

MCDERMOTT INTERNATIONAL INC  
Form DEF 14A  
March 27, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**McDermott International, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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.. Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**McDermott International, Inc.**

David Dickson  
President and Chief Executive Officer

757 N. Eldridge Pkwy.  
Houston, Texas 77079  
March 27, 2015

Dear Stockholder:

You are cordially invited to attend this year's Annual Meeting of Stockholders of McDermott International, Inc., which will be held on Friday, May 8, 2015, at The Westin Houston Hotel, 945 Gessner Road, Houston, Texas 77024, commencing at 10:00 a.m., local time. The notice of Annual Meeting and proxy statement following this letter describe the matters to be acted on at the meeting.

McDermott is utilizing the Securities and Exchange Commission's Notice and Access proxy rule, which allows companies to furnish proxy materials via the Internet as an alternative to the traditional approach of mailing a printed set to each stockholder. In accordance with these rules, we have sent a Notice of Internet Availability of Proxy Materials to all stockholders who have not previously elected to receive a printed set of proxy materials. The Notice contains instructions on how to access our 2015 Proxy Statement and Annual Report to Stockholders, as well as how to vote either online, by telephone or in person at the 2015 Annual Meeting.

It is very important that your shares are represented and voted at the Annual Meeting. Please vote your shares by Internet or telephone, or, if you received a printed set of materials by mail, by returning the accompanying proxy card, as soon as possible to ensure that your shares are voted at the meeting. Further instructions on how to vote your shares can be found in our Proxy Statement.

Thank you for your support of our company.

Sincerely yours,

DAVID DICKSON

**YOUR VOTE IS IMPORTANT.**

**Whether or not you plan to attend the meeting, please take a few minutes now to vote your shares.**

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 8, 2015.**

The proxy statement and annual report are available on the Internet at [www.proxyvote.com](http://www.proxyvote.com).

The following information applicable to the Annual Meeting may be found in the proxy statement and accompanying proxy card:

The date, time and location of the meeting;

A list of the matters intended to be acted on and our recommendations regarding those matters;

Any control/identification numbers that you need to access your proxy card; and

Information about attending the meeting and voting in person.

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**MCDERMOTT INTERNATIONAL, INC.**

**757 N. Eldridge Pkwy.**

**Houston, Texas 77079**

**NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS**

**Time and Location**

10:00 a.m., local time, on Friday, May 8, 2015

The Westin Houston Hotel

945 Gessner Road

Houston, Texas 77024

**Items of Business**

1. To elect eight members to our Board of Directors, each for a term of one year.
2. To conduct an advisory vote to approve named executive officer compensation.
3. To ratify our Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2015.
4. To transact such other business that properly comes before the meeting or any adjournment thereof.

**Record Date**

You are entitled to vote if you were a stockholder of record at the close of business on March 12, 2015.

### **Notice and Access**

Instead of mailing a printed copy of our proxy materials, including our Annual Report, to each stockholder of record, we are providing access to these materials via the Internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all stockholders. Accordingly, on March 27, 2015, we began mailing a Notice of Internet Availability of Proxy Materials (the Notice) to all stockholders of record as of March 12, 2015, and posted our proxy materials on the Web site referenced in the Notice ([www.proxyvote.com](http://www.proxyvote.com)). As more fully described in the Notice, all stockholders may choose to access our proxy materials on the Web site referred to in the Notice and/or may request a printed set of our proxy materials. In addition, the Notice and Web site provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

### **Proxy Voting**

**Your vote is important. Please vote your proxy promptly so your shares can be represented, even if you plan to attend the Annual Meeting. You can vote by Internet, by telephone, or by requesting a printed copy of the proxy materials and using the proxy card enclosed with the printed materials.**

