated projections (the "**Second Amended Plan**"), which reflected the Chapter 11 Debtors' actual financial results for the period ending 30 June 2016.

The Second Amended Plan also accounted for a downside sensitivity analysis prepared by the Chapter 11 Debtors and their advisers that assumed a delayed market recovery and lower day rates and utilization rates.

The Second Amended Plan had the support of the ad hoc committee of Senior Noteholders and the agent for the RCF Lenders. It did not have the support of the Term Loan Lenders, who opposed the plan on the basis that it was not feasible. By order dated 15 November 2016, the US Bankruptcy Court denied confirmation of the Second Amended Plan on the basis that it did not leave sufficient cash in the Group to "*survive the challenging business environment of off-shore oil and gas production over the next several years and to be reasonably able to refinance their debt in 2021*".

Third Plan

The Chapter 11 Debtors therefore developed a new business plan, using significantly more conservative day rates and rig utilisation assumptions than the business plan on which the Original Plan and the Second Amended Plan were based (the "**New Business Plan**"). The Chapter 11 Debtors spent considerable time meeting and negotiating with certain of the RCF Lenders, the Term Loan Lenders and the Senior Noteholders regarding potential proposals for a consensual restructuring plan based on the New Business Plan.

The Chapter 11 Debtors arrived at a settlement and agreement in principle with the ad hoc committee of Term Loan Lenders and the steering committee of the RCF Lenders (but not the Senior Noteholders), which was reflected in a third chapter 11 plan, which was filed on 7 February 2017 (the "**Third Plan**") (and an amended version was filed on 10 March 2017).

Under the Third Plan, the existing shareholders did not receive any compensation and the existing shares issued by the Company were deemed worthless.

The Third Plan proposed that all new equity in the reorganised group would be issued to the Company's financial creditors with approximately 52% of the equity to be held by the Secured Lenders and the remaining approximately 48% by the Senior Noteholders. The Third Plan was not approved by all creditors and in an attempt to reach a consensual restructuring a fourth plan was proposed as set out in slide 5.

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Paragon Offshore Plc (the "Company")

Background Information – Chapter 11 Process

Fourth Plan

To resolve the parties' disputes relating to the Third Plan and reach a fully consensual restructuring of the Group (a "**Global Settlement**"), in April 2017, the Chapter 11 Debtors, the steering committee of RCF Lenders, the steering committee of Term Loan Lenders and the UCC participated in a mediation.

Although a Global Settlement had not yet been reached through the mediation, on 21 April 2017, the Debtors filed a fourth chapter 11 plan (the "**Fourth Plan**"), which, among other things, contemplated a corporate reorganisation of the Group that is necessary to compromise certain material liabilities in the Group and enable the Chapter 11 Debtors to abandon a settlement agreement with Noble and pursue the Noble Claims.

Current plan

Fifth Plan

As noted in slide 6, the Fifth Plan is consensual and is currently subject to confirmation by the US Bankruptcy Court at the Fifth Plan Confirmation Hearing.

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Paragon Offshore Plc (the "Company")

The Transaction - Overview

The Transaction - Overview

The Fifth Plan filed with the US Bankruptcy Court on 2 May 2017 reflected the outcome of extensive negotiations with creditors during the mediation and included, among other things, the following key terms:

- cash of $515m to be split between the Secured Lenders ($410m) and Senior Noteholders ($105m);
- "take-back" debt of $85m to be lent by the Secured Lenders;
- 50/50 equity split in the restructured group between the Secured Lenders and the Senior Noteholders;
- a new board of directors consisting of 7 people: 3 designated by the Secured Lenders; 3 designated by the Senior Noteholders; and the CEO;
- formation of a litigation trust (the "**Litigation Trust**"), to which the Noble Claims will be transferred by the Group, which shall prosecute the Noble Claims for the benefit of the Lenders; and
- in return for the above, the Lenders will release the Group from c.$2.4bn of secured and unsecured debt obligations.

Our appointment as administrators is primarily to implement the above steps as part of the Transaction (described on slide 3), which has been agreed in principle by the Group's key creditors and is expected to be confirmed by the US Bankruptcy Court at the Fifth Plan Confirmation Hearing. The Administrators are not considering alternative restructuring options.

Rationale for the Transaction

The Transaction will have the following effects:

- the Secured Lenders and the Senior Noteholders become the ultimate shareholders of the Reorganised Paragon group;
- the overall debt of the Reorganised Paragon group is reduced from $2.4bn to $85m;
- via a series of transactions, the intercompany positions within the Reorganised Paragon group are simplified and reduced; and
- the Noble Claims are transferred to the Litigation Trust for the benefit of the Lenders.

The Transaction will therefore provide stability for the Reorganised Paragon group with significantly reduced debt and will maximise value for all stakeholders with an economic interest in the Company. This would not be possible under the existing finance documentation nor within the Group structure prior to the Transaction.

The Proposed Administrators propose to commence implementation of the Transaction in accordance with the Fifth Plan following confirmation of the Fifth Plan by the US Bankruptcy Judge at the Fifth Plan Confirmation Hearing.

The Transaction is not expected to complete until either 3 July 2017 or 31 July 2017 when the Fifth Plan is effective. Although the Transaction will not complete immediately after appointment of the Proposed Administrators, it has in substance been pre-agreed with the Company's Lenders and is therefore being considered a pre-packaged sale.

