

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

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: **Chapter 11**  
: **Case No. 16-10386 (CSS)**  
: **Jointly Administered**  
: **Re: Docket Nos. 4 & 18**  
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**SUPPLEMENTAL DECLARATION OF JAMES A. MESTERHARM IN SUPPORT OF DEBTORS' MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS (I) AUTHORIZING DEBTORS (A) TO PAY PREPETITION WAGES, SALARIES, EMPLOYEE BENEFITS, AND OTHER COMPENSATION, (B) TO MAINTAIN EMPLOYEE BENEFIT PROGRAMS AND PAY RELATED ADMINISTRATIVE OBLIGATIONS, AND (C) TO PAY TEMPORARY EMPLOYEE OBLIGATIONS, AND (II) DIRECTING FINANCIAL INSTITUTIONS TO RECEIVE, PROCESS, HONOR, AND PAY ALL CHECKS PRESENTED FOR PAYMENT AND TO HONOR ALL FUND TRANSFER REQUESTS RELATED TO SUCH OBLIGATIONS PURSUANT TO SECTIONS 105(a), 363(b), AND 507 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 6003 AND 6004**

I, James A. Mesterharm, pursuant to section 1746 of title 28 of the United States Code, hereby declare that the following is true to the best of my knowledge, information, and belief:

1. I am a Managing Director of AlixPartners, LLP (“**AlixPartners**”) and the Co-Head of AlixPartners’ Turnaround & Restructuring Services Group in the Americas.

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are: Paragon Offshore plc (6017); Paragon Offshore Finance Company (6632); Paragon International Finance Company (8126); Paragon Offshore Holdings US Inc. (1960); Paragon Offshore Drilling LLC (4541); Paragon FDR Holdings Ltd. (4731); Paragon Duchess Ltd.; Paragon Offshore (Luxembourg) S.à r.l. (5897); PGN Offshore Drilling (Malaysia) Sdn. Bhd. (9238); Paragon Offshore (Labuan) Pte. Ltd. (3505); Paragon Holding SCS 2 Ltd. (4108); Paragon Asset Company Ltd. (2832); Paragon Holding SCS 1 Ltd. (4004); Paragon Offshore Leasing (Luxembourg) S.à r.l. (5936); Paragon Drilling Services 7 LLC (7882); Paragon Offshore Leasing (Switzerland) GmbH (0669); Paragon Offshore do Brasil Ltda.; Paragon Asset (ME) Ltd. (8362); Paragon Asset (UK) Ltd.; Paragon Offshore International Ltd. (6103); Paragon Offshore (North Sea) Ltd.; Paragon (Middle East) Limited (0667); Paragon Holding NCS 2 S.à r.l. (5447); Paragon Leonard Jones LLC (8826); Paragon Offshore (Nederland) B.V.; and Paragon Offshore Contracting GmbH (2832). The Debtors’ mailing address is 3151 Briarpark Drive, Suite 700, Houston, Texas 77042.



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AlixPartners has served as restructuring advisor to Paragon Offshore plc and its debtor affiliates (collectively, the “**Debtors**”) since January 2016.

2. I submit this supplemental declaration in support of the Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing Debtors (A) to Pay Prepetition Wages, Salaries, Employee Benefits, and Other Compensation, (B) to Maintain Employee Benefit Programs and Pay Related Administrative Obligations, and (C) to Pay Temporary Employees Obligations, and (II) Directing Financial Institutions to Receive, Process, Honor, and Pay All Checks Presented for Payment and to Honor All Fund Transfer Requests Related to Such Obligations Pursuant to Sections 105(a), 363(b), and 507 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004 (Docket No. 4) (the “**Employee Motion**”)<sup>2</sup> and as a supplement to my Declaration in Support of the Debtors’ Chapter 11 Petitions and First Day Relief (Docket No. 18) (the “**First Day Declaration**”).

3. As discussed in the Employee Motion and the First Day Declaration, Paragon Employer Entities pay Severance Obligations to eligible Employees in the ordinary course of business. In the Employee Motion, the Debtors stated that they did not owe any prepetition Severance Obligations. However, upon further review of their books and records, the Debtors determined that certain foreign Severance Obligations remained outstanding as of the Petition Date.

4. Specifically, the Debtors determined that approximately \$55,000 of prepetition Severance Obligations were owed to four non-insider Employees located in Qatar and the United Arab Emirates. I am informed that payment of these Severance Obligations is

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<sup>2</sup> Capitalized terms used but not defined in this declaration have the meanings used in the Employee Motion.

required under applicable law. The Debtors are requesting authority to satisfy these Severance Obligations pursuant to a final order approving the Employee Motion.

5. The Employee Motion and the First Day Declaration also stated that Paragon Employer Entities pay Retirement Benefits to eligible Employees. In the Employee Motion, the Debtors did not request any relief for outstanding prepetition Retirement Benefits. However, upon further review of their books and records, the Debtors determined that certain Brazil Pension Plan employee contributions remained outstanding as of the Petition Date. These Retirement Benefits consist of approximately \$48,000 of employee contributions to be paid to Bradesco Previdencia, the Brazil pension scheme administrator. The Debtors are requesting authority to pay these Retirement Benefits pursuant to a final order approving the Employee Motion.

6. The Employee Motion and the First Day Declaration also stated that Paragon Employer Entities pay Payroll Taxes in the ordinary course of business. In the Employee Motion, the Debtors stated that all prepetition Payroll Taxes had been paid in full, with the exception of Payroll Taxes accruing on account of the Debtors' Brazilian Employees and accrued HCTC obligations. However, upon further review of their books and records, the Debtors determined that they owe approximately \$5,000 of prepetition UK Payroll Taxes. The Debtors are requesting authority to satisfy these Payroll Taxes pursuant to a final order approving the Employee Motion.

7. Out of an abundance of caution, because there may be additional prepetition Compensation Obligations and/or prepetition obligations arising under an Employee Benefit Plan that the Debtors are currently unaware of, the Debtors are also requesting authority, pursuant to a final order approving the Employee Motion, to pay up to an additional \$100,000, in

the aggregate, of prepetition Compensation Obligations and prepetition obligations arising under the Employee Benefit Plans.

8. I believe that an important component to the Debtors' successful emergence from chapter 11 is the ability to demonstrate their commitment to Employees.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my information, knowledge, and belief.

Dated: March 3, 2016  
Houston, Texas

/s/ James A. Mesterharm  
James A. Mesterharm