

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:	)	
	)	Chapter 11
	)	
PARAGON OFFSHORE PLC, <i>et al.</i> , <sup>1</sup>	)	Case No. 16-10386 (CSS)
	)	Jointly Administered
Debtors.	)	
	)	<b>Re: Docket Nos. 1049 and 1097</b>

**STATEMENT OF CORTLAND CAPITAL MARKET SERVICES LLC, AS  
SUCCESSOR ADMINISTRATIVE AGENT FOR THE TERM LOAN LENDERS,  
AND JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT FOR  
THE REVOLVER LENDERS AND AS COLLATERAL AGENT, IN SUPPORT  
OF DEBTORS' FOURTH MOTION TO EXTEND EXCLUSIVE PERIODS  
PURSUANT TO SECTION 1121(d) OF THE BANKRUPTCY CODE**

Cortland Capital Market Services LLC, as Successor Administrative Agent (the “**Term Loan Agent**”) for the lenders (the “**Term Loan Lenders**”) under that certain Term Loan Agreement dated as of July 18, 2014, by and among Paragon Offshore plc, Paragon Offshore Finance Company, the Term Loan Lenders party thereto, the Term Loan Agent and certain other parties thereto, as amended, restated, modified or supplemented from time to time, and JPMorgan Chase Bank, N.A., as administrative agent (the “**Revolver Agent**”) for the lenders (the “**Revolver Lenders**”) under the certain Senior Secured Revolving Credit Agreement dated as of June 17, 2014, by and among Paragon Offshore plc, Paragon International Finance Company, the Revolver

<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.a 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.a 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.a 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.



Lenders party thereto, the Revolver Agent and certain other parties thereto, as amended, restated, modified or supplemented from time to time, and as Collateral Agent for the Revolver Lenders and the Term Lenders (the Term Loan Agent and the Revolver Agent, the “**Agents**”), by and through their respective undersigned counsel, hereby submit this statement in support of the Debtors’ *Fourth Motion for Entry of an Order Extending the Exclusive Periods Pursuant to Section 1121(d) of the Bankruptcy Code* (the “**Exclusivity Motion**”) [D.I. 1049] and in response to the objection (the “**Objection**”) to the Exclusivity Motion filed by The Official Committee of Unsecured Creditors (the “**Committee**”) [D.I. 1097].<sup>2</sup> In support hereof, the Agents respectfully represent as follows:

1. The Committee’s Objection relies on two flawed arguments – *one*, that the *Third Joint Chapter 11 Plan of Paragon Offshore plc and Its Affiliate Debtors* dated February 7, 2017 (the “**Plan**”) [D.I. 1092] is not confirmable and *two*, that the Debtors failed to engage in “hard bargaining” and exerted insufficient effort to reach a fully consensual deal with the unsecured bondholders (the “**Noteholders**”). Indeed, the Committee’s arguments regarding the confirmability of the Plan do not serve as a basis for denying the Debtors’ requested extension of the exclusive periods and instead those arguments should be considered in the context of the hearing to confirm the Plan at which time the (flawed) factual premises for the Committee’s arguments can be properly evaluated.<sup>3</sup>

2. The Committee’s contentions in the Objection that the Noteholders were effectively

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<sup>2</sup> Prior to the appointment of the Committee on January 27, 2016, the Committee’s attorneys and financial advisors represented an ad hoc group of Noteholders (the “**Ad Hoc Noteholder Group**”). Indeed, the Committee is comprised of members from the Ad Hoc Noteholder Group or their successor in interest.

<sup>3</sup> The Committee’s arguments against the confirmability of the Plan (*i.e.*, the amount of the Secured Lenders’ adequate protection claim is inflated, the “best interests of creditors” test is violated and the Noble settlement is stale) turn on disputed factual issues that will likely require expert testimony. The Committee has not raised any issues in the Objection that suggest the Plan is patently not confirmable as a matter of law.

shut out of plan negotiations and that the Debtors did not engage in sufficiently “hard bargaining” are wrong. The actual facts are that the Debtors led a robust plan negotiation process, which included a multitude of face to face meetings, teleconferences and phone calls among the four key constituencies (e.g., the Debtors, the Term Loan Lenders, the Revolver Lenders and the Noteholders) and/or their professional representatives. In setting forth the factual background in its Objection, the Committee conspicuously omits a description of what happened in the nearly three-month period between October 28, 2016 (when the Court denied confirmation of the Debtors’ second plan) and January 18, 2016 (when the Debtors announced an agreement in principle with the Term Loan Lenders and Revolving Lenders that formed the basis for the Plan). See Objection ¶¶ 11-12 (omitting all facts between October 28, 2016 and January 18, 2017).