The Administrators are satisfied that the Transaction they propose to cause the Company to enter into is appropriate in light of the Company's financial position. The Company is heavily insolvent. The total consideration to be received by the Company for the Transaction is the release of c.$2.4bn of debt owed to the Company's creditors and the total consideration to be received by the creditors through the Fifth Plan is c.$1.159bn (consisting of equity in Reorganised Paragon of c.$505.4m, takeback debt of $85m and cash of $568.7m). It is therefore clear that the Company is receiving more than adequate consideration for the Transaction.

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Paragon Offshore Plc (the "Company")

The Transaction - Valuation

Summary valuation analysis of the Company

$'000	Transaction	Liquidation
(midpoint of high and low)	*Lazard*	*AlixPartners*
Proceeds available to creditors	**843,483**	**387,355**
Secured Lenders		
Claim	1,397,639	1,397,639
Recovery	482,384	311,741
% recovery	*35%*	*22%*
Senior Notes		
Claim	1,020,750	1,020,750
Recovery	311,527	55,353
% recovery	*31%*	*5%*
Unsecured creditors		
Claim	371	371
Recovery	111	20
% recovery	*30%*	*5%*

Source: Lazard and AlixPartners analysis at at 16 May 2017

Valuation overview

Lazard Frères and Co. LLC ("Lazard") (outcomes for creditors in a going concern sale contemplated by the Transaction)

Lazard was engaged by the Group to provide a going concern valuation of the Reorganised Paragon group and the Company and provided evidence in the Chapter 11 Proceedings and in relation to the proposed administration. In summary, their valuation work is based on the following assumptions and methodologies:

- going concern valuation of the Group upon emergence from the Chapter 11 Proceedings; and
- realisable equity values for the Reorganised Paragon group are driven by the New Business Plan; and
- Lazard used a combination of DCF and EBITDA multiples to arrive at a range of valuations for the restructured group. We have presented the mid-point valuation of the high and low range Lazard calculated; and
- Note the figures presented for the Company exclude cash distributions to creditors from other Group entities.

Valuation overview

AlixPartners LLP ("AlixPartners") (outcomes for creditors in a liquidation scenario)

AlixPartners was engaged by the Group to provide ongoing financial advisory support as part of the restructuring and provided evidence in the Chapter 11 Proceedings and in relation to the proposed administration. Their analysis demonstrates the likely outcome for creditors should the Fifth Plan not be implemented and is based on the following assumptions:

- their analysis assumes a US Chapter 7 liquidation process whereby a trustee is appointed to realise the assets of the Company (and the wider Group);
- there is significant value destruction as the rigs (the Group's major assets other than cash) would be sold in a distressed, accelerated transaction;
- assets are realised and cash is distributed in accordance with the waterfall for distributions under the US Bankruptcy Code; and
- the scenario is broadly comparable to a UK liquidation process (although the waterfall for distributions would be slightly different).

Valuation conclusion

Based on the analysis undertaken by Lazard and AlixPartners (and tested and challenged by Deloitte) the Transaction is clearly in the best interests of all creditors when compared to the outcomes for creditors in a liquidation, which is the most likely alternative scenario.

Statutory Purpose and Initial Introduction

Statutory Purpose

The purpose of an administration under The Enterprise Act 2002 is split into three parts:

1. To rescue a company as a going concern (in other words, a restructuring which keeps the actual entity intact).
2. If the first purpose is not reasonably practicable (or the second purpose would clearly be better for the creditors as a whole), then the Proposed Administrators must perform their functions with the objective of achieving a better result for creditors as a whole than would be obtained through an immediate liquidation of the company. This would normally envisage a sale of the business and assets as a going concern (or a more orderly sales process than in liquidation).
3. If neither of the first two parts of the purpose are reasonably practicable, the Proposed Administrators must perform their functions with the objective of realising property in order to make a distribution to secured and/or preferential creditors as applicable.

As noted earlier, the Company has significant secured and unsecured creditor liabilities and a refinancing of the Company's debts was not achievable without the Transaction, which will involve transferring all the Company's assets required for the business to continue as a going concern to Reorganised Paragon; as such the Proposed Administrators consider that the first purpose is not possible to achieve.

Accordingly, the purpose of the administration is to achieve a better result for creditors as a whole than would be obtained through an immediate liquidation of the Company. The purpose of the administration will be achieved through the Transaction, which is the best available outcome for the Company's creditors as a whole in the circumstances.

Further details regarding the Transaction are provided earlier in this statement on slides 3 and 6.

Initial Introduction

We were originally introduced to the Group by Weil Gotshal & Manges LLP, the Group's lawyers.

By an engagement letter dated 4 January 2017 we were engaged to consider the suitability of a pre-packaged administration under English insolvency legislation to implement a chapter 11 plan to be confirmed by the US Bankruptcy Court.

In the interests of full disclosure, Deloitte were owed £985,000 by the Company at appointment as a result of the timing and process for paying professional advisers' fees through the Chapter 11 Proceedings.

Save for this appointment, the Proposed Administrators have had no prior involvement with either the Company or the Group. For completeness, we would advise that:

- Deloitte LLP has been engaged by the Company to advise on the tax aspects of the Transaction to ensure it is as tax efficient as possible; and
- Other member firms within the global Deloitte Touche Tohmatsu Limited network have been engaged to provide advice to certain Group entities, including audit work. The Proposed Administrators have had no involvement with these engagements.