### **Meeting Admission**

**Attendance at the meeting is limited to stockholders and beneficial owners as of the record date or duly appointed proxies. No guests will be admitted, except for guests invited by McDermott. Registration will begin at 9:00 a.m., and the meeting will begin promptly at 10:00 a.m. If your shares are held in street name through a broker, bank, trustee or other nominee, you are a beneficial owner, and beneficial owners will need to show proof of beneficial ownership, such as a copy of a brokerage account statement, reflecting stock ownership as of the record date in order to be admitted to the meeting. If you are a proxy holder for a stockholder, you will need to bring a validly executed proxy naming you as the proxy holder, together with proof of record ownership of the stockholder naming you as proxy holder. Please note that you may be asked to present valid photo identification, such as a valid driver's license or passport, when you check in for registration. No cameras, recording equipment or other electronic devices will be allowed to be brought into the meeting room by stockholders or beneficial owners.**

By Order of the Board of Directors,

LIANE K. HINRICHS

Secretary

**March 27, 2015**



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**PROXY STATEMENT FOR  
2015 ANNUAL MEETING OF STOCKHOLDERS**

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This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully. As used in this proxy statement, unless the context otherwise indicates or requires, references to McDermott, we, us, and our mean McDermott International, Inc. and its consolidated subsidiaries.

**Annual Meeting of Stockholders**

Time and Date:	10:00 a.m., local time, May 8, 2015
Place:	The Westin Houston Hotel
	945 Gessner Road
	Houston, Texas 77024
Record Date:	March 12, 2015
Voting:	Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

**Items of Business for the Annual Meeting**

<b>Item of Business</b>	<b>Board Vote Recommendation</b>	<b>Page Reference</b>
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*Your vote is important. Please vote your proxy promptly so your shares can be represented, even if you plan to attend the Annual Meeting. Stockholders of record can vote by Internet, by telephone, or by requesting a printed copy of the proxy materials and using the proxy card enclosed with the printed materials.*

**Item 1 Election of Directors**

The Board of Directors has nominated eight candidates, each for a one-year term. Our Board of Directors recommends that stockholders vote For each of the nominees named below.

<b>Name</b>	<b>Age</b>	<b>Director</b>			<b>Committee Memberships</b>		
		<b>Since</b>	<b>Independent</b>	<b>Audit</b>	<b>Compensation</b>	<b>Finance</b>	<b>Governance</b>

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John F. Bookout, III	61	2006	X			X	X
Roger A. Brown	70	2005	X			X	X
David Dickson	47	2013					
Stephen G. Hanks	64	2009	X	X			Chairman
Gary P. Luquette	59	2013	X			X	
William H. Schumann, III	64	2012	X	Chairman		X	
Mary L. Shafer-Malicki	54	2011	X			Chairman	X
David A. Trice	67	2009	X	X			Chairman

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**2014 Compensation Program and Realizable Value of Performance-Based Awards**

As in prior years, the Compensation Committee continued to believe that a significant portion of a 2014 Named Executive Officer's (NEO's) compensation should be performance-based, designed for the purpose of aligning the interests of our NEOs with those of stockholders by rewarding performance that meets or exceeds established goals, with the ultimate objective of increasing stockholder value. Following an operating loss in 2013, a challenging outlook for 2014 and the anticipated need for significant strategic and operational actions to commence the turnaround of our business, the Compensation Committee implemented several changes to McDermott's compensation programs for 2014. Those changes took into consideration our need for the 2014 compensation arrangements to attract, develop, retain and motivate the NEOs and other executive officers during our turnaround efforts, including challenges associated with stabilizing our company, delivering improved financial and operational performance and repositioning McDermott for long-term growth.

Reflecting the Compensation Committee's philosophy and these considerations, compensation arrangements in 2014 provided for the continuing use of three elements of target total direct compensation:

annual base salary;

annual incentive, with performance metrics under our Executive Incentive Compensation Plan, or EICP, designed to align with near-term operational priorities, composed entirely of performance-based compensation; and

long-term incentive, or LTI, with emphasis on restricted stock units to provide stability and support the retention of key employees during the organizational and leadership transition.