3. Notwithstanding the Committee’s failure to include any discussion about the multiple meetings, conference calls and telephone calls in which the Noteholders and their professionals participated during the three month period from October 28, 2016 through January 18, 2017, the fact of the matter is that all four of the key constituencies in these cases, including the Noteholders and their professionals, were very actively engaged in plan negotiations during this period. As the Committee well knows (and as its proposed advisors have acknowledged to this Court), there were extensive, good-faith negotiations among the Debtors, the Term Loan Lenders, the Revolving Lenders and the Ad Hoc Noteholder Group during that time.

4. Immediately following the Court’s ruling at the end of October, the Debtors worked to develop a new business plan and presented extensive diligence materials responsive to the requests of the three creditor constituencies – the Term Loan Lenders, the Revolving Lenders and the Ad Hoc Noteholder Group. After that, through December and early January, the Debtors conducted multiple in-person face-to-face meetings and teleconferences with representatives for

the Term Loan Lenders, the Revolving Lenders and the Ad Hoc Noteholder Group, including meetings in which clients attended in person. Representatives for the Term Loan Lenders and the Revolving Lenders (collectively, the “**Secured Lenders**”) also participated in direct meetings and teleconferences with representatives for the Ad Hoc Noteholder Group. Representatives for the Secured Lenders engaged in those meetings and discussions in good faith, with the sincere goal of achieving a consensual deal if that was possible, and the Agents believe that the Debtors and the other creditor constituencies engaged in the process with a similar and like-minded approach. Despite the parties’ good faith and concerted efforts, a fully consensual deal could not be achieved. The fact that the Debtors, Term Loan Lenders and Revolving Lenders reached agreement among themselves but could not reach an agreement with the Ad Hoc Noteholder Group does not demonstrate that the parties did not try to reach a global resolution or that the Noteholders were excluded from negotiations.

5. To be sure, the Debtors bargained harder than the Secured Lenders would have preferred, and resisted the Secured Lenders’ request that the Debtors give up efforts to develop a fully consensual plan that included the Ad Hoc Noteholder Group. Negotiations on the structure of the current Plan (and the underlying term sheet) did not begin in earnest until around the second week of January, only after a final set of all-hands in-person meetings in the first week of January that included the Ad Hoc Noteholder Group did not result in a consensual deal. And even after those negotiations began and after the Plan term sheet was publicly disclosed, both the Debtors as well as representatives for the Secured Lenders continued to communicate with representatives for the Ad Hoc Noteholder Group to see if a consensual deal was achievable.

6. Therefore, hard bargaining truly did occur, and the Ad Hoc Noteholder Group was afforded a full and fair opportunity to participate in good faith plan negotiations. That the Debtors’

efforts to reach a consensual deal ultimately proved unsuccessful is certainly not a basis for the termination of exclusivity.<sup>4</sup>

### **CONCLUSION**

For the reasons set forth in the Exclusivity Motion and herein, the Exclusivity Motion should be granted and the Objection should be overruled.

Dated: February 16, 2017  
Wilmington, Delaware

**POTTER ANDERSON & CORROON LLP**

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<sup>4</sup> The Committee's request to litigate the Secured Lenders' adequate protection claim in advance of confirmation is not properly raised in the context of its Objection. In any event, that request should be denied because the Plan is premised on a global settlement of a host of complicated, disputed claims and issues regarding the Secured Lenders' claims, including the adequate protection claims, and the propriety of that global settlement will be considered by the Court in the context of confirmation.

/s/ Kimberly A. Brown

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

PARAGON OFFSHORE PLC, *et al.*,<sup>1</sup>

Debtors.

## Chapter 11

Case No. 16-10386 (CSS)

## Jointly Administered

# CERTIFICATE OF SERVICE

I, Jeremy W. Ryan, hereby certify that I am not less than 18 years of age and that on this 16<sup>th</sup> day of February 2017, I caused a true and correct copy of the foregoing **Statement of Cortland Capital Market Services LLC, as Successor Administrative Agent for the Term Loan Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent for the Revolver Lenders and as Collateral Agent, in Support of Debtors' Fourth Motion to Extend Exclusive Periods Pursuant to Section 1121(d) of the Bankruptcy Code** to be served upon the parties on the attached list *via* hand delivery for all local parties and *via* first class mail, postage pre-paid for all non-local parties.

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.a 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.a 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.a 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.

Under penalty of perjury, I declare that the foregoing is true and correct.

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