In accordance with the Ethical Code for Insolvency Practitioners issued by the Institute of Chartered Accountants in England and Wales, we do not consider that these engagements represent a significant professional relationship as, amongst other things, our fees are not considered either significant to Deloitte or in the context of the overall level of fees paid by the Group to professional advisers and our independence is not impacted by any of the engagements undertaken.

Pre-appointment considerations

Pre-appointment considerations

Prior to our appointment, we carried out a thorough analysis of the steps taken by the Group prior to our engagement and the remaining steps in the restructuring process in order to determine whether the restructuring process is in the best interest of the Company and the Group's creditors.

We have undertaken the following steps:

- met and/or had discussions with the Group's English and US lawyers to better understand the Fifth Plan and the mechanics of implementing the restructuring;
- met and had discussions with representatives of the Group including the directors of the Company and senior management team;
- reviewed the finance arrangements entered into by the Group;
- participated in and/or reviewed notes of conference calls and meetings between the Group and certain creditors to discuss the potential administration; and
- reviewed the Fifth Plan and considered the valuation analysis undertaken by AlixPartners and Lazard to satisfy ourselves that the Transaction is in the best interests of the Company's creditors.

The Group had been in discussion with its Lenders to seek to agree to a financial restructuring throughout the Chapter 11 Proceedings. In the course of those discussions, we understand that the following options have been considered:

- *Refinancing*: given the significant level of debt in the Group, the decline in oil prices and the financial performance of the Group, a full refinancing of the Group's debt was not considered feasible.
- *A sale of the business and assets*: it was considered that any approach to market the Group would not result in a higher realisation than the Transaction given the distress in the offshore drilling market.
- *Continuing to trade in Administration*: the Company acts as a holding company and is a borrower under the RCF, a guarantor of the Term Loan and the issuer of the 2022 Notes and the 2024 Notes. It is a non-trading entity with many indirect trading subsidiaries in a complex multi-jurisdictional group structure. The Group is also still subject to the Chapter 11 Proceedings. As a result, the Proposed Administrators do not believe it would be appropriate or possible for the Company to monitor and seek to control the trading of the business of its subsidiaries.

The Proposed Administrators intend to enter into a memorandum of understanding with the Board and senior management to ensure that the Group's operating subsidiaries continue to operate effectively and efficiently once the Company is in administration.

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Alternative Options

Alternative Options

The Proposed Administrators have reviewed the valuation work of AlixPartners and Lazard provided in relation to the Chapter 11 Proceedings and in support of the application for the administration of the Company, which sets out the estimated returns to creditors of the Company and the Group through the Chapter 11 Proceedings compared to the returns to creditors through a US chapter 7 liquidation.

The Proposed Administrators have satisfied themselves that the Transaction represents the best outcome for creditors as a whole. Our role as Proposed Administrators is primarily to implement the Transaction once the Fifth Plan is confirmed by the US Bankruptcy Court. We do not consider there to be any viable alternative transactions given the Group has been trying to reach an agreement with its stakeholders since discussions started around September 2015.

If the Transaction does not complete, the likely alternative outcome in our view is a liquidation of the Group pursuant to a US chapter 7 proceeding.

Marketing of the Business and Assets

With regards to marketing the Group's assets, as our proposed appointment as administrators is primarily to implement the Transaction (if confirmed by the US Bankruptcy Court) that has been agreed by creditors, the Proposed Administrators have not conducted any marketing of the Company's assets on the basis that the Group and its financial advisers would have conducted any marketing of the Group and its assets as part of the Chapter 11 process, if it had been appropriate to do so.

We understand from Lazard that no marketing process was considered by the Group, its financial advisers or any of the Group's creditors before or during the Chapter 11 Proceedings because, given the distress in the wider offshore drilling market, it was considered that this would not result in a higher valuation than the valuation methods described on slide 7 of this statement and could instead be potentially value destructive.

Marketing of the Business and Assets (cont.)

Creditors have been kept fully aware of the restructuring proposed by the Fifth Plan which has been filed in the Chapter 11 Proceeding and will be considered by the US Bankruptcy Court at the Fifth Plan Confirmation Hearing. Creditors have therefore already had the opportunity to consider whether separate marketing of the assets of the Group or the Company should take place and have not requested this. Accordingly, we do not consider that additional or separate marketing of assets within a UK administration process is either desirable or necessary in the circumstances.

The fact that the Transaction will only occur if approved and confirmed by the US Bankruptcy Court also illustrates that the restructuring has been considered and investigated by the US Bankruptcy Court, the Company and the Group's creditors, which will ensure that proper value is achieved for the sale of the assets of the Company and the Group.

In these circumstances it is our opinion that the transfer of the Company's assets as proposed, if confirmed by the US Bankruptcy Court, is in the best interests of creditors and therefore the Transaction, as proposed, is in creditors' best interests and appropriate and sensible in the circumstances.

Potential funding for the Group

Given the level of cash in the Group and support from the Group's creditors to reach a consensual restructuring, the Administrators did not consider it necessary to approach potential funders to provide additional working capital funding.

Creditor Consultation

The Group's principal creditors have reached a consensual agreement to implement the Transaction and have been consulted throughout the entire Chapter 11 Proceedings.

The Administrators have participated in and/or reviewed notes of conference calls and meetings with the Group's creditors, but have not been involved directly in the mediation process between the Chapter 11 Debtors, the Secured Lenders and the UCC.