McDermott's financial performance resulted in revenues for the year ended December 31, 2014 of \$2.3 billion, operating income of \$8.6 million and year end backlog of \$3.6 billion. Notwithstanding the significant improvement in performance over the financial results achieved for the year ended December 31, 2013, this performance, in accordance with our Compensation Committee's philosophy and program, and based on the value of our common stock at year end, resulted in:

Financial performance under the EICP that (as per the EICP) would have resulted in bonus pool funding of 1.015x. This amount was, following the recommendation of executive management (with consideration of our non-attainment of the threshold level for the order intake component of the financial performance goals), reduced by over 50% by the Compensation Committee, through the exercise of its discretion, to funding of 0.5x.

NEO performance shares granted in 2011, 2012, 2013 and 2014 having no realizable value as of December 31, 2014.

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The following table summarizes the 2014 performance-based compensation opportunities, as compared to the realizable values of such opportunities as of December 31, 2014, for each of our NEOs:

**2014 Performance-Based Compensation Opportunity vs.  
Realizable Value as of December 31, 2014**

- (1) Opportunity values for EICP are presented using the NEOs' target EICP award levels.
- (2) Opportunity values for performance shares are presented using the grant date fair value of the respective awards.
- (3) The 2014 realizable values shown above are measured as of December 31, 2014. The realizable value of EICP awards shown above is based on each NEO's actual earned EICP award. The realizable value of performance share awards shown above is based on the estimated payout as a percent of target based upon an extrapolation of 2014 operating income of \$8.6 million over the three-year performance period, or 0% of the performance shares granted in 2014, multiplied by the closing price of our common stock as reported on the NYSE as of December 31, 2014 (\$2.91). This value does not take into account our forecast or expectations for actual performance over the three-year performance period. The number of the performance shares granted in 2014 that ultimately vest, if any, will be determined by reference to performance goals over a three-year period and may be more or less than indicated in the table. The vesting of any of these performance shares would impact the future realizable value of these performance share awards.

**Compensation and Corporate Governance Policies and Procedures**

The Board has implemented several policies and structures that we believe are best practices in corporate governance, including:

Separating the Chairman of the Board and Chief Executive Officer roles;

Holding Board meeting executive sessions with independent directors only present;

Maintaining minimum stock ownership guidelines applicable to directors and executive officers;

Approving a policy prohibiting all directors, officers and employees from engaging in short sales or trading in puts, calls or other options on McDermott's common stock, and from engaging in hedging transactions and from holding McDermott shares in a margin account or pledging McDermott shares as collateral for a loan;

Eliminating excise tax gross-ups; and

The Compensation Committee of the Board of Directors engaging Pay Governance LLC, an independent executive compensation consultant.

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**Item 2 Advisory Vote to Approve Named Executive Officer Compensation**

Our stockholders have the opportunity to cast a non-binding advisory vote on the compensation of our named executive officers. Last year, over 86% of the votes cast on this proposal were in favor of our executive compensation program. We recommend that you review our Compensation Discussion and Analysis beginning on page 26, which explains in greater detail the philosophy of the Compensation Committee and its actions and decisions during 2014 regarding our compensation programs.

Our Board of Directors recommends that stockholders vote  For the advisory vote to approve named executive officer compensation.

**Item 3 Ratification of Appointment of Deloitte & Touche LLP as Auditors**

Our Board of Directors has ratified our Audit Committee's appointment of Deloitte & Touche LLP as McDermott's independent registered public accounting firm for the year ending December 31, 2015, and as a matter of good governance, we are seeking stockholder ratification of this appointment.

Our Board of Directors recommends that stockholders vote  For the ratification of Deloitte & Touche LLP as McDermott's independent registered public accounting firm for the year ending December 31, 2015.

**Communicating with the Board of Directors**

Stockholders or other interested persons may send written communications to the independent members of our Board, addressed to Board of Directors (independent members), c/o McDermott International, Inc., Corporate Secretary's Office, 757 N. Eldridge Pkwy., Houston, Texas 77079.



