

## PARAGON LITIGATION TRUST

To holders of Interests in the Paragon Litigation Trust:

As we previously advised you, the Paragon Litigation Trust is intended to qualify as a liquidating trust for U.S. federal income tax purposes and, pursuant to Section 5.1 of the Paragon Litigation Trust Agreement, “all holders of Litigation Trust Interests must treat the transfer to the Litigation Trust of the portion of the Trust Assets attributable to such Litigation Trust Beneficiaries as a transfer of such assets directly to such Litigation Trust Beneficiaries followed by a contribution of the Trust Assets to the Litigation Trust. Consistent therewith, . . . all holders of Litigation Trust Interests must treat the Litigation Trust as a grantor trust of which the Litigation Trust Beneficiaries are the deemed owners and grantors and must treat the taxable earnings of the Litigation Trust (under U.S. federal income tax principles) as subject to current taxation as though taxable income of such holders of Litigation Trust Interests” under applicable law.

Section 5.1 of the Paragon Litigation Trust Agreement provides that “[t]he Litigation Trust Management shall make a good-faith valuation of the Trust Assets as soon as possible after the Effective Date, and the Litigation Trust Beneficiaries and the Litigation Trust Management shall consistently use this valuation for all U.S. federal income tax purposes, including for determining gain, loss, or tax basis. The Litigation Trust Management shall make this valuation available, from time to time, as relevant for tax reporting purposes.”

The Litigation Trust Management has determined that it is appropriate to value the Trust Assets with reference to the average trading price of Class A and B Litigation Trust Units over the course of twenty-five consecutive trading days in August and September 2017 during which a liquid market for Units was observed. Based upon that average trading price, the Litigation Trust Management has concluded that the Trust Assets transferred to the Paragon Litigation Trust have a fair market value of approximately \$91 million as of the Effective Date of the Fifth Joint Chapter 11 Plan of Paragon Offshore PLC and Its Affiliated Debtors.

Be advised that this valuation is made solely for U.S. federal income tax purposes and is solely for the use of the Litigation Trust Beneficiaries and the Litigation Trust Management. It is not intended to be and is not a determination or assessment of the merits of any cause of action available to the Paragon Litigation Trust.

September 19, 2017

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