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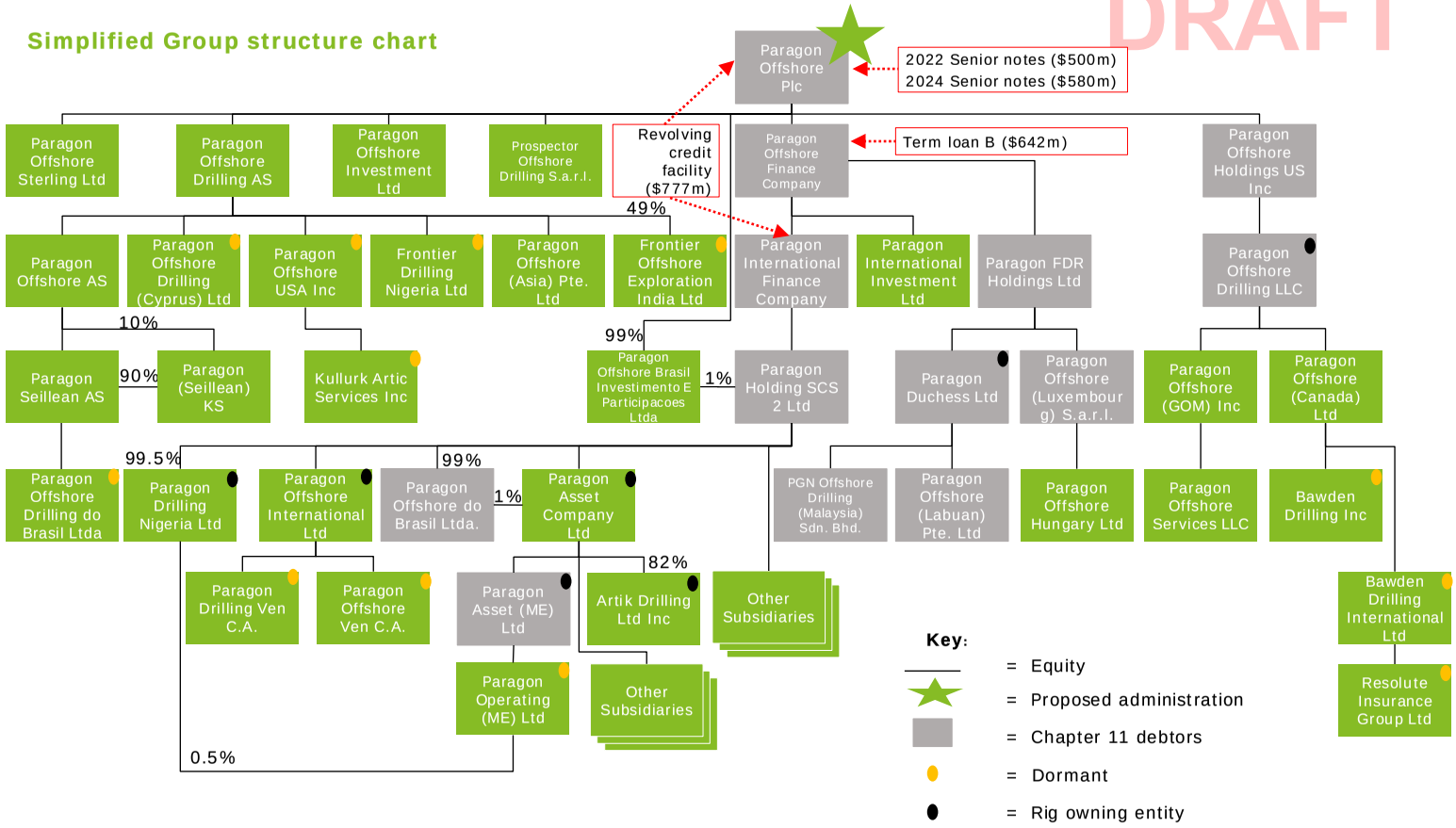
Paragon Offshore Plc (the "Company")

Group Structure

Simplified Group structure chart



Group structure overview

- The Company was previously listed on the NYSE and until 18 December 2015 the Company's shares were trading.
- The principal borrowers of the Group's debt are the Company, Paragon Offshore Finance Company and Paragon International Finance Company.
- The Group has operational structures in each of the jurisdictions in which it operates.
- Each jurisdiction has a service company which provides onshore and offshore employees and contractors as well as management and support functions.
- The Reorganized Paragon group on slide 12 will be consist of only those entities in the current Group structure required for the go forward business. The remaining entities will be wound down as part of the administration.