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**QUESTIONS AND ANSWERS ABOUT THE**  
**ANNUAL MEETING OF STOCKHOLDERS AND VOTING**

**What is the purpose of these proxy materials?**

As more fully described in the Notice, the Board of Directors of McDermott International, Inc. ( McDermott ) has made these materials available to you in connection with our 2015 Annual Meeting of Stockholders, which will take place on May 8, 2015 at 10:00 a.m., local time (the Annual Meeting or Meeting ). We mailed the Notice to our stockholders beginning on March 27, 2015, and our proxy materials were posted on the Web site referenced in the Notice on that same date.

McDermott, on behalf of its Board of Directors, is soliciting your proxy to vote your shares at the 2015 Annual Meeting of Stockholders. We solicit proxies to give all stockholders of record an opportunity to vote on matters that will be presented at the Annual Meeting. In this proxy statement you will find information on these matters, which is provided to assist you in voting your shares.

**Who will pay for the cost of this proxy solicitation?**

We will bear all expenses incurred in connection with this proxy solicitation, which we expect to conduct primarily by mail. We have engaged The Proxy Advisory Group, LLC to assist in the solicitation for a fee that will not exceed \$12,500, plus out-of-pocket expenses. In addition, our officers and regular employees may solicit your proxy by telephone, by facsimile transmission or in person, for which they will not be separately compensated. If your shares are held through a broker or other nominee (*i.e.*, in street name ) and you have requested printed versions of these materials, we have requested that your broker or nominee forward this proxy statement to you and obtain your voting instructions, for which we will reimburse them for reasonable out-of-pocket expenses. If your shares are held through the McDermott Thrift Plan and you have requested printed versions of these materials, the trustee of that plan has sent you this proxy statement and you can instruct the trustee on how to vote your plan shares.

**Who is entitled to vote at, and who may attend, the Annual Meeting?**

Our Board of Directors selected March 12, 2015 as the record date (the Record Date ) for determining stockholders entitled to vote at the Annual Meeting. This means that if you owned McDermott common stock on the Record Date, you may vote your shares on the matters to be considered by our stockholders at the Annual Meeting.

There were 238,476,018 shares of our common stock outstanding on the Record Date. Each outstanding share of common stock entitles its holder to one vote on each matter to be acted on at the meeting.

Attendance at the meeting is limited to stockholders and beneficial owners as of the Record Date or duly appointed proxies. No guests will be admitted, except for guests invited by McDermott. Registration will begin at 9:00 a.m., and the meeting will begin promptly at 10:00 a.m. If your shares are held in street name through a broker, bank, trustee or other nominee, you are a beneficial owner, and beneficial owners will need to show proof of beneficial ownership, such as a copy of a brokerage account statement, reflecting stock ownership as of the Record Date in order to be admitted to the meeting. If you are a proxy holder for a stockholder, you will need to bring a validly executed proxy naming you as the proxy holder, together with proof of record ownership of the stockholder naming you as proxy holder. Please note that you may be asked to present valid photo identification, such as a valid driver's license or passport, when you check in for registration. No cameras, recording equipment or other electronic devices will be allowed to be brought into the meeting room by stockholders or beneficial owners.



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### **What is the difference between holding shares as a stockholder of record and as a beneficial owner through a brokerage account or other arrangement with a holder of record?**

If your shares are registered in your name with McDermott's transfer agent and registrar, Computershare Trust Company, N.A., you are the stockholder of record of those shares. The Notice and the proxy materials have been provided or made available directly to you by McDermott.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner but not the holder of record of those shares, and the Notice and the proxy materials have been forwarded to you by your broker, bank or other holder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote your shares by using the voting instruction card or by following their instructions for voting by telephone or on the Internet.

### **How do I cast my vote?**

Most stockholders can vote by proxy in three ways:

by Internet at [www.proxyvote.com](http://www.proxyvote.com);

by telephone; or

by mail.

*If you are a stockholder of record*, you can vote your shares in person at the Annual Meeting or vote now by giving us your proxy via Internet, telephone or mail. You may give us your proxy by following the instructions included in the Notice or, if you received a printed version of these proxy materials, in the enclosed proxy card. If you want to vote by mail but have not received a printed version of these proxy materials, you may request a full packet of proxy materials by following the instructions in the Notice. If you vote using either the telephone or the Internet, you will save us mailing expense.

