

Paragon Offshore

Paragon Creditors Start Mediation; Talks May Include Noble Settlement, Possible Distribution of Cash to Term Lenders

Creditors in the Paragon Offshore bankruptcy - including a group of term lenders opposed to the current plan - have started mediation following the company's five-day confirmation hearing, according to sources who spoke to Reorg Research. The confirmation hearing thus far has been dominated by the [term lenders' fight](#) to show that the company's plan is not feasible. The details of the new talks remain vague, but the process could center around an attempt by the term lenders to receive a portion of the company's unencumbered cash and disputes regarding the [Noble settlement](#) that is part of the plan, according to the sources.

An emerging issue in the confirmation hearing has been Paragon's decision to release Noble from claims related to a 2014 spinoff in exchange for Noble agreeing to cover bonding requirements related to a tax challenge connected to the spinoff. The latest round of talks comes after Paragon [stated its intention](#) to waive the attorney-client privilege and allow company general counsel Todd Strickler to testify as an additional witness regarding the Noble settlement. At the beginning of the month, Judge Christopher Sontchi set July 21 at 10 a.m. EDT for Strickler's testimony. The hearing on that date was later [rescheduled](#) to tomorrow, July 27, at 12:30 p.m. EDT and changed to a status conference, according to a notice filed with the court. The parties have [previously contemplated](#) post-trial briefing, and Paragon has [suggested](#) in a letter to the court that the continued confirmation hearing be scheduled for Sept. 8 and 9.

Despite a dearth of potential negotiation points regarding the current mediation, two sources point to the company's unencumbered cash as the biggest driver for a better recovery for term lenders, who were initially shut out of sharing in that under the company's current plan of reorganization. Under the proposed plan, revolver lenders would receive \$165 million in cash, while the senior noteholders would receive \$345 million. Term lenders would receive no cash payment and would have the term loan reinstated.

In the event there is a deal between the term lenders, revolver lenders and bondholders, the parties also may likely resolve the issues surrounding the Noble settlement, according to a third source.

In its current form, the company's plan incorporates the Noble settlement, under which Paragon would release Noble from any and all claims in relation to the separation of Paragon and Noble, including potential fraudulent transfer claims arising from Paragon having been spun off to Noble shareholders in 2014. In exchange, Noble would provide direct bonding in fulfillment of the requirements necessary to challenge tax assessments in Mexico relating to Paragon's business for the tax years 2005 through 2010. Without the agreement with Noble, Paragon would have been responsible for all bonding requirements and tax liabilities in Mexico, beginning at the time that Paragon was spun off from Noble in August 2014.

Reorg's coverage of the confirmation hearing to date can be found here: [Day 1](#), [Day 2](#), [Day 3](#), [Day 4](#) and [Day 5](#).

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