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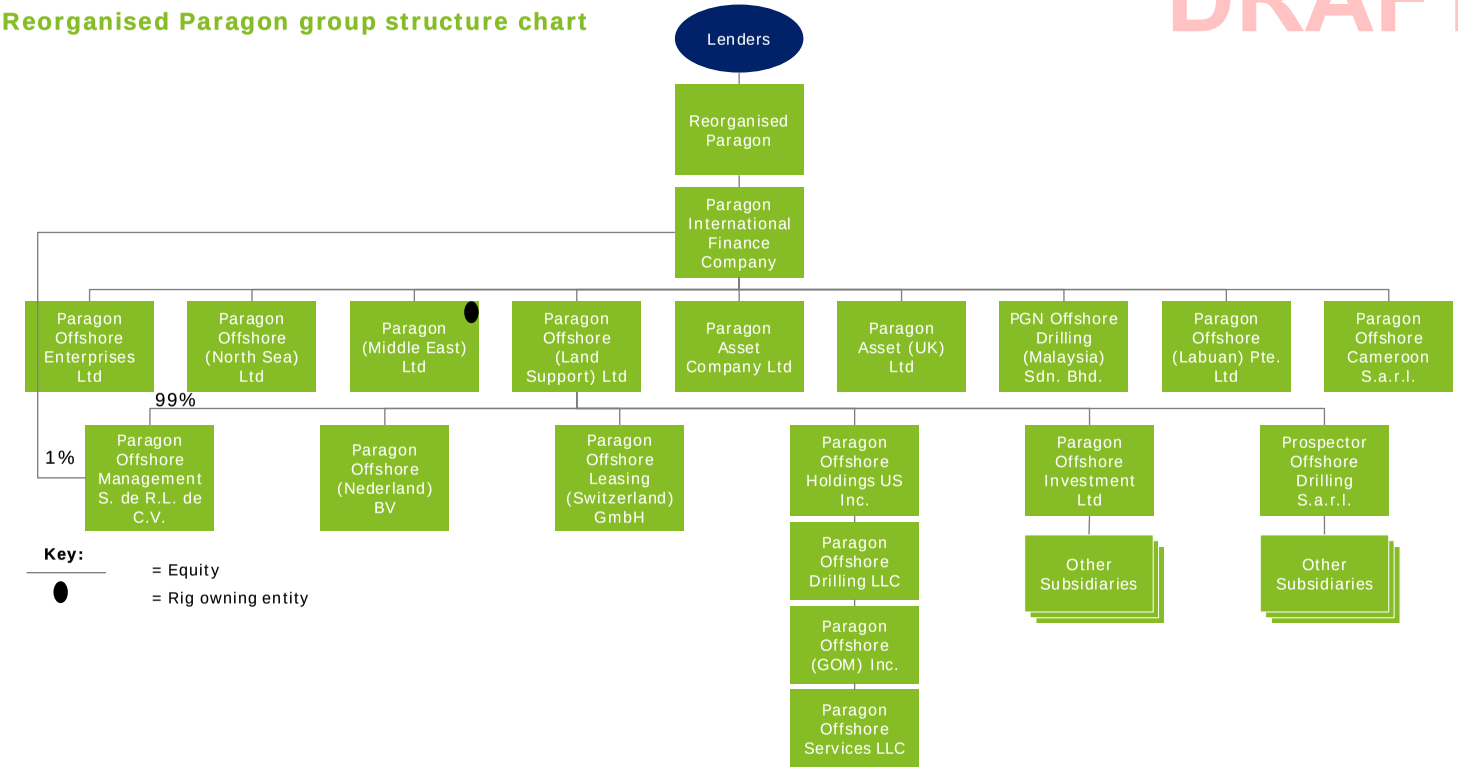
Paragon Offshore Plc (the "Company")

Purchaser

Reorganised Paragon group structure chart



Purchaser and Related Parties

The Transaction will result in the Lenders owning 100% of the Reorganised Paragon group.

The Lenders are a large disparate group of financial institutions and retail investors.

Assets

The structure chart above shows the entities the Proposed Administrators intend to sell to the Lenders as part of the Transaction. This will be effected pursuant to an implementation agreement which will be agreed with the Lenders on or before the Fifth Plan Confirmation Hearing.

The Transaction includes the sale of operating subsidiaries in each jurisdiction management has identified as long term markets for the Group.

Subject to confirmation of the Fifth Plan, the Proposed Administrators also intend to (a) sell the rights to pursue the Noble Claims to the Litigation Trust as part of the consideration for the release of c.$2.4bn of debt and (b) distribute all cash to the Lenders in accordance with the Fifth Plan, including c.$344m of cash currently held by the Company.

Sale consideration

As consideration for the transfer of the Company's assets pursuant to the Transaction, the Proposed Administrators will received c.$2.4bn by way of release of all debt owed by the Group to the Secured Lenders and the Senior Noteholders (see slide 6 for further details).

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Paragon Offshore Plc (the "Company")

Connected party transaction

Pre-Pack Pool - Background

The Pre Pack Pool (the **"Pool**") was set up in response to a series of recommendations contained in an independent review of pre-packaged administrations (The Graham Review). Its function is to provide an independent review of the purchase of a business and / or its assets by a party connected to a company where a pre-packaged sale is proposed. The Pool has no powers, as such.

Application to the Pool is made by the connected party. Each application will be dealt with by a single Pool member. The Pool member will consider the reasonableness of the grounds of the proposed pre-packaged sale outlined in the application, and will issue one of the following three opinions:

1. Nothing found to suggest that the grounds for the proposed pre-packaged sale are unreasonable.
2. Evidence provided has been limited in some areas, but otherwise nothing has been found to suggest that the grounds for the proposed pre-packaged sale are unreasonable.
3. There is a lack of evidence to support a statement that the grounds for the proposed pre-packaged sale are reasonable.

The opinion will not determine whether or not a sale to a connected party can or cannot proceed. Responsibility for a sale will rest ultimately with the administrator.

Application to the Pool

The Proposed Administrators and the Lenders have been considering whether the transaction would be a connected party transaction which would require Reorganised Paragon to consider approaching the Pool.

Once the identity of the new board of Reorganised Paragon has been confirmed it will be possible to finally determine whether or not the Transaction is a connected party transaction. This will be known before the Fifth Plan Confirmation Hearing and in any event before the Proposed Administrators circulate the final version of this statement to creditors.