By giving us your proxy, you will be directing us how to vote your shares at the meeting. Even if you plan on attending the meeting, we urge you to vote now by giving us your proxy. This will ensure that your vote is represented at the meeting. If you do attend the meeting, you can change your vote at that time, if you then desire to do so.

*If you are the beneficial owner of shares, but not the holder of record*, you should refer to the instructions provided by your broker or nominee for further information. The broker or nominee that holds your shares has the authority to vote them, absent your approval, only as to matters for which they have discretionary authority under the applicable New York Stock Exchange ( NYSE ) rules. Neither the election of directors nor the advisory vote to approve named executive officer compensation are considered routine matters. That means that brokers may not vote your shares with respect to those matters if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker.

If you received a printed version of these proxy materials, you should have received a voting instruction form from your broker or nominee that holds your shares. For shares of which you are the beneficial owner but not the holder of record, follow the instructions contained in the Notice or voting instruction form to vote by Internet, telephone or

mail. If you want to vote by mail but have not received a printed version of these proxy materials, you may request a full packet of proxy materials as instructed by the Notice. If you want to vote your shares in person at the Annual Meeting, you must obtain a valid proxy from your broker or nominee. You should contact your broker or nominee or refer to the instructions provided by your broker or nominee for further information. Additionally, the availability of telephone or Internet voting depends on the voting process used by the broker or nominee that holds your shares.

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### **Why did I receive more than one Notice or proxy statement and proxy card or voting instruction form?**

You may receive more than one Notice, proxy statement, proxy card or voting instruction form if your shares are held through more than one account (*e.g.*, through different brokers or nominees). Each proxy card or voting instruction form only covers those shares of common stock held in the applicable account. If you hold shares in more than one account, you will have to provide voting instructions as to each of your accounts in order to vote all your shares.

### **What can I do if I change my mind after I vote?**

*If you are a stockholder of record*, you may change your vote by written notice to our Corporate Secretary, by granting a new proxy before the Annual Meeting or by voting in person at the Annual Meeting. Unless you attend the meeting and vote your shares in person, you should change your vote before the meeting using the same method (by Internet, telephone or mail) that you first used to vote your shares. That way, the inspectors of election for the meeting will be able to verify your latest vote.

*If you are the beneficial owner, but not the holder of record, of shares*, you should follow the instructions in the information provided by your broker or nominee to change your vote before the meeting. If you want to change your vote as to shares of which you are the beneficial owner by voting in person at the Annual Meeting, you must obtain a valid proxy from the broker or nominee that holds those shares for you.

### **What is a broker non-vote?**

If you are a beneficial owner whose shares are held of record by a broker or other holder of record, you must instruct the broker or other holder of record how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which the broker does not have discretionary authority to vote. This is called a broker non-vote. In these cases, the broker or other holder of record can include your shares as being present at the Annual Meeting for purposes of determining the presence of a quorum but will not be able to vote on those matters for which specific authorization is required under the rules of the NYSE.

For this Annual Meeting, if you are a beneficial owner whose shares are held by a broker or other holder of record, your broker or other holder of record has discretionary voting authority under NYSE rules to vote your shares on the ratification of Deloitte & Touche LLP ( Deloitte ), even if it has not received voting instructions from you. However, such holder does not have discretionary authority to vote on the election of directors or the advisory vote to approve named executive officer compensation without instructions from you, in which case a broker non-vote will result and your shares will not be voted on those matters.

### **What is the quorum for the Annual Meeting?**

The Annual Meeting will be held only if a quorum exists. The presence at the meeting, in person or by proxy, of holders of a majority of our outstanding shares of common stock as of the Record Date will constitute a quorum. If you attend the meeting or vote your shares by Internet, telephone or mail, your shares will be counted toward a quorum, even if you abstain from voting on a particular matter. Broker non-votes will be treated as present for the purpose of determining a quorum.

