

MCDERMOTT INTERNATIONAL INC
Form 8-K
March 03, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d)

of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 26, 2016

McDermott International, Inc.

(Exact name of registrant as specified in its charter)

REPUBLIC OF PANAMA
(State or other jurisdiction

of incorporation)

001-08430
(Commission

File Number)

72-0593134
(IRS Employer

Identification No.)

757 N. Eldridge Parkway

Houston, Texas **77079**
(Address of principal executive offices) **(Zip Code)**
Registrant's Telephone Number, including Area Code: (281) 870-5000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On February 26, 2016, the Compensation Committee (the "Compensation Committee") of the Board of Directors (the "Board") of McDermott International, Inc. ("McDermott") took the following actions relating to the compensation of McDermott's chief executive officer, chief financial officer, each currently employed executive officer listed in the Summary Compensation Table in McDermott's proxy statement for its 2015 Annual Meeting of Stockholders and each other currently employed executive officer expected to be listed in the Summary Compensation Table in McDermott's proxy statement for its 2016 Annual Meeting of Stockholders (collectively, the "Named Executive Officers").

2016 Annual Base Salaries. The Compensation Committee made no adjustments to annual base salaries for the Named Executive Officers.

2016 Annual Cash Bonus. The Compensation Committee established 2016 annual target award opportunities for participants in McDermott's Executive Incentive Compensation Plan (the "EICP"), including the Named Executive Officers. For the year ending December 31, 2016, the target award opportunities for the Named Executive Officers are as follows:

Named Executive Officer	Target EICP Award Opportunity (as a percentage of 2016 annual base salary earned)
David Dickson	100%
Stuart Spence	70%
Steve Allen	70%
Hugh Cuthbertson	50%
Liane K. Hinrichs	70%

In connection with the 2016 EICP awards, the Compensation Committee approved financial metric performance goals based on McDermott's consolidated operating income, free cash flow (defined as cash from operations less capital expenditures), order intake and operating margins on order intake, weighted as set forth below. McDermott's financial performance against the stated goals will determine the threshold (0.5x), target (1.0x) and maximum (2.0x) possible funding for each financial performance goal, with the weighted sum of each funding multiple determining the pool funding multiple (the "Pool Funding Multiple"):

Weight	Financial Metric Performance Goals	Performance Level	Funding Multiple
25%	Operating Income	Threshold	0.5x
		Target	1.0x
		Maximum	2.0x
25%	Free Cash Flow (Cash from Operations less Capital Expenditures)	Threshold	0.5x
		Target	1.0x
		Maximum	2.0x
30%	Order Intake	Threshold	0.5x
		Target	1.0x
		Maximum	2.0x
20%	Order Intake Operating Margin	Threshold	0.5x
		Target	1.0x
		Maximum	2.0x

The Pool Funding Multiple will then be, for each participant in the EICP, multiplied by the product of such participant's 2016 base salary earned times their respective Target EICP Award Opportunity, and such amounts will be aggregated to determine the total amount of the bonus pool from which 2016 EICP awards may be paid (the 2016 EICP Pool). However, the Compensation Committee determined that the 2016 EICP Pool will not be less than 0.5x nor more than 2.0x the aggregate dollar amount of the participants' 2016 target award opportunities.

A participant's actual bonus award will be determined by achievement of the participant's individual performance goals, in each case in accordance with objective measures required by the terms of the EICP.

With the exception of Mr. Cuthbertson, in no event may any Named Executive Officer's annual bonus exceed two times his or her respective Target EICP Award Opportunity, and no participant is guaranteed a minimum award under the EICP. The Compensation Committee has the discretion to reduce the amount of any payout, even if one or more of the applicable performance goals have been achieved.

2016 Long-Term Incentive. The Compensation Committee approved the type of grants and form of grant agreements to be used in connection with the 2016 annual long-term incentive awards. The 2016 awards include, for each Named Executive Officer, the number of restricted stock units and performance units set forth below. The grants were all made pursuant to our 2014 McDermott International, Inc. Long-Term Incentive Plan. The foregoing description of the grants of restricted stock units and performance units is a summary and is qualified in its entirety by reference to the forms of the restricted stock unit and performance unit grant agreements, which are included as Exhibits 10.1 and 10.2, respectively, to this current report on Form 8-K.

Named Executive Officer	Restricted Stock Units	Performance Units
David Dickson	593,469	593,471
Stuart Spence	207,714	207,715
Steve Allen	89,019	89,020
Hugh Cuthbertson	59,346	59,347
Liane Hinrichs	148,365	148,367

Perquisite Program. The Compensation Committee approved a perquisite program for certain of our executive officers, including each of the Named Executive Officers. The perquisite program provides for financial planning services and an executive physical, to be reimbursed to the participant or paid directly to the participant's provider of choice, in a combined amount not to exceed \$20,000. No other perquisites are provided to executive officers, with the exception of company-required spousal travel for (1) the Chief Executive Officer, and (2) the remaining Named Executive Officers, as approved by the Chief Executive Officer.

Deferred Compensation Plan Company Contribution. The Compensation Committee approved a 2016 company contribution under the McDermott International, Inc. Director and Executive Officer Deferred Compensation Plan (the Deferred Compensation Plan) for certain of our executive officers, including the Named Executive Officers, in an amount equal to 5% of Compensation (as defined in the Deferred Compensation Plan) received from McDermott during 2015.

Amendment to Term of Change in Control Agreements. The Compensation Committee approved a form of amendment to Change in Control Agreements with those officers whose current form of Change in Control Agreements contain a term provision, including Messrs. Allen and Cuthbertson, to extend the term of such Change in Control Agreements for an additional three years, from March 15, 2016 through March 15, 2019. The foregoing description of the form of amendment is a summary and is qualified in its entirety by reference to the form of amendment filed as Exhibit 10.3 to this current report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

- 10.1 Form of 2016 Restricted Stock Unit Grant Agreement.
- 10.2 Form of 2016 Performance Unit Grant Agreement.
- 10.3 Form of Amendment to Change in Control Agreement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

McDERMOTT INTERNATIONAL, INC.

By: /s/ Stuart A. Spence
Stuart A. Spence
Executive Vice President and Chief
Financial Officer

March 3, 2016

INDEX TO EXHIBITS

Exhibit

Number	Description
10.1	Form of 2016 Restricted Stock Unit Grant Agreement.
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