The Proposed Administrators' view is that, even if this is a connected party transaction, it would be neither appropriate nor necessary to approach the Pool because the Transaction has been disclosed to creditors and will be vetted by the US Bankruptcy Court in the Chapter 11 Proceedings so the transaction will already be the subject of close and, in our view, sufficient, external scrutiny. If the administration order is granted, the Proposed Administrators will finally determine with the Lenders whether or not to approach the Pool.

Viability statement

The connected party wishing to make a pre-packaged purchase should be encouraged to prepare a statement setting out how it, the purchasing entity, will survive for at least 12 months from the date of the proposed purchase. The connected party should consider providing a short narrative detailing what the purchasing entity will do differently to ensure that the business will not fail (the "**Viability Statement**").

However, in this case, given that the Transaction will be considered by the US Bankruptcy Judge at the Fifth Plan Confirmation Hearing, which will include a review of the New Business Plan and the feasibility of the Fifth Plan, the Proposed Administrators do not believe it is necessary to provide a Viability Statement, although ultimately this is the decision for the Lenders (as shareholders of Reorganised Paragon) if they determine that the Transaction is a connected party transaction.

We will notify all creditors should the Lenders seek an application to the Pool and make a Viability Statement.

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Paragon Offshore Plc (the "Company")

General matters to be brought to the attention of creditors

General Matters

The effect of an administration appointment is essentially to give protection to the Company and prevent any person taking action against it. During the period of the administration the Company cannot normally be wound up, no administrative receiver can be appointed, nor can steps be taken by any creditor to enforce security, repossess goods or commence any legal proceedings against the Company without the consent of the administrators. If they are appointed, the Proposed Administrators will manage the affairs, business and property of the Company for the duration of the administration.

If an administration order is granted, the Proposed Administrators have requested that relief is granted so that:

(a) if, for any reason, it is not possible for the Fifth Chapter 11 Plan to become effective on the intended effective date of 3 July 2017 (which would be within the eight week period for sending proposals) then the effective date of the Fifth Chapter 11 Plan will be 31 July 2017 (which would be after the eight week period for sending proposals expired), in which case the deadline for sending the administrators' proposals to creditors pursuant to paragraph 49 of Schedule B1 is extended pursuant to paragraphs 49(8) and 107 of Schedule B1 until 4 August 2017; and

(b) the initial decision date for a decision from the Company's creditors as to whether they approve the administrator's proposals is extended pursuant to paragraphs 51(4) and 107 of Schedule B1 to the date twenty-one days after the date of the deadline for sending the administrators' proposals to creditors, as extended pursuant to paragraph 64(a) above. An additional seven days is requested on top of the fourteen days provided under Rules 15.2(2) and 15.11 to provide additional time to deliver the proposals to overseas creditors.

Important Notice

This document has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company.

Any estimated outcomes for creditors included in this document are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this document for any purpose does so at their own risk. To the fullest extent permitted by law, the Proposed Administrators do not assume any responsibility and will not accept any liability for this statement.

The Proposed Administrators will, if appointed as administrators, act as agents of the Company and contract without personal liability. The appointments of the Proposed Administrators will be personal to them and, to the fullest extent permitted by law, Deloitte LLP will not assume any responsibility and will not accept any liability to any person in respect of this document or the conduct of the proposed administration.

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STATEMENT OF INSOLVENCY PRACTICE 16

PRE-PACKAGED SALES IN ADMINISTRATIONS

INTRODUCTION

1. The term ‘pre-packaged sale’ refers to an arrangement under which the sale of all or part of a company’s business or assets is negotiated with a purchaser prior to the appointment of an administrator and the administrator effects the sale immediately on, or shortly after, appointment.
2. The particular nature of an insolvency practitioner’s position in these circumstances renders transparency in all dealings of primary importance. Administration is a collective insolvency proceeding - creditors and other interested parties should be confident that the insolvency practitioner has acted professionally and with objectivity; failure to demonstrate this clearly may bring the insolvency practitioner and the profession into disrepute.
3. An insolvency practitioner should recognise the high level interest the public and the business community have in pre-packaged sales in administration. The insolvency practitioner should assume, and plan for, greater interest in and possible scrutiny of such sales where the directors and/or shareholders of the purchasing entity are the same as, or are connected parties of, the insolvent entity.
4. It is equally important that the insolvency practitioner acts and is seen to be acting in the interests of the company’s creditors as a whole and is able to demonstrate this.

PRINCIPLES

5. An insolvency practitioner should differentiate clearly the roles that are associated with an administration that involves a pre-packaged sale, that is, the provision of advice to the company before any formal appointment and the functions and responsibilities of the administrator following appointment. The roles are to be explained to the directors and the creditors. For the purposes of this Statement of Insolvency Practice only, the role of "insolvency practitioner" is to be read as relating to the advisory engagement that an insolvency practitioner or their firm and or/any associates may have with a company in the period prior to the company entering administration. The role of "administrator" is to be read as the formal appointment as

administrator after the company has entered administration. An insolvency practitioner should recognise that a different insolvency practitioner may be the eventual administrator.

6. The administrator should provide creditors with sufficient information ("the SIP 16 statement") such that a reasonable and informed third party would conclude that the pre-packaged sale was appropriate and that the administrator has acted with due regard for the creditors' interests. In a connected party transaction the level of detail may need to be greater.