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**Which items will be voted on at the Annual Meeting?**

At the Annual Meeting, we are asking you to vote on the following:

the election of John F. Bookout, III, Roger A. Brown, David Dickson, Stephen G. Hanks, Gary P. Luquette, William H. Schumann, III, Mary L. Shafer-Malicki and David A. Trice to our Board of Directors, each for a term of one year;

the advisory vote to approve named executive officer compensation; and

the ratification of our Audit Committee's appointment of Deloitte as our independent registered public accounting firm for the year ending December 31, 2015.

We are not aware of any other matters that may be presented or acted on at the Annual Meeting. If you vote by signing and returning the enclosed proxy card or using the telephone or Internet voting procedures, the individuals named as proxies on the card may vote your shares, in their discretion, on any other matter requiring a stockholder vote that comes before the meeting.

**What are the Board's voting recommendations?**

For the reasons set forth in more detail later in this proxy statement, our Board recommends a vote:

FOR the election of each director nominee;

FOR the advisory vote to approve named executive officer compensation; and

FOR the ratification of our Audit Committee's appointment of Deloitte as our independent registered public accounting firm for the year ending December 31, 2015.

**What are the voting requirements to elect the Directors and to approve each of the proposals discussed in this proxy statement?**

Each proposal requires the affirmative vote of a majority of our outstanding shares present in person or represented by proxy at the meeting and entitled to vote and actually voting on the matter. Because votes withheld in the election of any director, abstentions and broker non-votes are not actual votes with respect to a proposal, they will have no effect on the outcome of the vote on any proposal.

Our Corporate Governance Guidelines provide that, in an uncontested election of directors, the Board expects any incumbent director nominee who does not receive FOR votes by a majority of shares present in person or by proxy and entitled to vote and either voting FOR or registering a decision to withhold a vote with respect to the election of such director to promptly tender his or her resignation to the Governance Committee, subject to acceptance by our Board. Any shares subject to broker non-votes shall not be considered in making any determination pursuant to the

immediately preceding sentence. The Governance Committee will then make a recommendation to the Board with respect to the director nominee's resignation and the Board will consider the recommendation and take appropriate action within 120 days from the date of the certification of the election results.

**What happens if I do not specify a choice for a proposal when returning a proxy or do not cast my vote?**

You should specify your choice for each proposal on your proxy card or voting instruction form. Shares represented by proxies will be voted in accordance with the instructions given by the stockholders.

*If you are a stockholder of record* and your proxy card is signed and returned without voting instructions, it will be voted according to the recommendations of our Board. If you do not return your proxy card or cast your vote, no votes will be cast on your behalf on any of the items of business at the Annual Meeting.

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*If you are the beneficial owner, but not the holder of record, of shares and fail to provide voting instructions, your broker or other holder of record is permitted to vote your shares on the ratification of Deloitte as our independent registered public accounting firm. However, absent instructions from you, your broker or other holder of record may not vote on the election of directors or the advisory vote to approve named executive officer compensation, and no votes will be cast on your behalf for those matters.*

**Is my vote confidential?**

All voted proxies and ballots will be handled in a manner intended to protect your voting privacy as a stockholder. Your vote will not be disclosed except:

to meet any legal requirements;

in limited circumstances such as a proxy contest in opposition to our Board of Directors;

to permit independent inspectors of election to tabulate and certify your vote; or

to respond to your written comments on your proxy card.



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**ELECTION OF DIRECTORS**

**(ITEM 1)**

***Election Process.*** Our Articles of Incorporation provide that, at each annual meeting of stockholders, all directors shall be elected annually for a term expiring at the next succeeding annual meeting of stockholders or until their respective successors are duly elected and qualified. Accordingly, our Board has nominated the following persons for reelection as directors at this year's Annual Meeting, for a term of one year: John F. Bookout, III, Roger A. Brown, David Dickson, Stephen G. Hanks, Gary P. Luquette, William H. Schumann, III, Mary L. Shafer-Malicki and David A. Trice.