KEY COMPLIANCE STANDARDS

Preparatory work

7. An insolvency practitioner should be clear about the nature and extent of the role of advisor in the pre-appointment period. When instructed to advise the company or companies in a group, the insolvency practitioner should make it clear that the role is not to advise the directors or any parties connected with the purchaser, who should be encouraged to take independent advice. This is particularly important if there is a possibility that the directors may acquire an interest in the business or assets in a pre-packaged sale.
8. An insolvency practitioner should bear in mind the duties and obligations which are owed to creditors in the pre-appointment period. The insolvency practitioner should recognise the potential liability which may attach to any person who is party to a decision that causes a company to incur credit and who knows that there is no good reason to believe it will be repaid. Such liability is not restricted to the directors.
9. The insolvency practitioner should ensure that any connected party considering a pre - packaged purchase is aware of their ability to approach the pre-pack pool (see appendix) and the potential for enhanced stakeholder confidence from the connected party approaching the pre-pack pool and preparing a viability statement for the purchasing entity.
10. An insolvency practitioner should keep a detailed record of the reasoning behind both the decision to undertake a pre-packaged sale and all alternatives considered.
11. The insolvency practitioner should advise the company that any valuations obtained should be carried out by appropriate independent valuers and/or advisors, carrying adequate professional indemnity insurance for the valuation performed.
12. If the administrator relies on a valuation or advice other than by an appropriate independent valuer and/or advisor with adequate professional indemnity insurance this should be disclosed and with the reason for doing so and the reasons that the administrator was satisfied with the valuation, explained.

Marketing

13. Marketing a business is an important element in ensuring that the best available consideration is obtained for it in the interests of the company's creditors as a whole, and will be a key factor in providing reassurance to creditors. The insolvency

practitioner should advise the company that any marketing should conform to the marketing essentials as set out in the appendix to this Statement of Insolvency Practice.

14. Where there has been deviation from any of the marketing essentials, the administrator is to explain how a different strategy has delivered the best available outcome.

After appointment

15. When considering the manner of disposal of the business or assets the administrator should be able to demonstrate that the duties of an administrator under the legislation have been met.

Disclosure

16. An administrator should provide creditors with a detailed narrative explanation and justification (the SIP 16 statement) of why a pre-packaged sale was undertaken and all alternatives considered, to demonstrate that the administrator has acted with due regard for their interests. The information disclosure requirements in the appendix should be included in the SIP 16 statement unless there are exceptional circumstances, in which case the administrator should explain why the information has not been provided. In any sale involving a connected party, it is very unlikely that commercial confidentiality alone would outweigh the need for creditors to be provided with this information.

17. The explanation of the pre-packaged sale in the SIP 16 Statement should be provided with the first notification to creditors and in any event within seven calendar days of the transaction. If the administrator has been unable to meet this requirement, the administrator will provide a reasonable explanation for the delay. The SIP 16 statement should be included in the administrator's statement of proposals filed at Companies House.

18. The administrator should recognise that, if creditors have had to wait until, or near, the statutory deadline for the proposals to be issued there may be some confusion on the part of creditors when they do receive them, the sale having been completed some time before. Accordingly, when a pre-packaged sale has been undertaken, the administrator should seek any requisite approval of the proposals as soon as practicable after appointment and, ideally, the proposals should be sent with the notification of the sale. If the administrator has been unable to meet this requirement the proposals should include an explanation for the delay.

19. The Insolvency Act 1986 and the Insolvency (Northern Ireland) Order 1989 permits an administrator not to disclose information in certain limited circumstances. This Statement of Insolvency Practice will not restrict the effect of those statutory provisions.

Effective date: This SIP applies to insolvency appointments starting on or after 1 November 2015

Marketing essentials

Marketing a business is an important element in ensuring that the best available consideration is obtained for it in the interests of creditors, and will be a key factor in providing reassurance to creditors. Any marketing should conform to the following:

- **Broadcast** – the business should be marketed as widely as possible proportionate to the nature and size of the business – the purpose of the marketing is to make the business's availability known to the widest group of potential purchasers in the time available, using whatever media or other sources are likely to achieve this outcome.
- **Justify the marketing strategy –** the statement to creditors should not simply be a list of what marketing has been undertaken. It should explain the reasons underpinning the marketing and media strategy used.
- **Independence** - where the business has been marketed by the company prior to the insolvency practitioner being instructed, this should not be used as a justification in itself to avoid further marketing. The administrator should be satisfied as to the adequacy and independence of the marketing undertaken.
- **Publicise rather than simply publish -** marketing should have been undertaken for an appropriate length of time to satisfy the administrator that the best available outcome for creditors as a whole in all the circumstances has been achieved. Creditors should be informed of the reason for the length of time settled upon.
- **Connectivity -** include online communication alongside other media by default. The internet offers one of the widest populations of any medium. If the business is not marketed via the internet, this should be justified.
- **Comply or explain –** particularly with sales to connected parties where the level of interest is at its highest, the administrator needs to explain how the marketing strategy has achieved the best available outcome for creditors as a whole in all the circumstances.

Information disclosure requirements in the SIP 16 statement

The administrator should include a statement explaining the statutory purpose pursued, confirming that the transaction enables the statutory purpose to be achieved and that the outcome achieved was the best available outcome for creditors as a whole in all the circumstances.

The following information should be included in the administrator's explanation of a pre-packaged sale, as far as the administrator is aware after making appropriate enquiries:

Initial introductions

The source (to be named) of the initial introduction to the insolvency practitioner and the date of the administrator's initial introduction.