Our By-Laws provide that (1) a person shall not be nominated for election or reelection to our Board of Directors if such person shall have attained the age of 72 prior to the date of election or reelection, and (2) any director who attains the age of 72 during his or her term shall be deemed to have resigned and retired at the first Annual Meeting following his or her attainment of the age of 72. Accordingly, a director nominee may stand for election if he or she has not attained the age of 72 prior to the date of election or reelection.

***Director Qualifications.*** Our Governance Committee has determined that a candidate for election to our Board of Directors must meet specific minimum qualifications. Each candidate should:

have a record of integrity and ethics in his/her personal and professional life;

have a record of professional accomplishment in his/her field;

be prepared to represent the best interests of our stockholders;

not have a material personal, financial or professional interest in any competitor of ours; and

be prepared to participate fully in Board activities, including active membership on at least one Board committee and attendance at, and active participation in, meetings of the Board and the committee(s) of which he or she is a member, and not have other personal or professional commitments that would, in the Governance Committee's sole judgment, interfere with or limit his or her ability to do so.

In addition, the Governance Committee also considers it desirable that candidates contribute positively to the collaborative culture among Board members and possess professional and personal experiences and expertise relevant to our business and industry.

While McDermott does not have a specific policy addressing board diversity, the Board recognizes the benefits of a diversified board and believes that any search for potential director candidates should consider diversity as to gender, ethnic background and personal and professional experiences. The Governance Committee solicits ideas for possible candidates from a number of sources including independent director candidate search firms, members of the Board and our senior level executives.

***Director Nominations.*** Any stockholder may nominate one or more persons for election as one of our directors at the annual meeting of stockholders if the stockholder complies with the notice, information and consent provisions contained in our By-Laws. See [Stockholders Proposals](#) in this proxy statement and our By-Laws, which may be found on our Web site at [www.mcdermott.com](http://www.mcdermott.com) at [About Us](#) [Leadership & Corporate Governance](#) [Corporate Governance](#).

The Governance Committee will consider candidates identified through the processes described above and will evaluate the candidates, including incumbents, based on the same criteria. The Governance Committee also takes into account the contributions of incumbent directors as Board

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members and the benefits to us arising from their experience on the Board. Although the Governance Committee will consider candidates identified by stockholders, the Governance Committee has sole discretion whether to recommend those candidates to the Board.

**2015 Nominees.** In nominating individuals to become members of the Board of Directors, the Governance Committee considers the experience, qualifications and skills of each potential member. Each nominee brings a strong and unique background and set of skills to the Board, giving the Board, as a whole, competence and experience in a wide variety of areas. The Governance Committee and the Board of Directors considered the following information, including the specific experience, qualifications, attributes or skills, in concluding each individual was an appropriate nominee to serve as a member of our Board for the term commencing at this year's Annual Meeting (ages are as of May 8, 2015).

Unless otherwise directed, the persons named as proxies on the enclosed proxy card intend to vote **FOR** the election of each of the nominees. If any nominee should become unavailable for election, the shares will be voted for such substitute nominee as may be proposed by our Board of Directors. However, we are not aware of any circumstances that would prevent any of the nominees from serving.

**Our Board recommends that stockholders vote **FOR** each of the nominees named below.**

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**John F. Bookout, III**

**Director Since 2006**

Finance Committee Member

Governance Committee Member

Mr. Bookout, 61, has served as a Managing Director of Kohlberg Kravis Roberts & Co., a private equity firm, since March 2008. Previously, he served as Senior Advisor to First Reserve Corporation, a private equity firm specializing in the energy industry, from 2006 to March 2008. Until 2006, he was a director of McKinsey & Company, a global management consulting firm, which he joined in 1978. Mr. Bookout previously served as a director of Tesoro Corporation from 2006-2010. The Board of Directors is nominating Mr. Bookout in consideration of his:

global experience with the petroleum refining and marketing industry and oil and gas exploration and development industry;

expertise in private equity and finance; and

experience as a board member of public companies.

**Roger A. Brown**

**Director Since 2005**