Pre-appointment matters

The extent of the administrator's (and that of their firm, and/or any associates) involvement prior to appointment.

The alternative options considered, both prior to and within formal insolvency by the insolvency practitioner and the company, and on appointment the administrator with an explanation of the possible outcomes.

Whether efforts were made to consult with major or representative creditors and the upshot of any consultations. If no consultation took place, the administrator should explain the reasons.

Why it was not appropriate to trade the business and offer it for sale as a going concern during the administration.

Details of requests made to potential funders to fund working capital requirements. If no such requests were made, explain why.

Details of registered charges with dates of creation.

If the business or business assets have been acquired from an insolvency process within the previous 24 months, or longer if the administrator deems that relevant to creditors' understanding, the administrator should disclose both the details of that transaction and whether the administrator, administrator's firm or associates were involved.

Marketing of the business and assets

The marketing activities conducted by the company and/or the administrator and the effect of those activities. Reference should be made to the marketing essentials above. Any divergence from these essentials is to be drawn to creditor's attention, with the reasons for such divergence, together with an explanation as to why the administrator relied upon the marketing conducted.

Valuation of the business and assets

The names and professional qualifications of any valuers and /or advisors and confirmation that they have confirmed their independence and that they carry adequate professional indemnity insurance. In the unlikely event that valuers and /or advisors who do not meet these criteria have been employed, the reasons for doing so should be explained.

The valuations obtained for the business or its underlying assets. Where goodwill has been valued, an explanation and basis for the value given.

A summary of the basis of valuation adopted by the administrator or the valuers and/or advisors.

The rationale for the basis of the valuations obtained and an explanation of the value achieved of the assets compared to those valuations.

If no valuation has been obtained, the reason for not having done so and how the administrator was satisfied as to the value of the assets.

The transaction

The date of the transaction.

Purchaser and related parties

- The identity of the purchaser.
- Any connection between the purchaser and the directors, shareholders or secured creditors of the company or their associates.
- The names of any directors, or former directors (or their associates), of the company who are involved in the management, financing, or ownership of the purchasing entity, or of any other entity into which any of the assets are transferred.
- In transactions impacting on more than one related company (e.g. a group transaction) the administrator should ensure that the disclosure is sufficient to enable a transparent explanation (for instance, allocation of consideration paid).
- Whether any directors had given guarantees for amounts due from the company to a prior financier and whether that financier is financing the new business.

Assets

- Details of the assets involved and the nature of the transaction.

Sale consideration

- The consideration for the transaction, terms of payment and any condition of the contract that could materially affect the consideration.
- The consideration disclosed under broad asset valuation categories and split between fixed and floating charge realisations (where applicable) and the method by which this allocation of consideration was applied.
- Any options, buy-back agreements, deferred consideration or other conditions attached to the transaction.
- Details of any security taken by the administrator in respect of any deferred consideration. Where no such security has been taken, the administrator's reasons for this and the basis for the decision that none was required.
- If the sale is part of a wider transaction, a description of the other aspects of the transaction.

Connected Party transactions only

Where the sale has been undertaken to a connected party the additional details should be included in the SIP 16 statement.

In this context only, a connected party is as defined in section 249 and 435 of the Insolvency Act 1986 and Article 7 and Article 4 of the Insolvency (NI) Order 1989, provided that in determining whether any person or company has control under section 435(10) and Article 4(10), sales to secured lenders who hold security for the granting of the loan (with related voting rights) as part of the secured lender's normal business activities, over one third or more of the shares in the insolvent company, are not included.

Pre-pack pool

The administrator should include one of the following in the SIP 16 statement –

- a statement that the pre-pack pool has been approached by the connected party, or not;
- a statement that the administrator has requested a copy of the opinion given by the pool member.

If an opinion is made by the pre –pack pool and is provided by the connected party to the administrator, a copy of that opinion is to be included within the SIP 16 statement, clearly stating the date of that opinion.

Viability statement

A viability review can be drawn up by a connected party wishing to make a pre-packaged purchase, stating how the purchasing entity will survive for at least 12 months from the date of the proposed purchase. The connected party should consider providing a short narrative detailing what the purchasing entity will do differently in order that the business will not fail (“the viability statement).

The administrator should request that the connected party considering a pre-packaged purchase provide a copy of their viability statement.

- If provided, it should be attached to the SIP 16 statement.
- If the viability statement has been requested but not provided, the administrator should notify creditors of this in the SIP 16 statement.

From: Michael Hammersley [mailto:michael@brightleafadv.com]
Sent: 16 May 2017 22:46
To: Soden, David (UK - London) <dsoden@deloitte.co.uk>
Subject: Paragon Offshore Administration Complaint

Mr. Soden,

I hope this finds you well. I wanted to send along to you the complaint that the shareholders of Paragon Offshore made with regard to the Officers and Directors of the company. I understand that you will be serving as Administrator in the United Kingdom if the Debtors' Fifth Plan is confirmed.

As you are aware, a transaction such as the contemplated UK Administration/UK Sale requires the consent of shareholders pursuant to the Companies Act of 2006. Such as transaction is also prohibited under the Insolvency Act of 1986 due to the undervaluation of such a transfer.

I hope that we can reach a consensual resolution in these matters and I look forward to speaking with you further about this.

I wanted to also confirm that your authorizing body is currently the ICAEW? Please let me know.

Best Regards,

Michael R. Hammersley

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