

# SECURITIES AND EXCHANGE COMMISSION

## FORM DEF 14C

Definitive information statements

Filing Date: **1995-07-12** | Period of Report: **1995-08-08**  
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### FILER

#### **MCDERMOTT INC**

CIK: **225615** | IRS No.: **741032246** | State of Incorpor.: **DE** | Fiscal Year End: **0331**  
Type: **DEF 14C** | Act: **34** | File No.: **001-04095** | Film No.: **95553426**  
SIC: **3443** Fabricated plate work (boiler shops)

Mailing Address  
*1450 POYDRAS ST  
P.O. BOX 60035  
NEW ORLEANS LA 70160*

Business Address  
*1450 POYDRASA ST  
P O BOX 60035  
NEW ORLEANS LA  
70160-0035  
5045874411*

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c)  
of the Securities Exchange Act of 1934 (Amendment No. )

Check the appropriate box:

- Preliminary Information Statement       Confidential, for Use of the  
Commission Only (as permitted  
by Rule 14c-5(d)(2))
- Definitive Information Statement

McDERMOTT INCORPORATED

-----  
(Name of Registrant As Specified In Charter)

Payment of Filing Fee (Check the appropriate box):

- \$125 per Exchange Act Rules 0-11(c)(1)(ii), or 14c-5(g).
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

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

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

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(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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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange  
Act Rule 0-11(a)(2) and identify the filing for which the  
offsetting fee was paid previously. Identify the previous filing  
by registration statement number, or the Form or Schedule and the  
date of its filing.

(1) Amount Previously Paid:

-----

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

-----

(3) Filing Party:

-----

(4) Date Filed:

Notes:

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McDERMOTT INCORPORATED  
1450 POYDRAS STREET  
P. O. BOX 60035  
NEW ORLEANS, LOUISIANA 70160-0035

-----  
Notice of the taking of corporate action  
without a meeting by written consent  
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To the Stockholders of  
McDERMOTT INCORPORATED:

In accordance with Section 228(d) of the Delaware General Corporation Law, notice is hereby given that McDermott International, Inc., as holder of approximately 92% of the voting power of the outstanding shares of capital stock of McDermott Incorporated, a Delaware corporation (the "Company"), shall on August 8, 1995 elect three Directors to the Company's Board of Directors.

The accompanying Information Statement is furnished pursuant to Section 14(c) of the Securities Exchange Act of 1934, as amended.

By Order of the Board of Directors,

LAWRENCE R. PURTELL  
Secretary

Dated: July 12, 1995

We are not asking for a Proxy  
and you are requested not to send us a Proxy

McDERMOTT INCORPORATED  
1450 POYDRAS STREET  
P. O. BOX 60035  
NEW ORLEANS, LOUISIANA 70160-0035

-----  
INFORMATION STATEMENT  
(PURSUANT TO SECTION 14(C) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED)  
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WE ARE NOT ASKING YOU FOR A PROXY  
AND YOU ARE REQUESTED NOT TO SEND US A PROXY

This Information Statement, which is first being mailed to stockholders on or about July 12, 1995, is furnished by McDermott Incorporated (the "Company") in connection with the taking of corporate action without a meeting by less than unanimous written consent.

#### CORPORATE ACTION AND NOTICE

Subject to special voting rights granted to holders of the Company's Preferred Stock, holders of the Company's Voting Common Stock, \$1.00 par value per share ("Voting Common Stock"), Series A \$2.20 Cumulative Convertible Preferred Stock, \$1.00 par value per share ("Series A Preferred Stock"), and Series B \$2.60 Cumulative Preferred Stock, \$1.00 par value per share ("Series B Preferred Stock"), are entitled to vote as a single class on matters presented to the Company's stockholders for approval. In that regard, each share of

Voting Common Stock entitles the holder thereof to 12,000 votes, and each share of Series A Preferred Stock and each share of Series B Preferred Stock entitles the holder thereof to one-half of a vote. McDermott International, Inc. ("MII"), as holder of all of the outstanding 3,000 shares of Voting Common Stock is entitled, in the aggregate, to 36,000,000 votes or approximately 92% of the voting power of the outstanding shares of capital stock of the Company entitled to vote on matters presented to its stockholders. MII, as holder of all of the outstanding 3,000 shares of Voting Common Stock, intends to take corporate action without a meeting on August 8, 1995 by electing the nominees named below to the Company's Board of Directors. On June 28, 1995, there were outstanding 2,817,604 shares of Series A Preferred Stock and 2,916,059 shares of Series B Preferred Stock. Only holders of record of such Preferred Stock at the close of business on such date will be entitled to receive a copy of this Information Statement.

ELECTION OF DIRECTORS

Pursuant to such corporate action without a meeting by less than unanimous written consent, three Directors are to be elected to the Company's Board of Directors, each to hold office for one year and until his successor is elected and qualified. If any nominee named below should become unavailable for election, MII intends to vote its shares for such substitute nominee as may be proposed by the Board of Directors. No circumstances are now known, however, that would prevent any of the nominees from serving.

During the fiscal year ended March 31, 1995, there were thirty Board of Director actions taken without meetings. The Board does not maintain audit, compensation or directors nominating committees.

The information appearing below with respect to the business experience of each Director and other directorships held, has been furnished by each such Director as of the date hereof.

<TABLE>  
<CAPTION>

Name	Age	Director Since
----	---	-----
Nominees		
<S>	<C>	<C>
Brock A. Hattox.....	47	1993
Executive Vice President and Chief Financial Officer, and President of the Engineering and Construction Group, of the Company, and Executive Vice President and Chief Financial Officer of MII since February 1995. Prior to assuming these positions, he was Senior Vice President and Chief Financial Officer of the Company and MII from March 1991; and prior to that, Vice President, Controller and Planning of the Eaton Corporation (a manufacturer of engineered products for automotive, industrial, commercial and defense markets). He is also a director of MII and J. Ray McDermott, S.A., a publicly traded subsidiary of MII ("J. Ray McDermott").		
Robert E. Howson.....	63	1981
Chairman of the Board and Chief Executive Officer of the Company and MII since August 1988 and Chairman of the Board and Chief Executive Officer of J. Ray McDermott since January 31, 1995. Prior to assuming these positions, he was President and Chief Operating Officer of the Company and MII from August 1987. He is also a director of The Louisiana Land and Exploration Company, MII, J. Ray McDermott and Whitney Holding Corporation.		
Lawrence R. Purtell.....	48	1993
Senior Vice President and General Counsel and Corporate Secretary of the Company and MII since May 1993 and Senior Vice President and General Counsel and Corporate Secretary of J. Ray McDermott since January 31, 1995. Before assuming his present positions, Mr. Purtell was Vice President, General Counsel and Secretary of Carrier Corporation, a United Technologies Corporation subsidiary, from December 1992; and prior to that, he was Corporate Secretary and Associate General Counsel of United Technologies Corporation from June 1989.		

</TABLE>

EXECUTIVE OFFICERS

Set forth below is the age, positions held with the Company and affiliated companies and certain business experience information for each of the Company's executive officers who are not Directors.

Walter E. Boomer, 56, President, Babcock & Wilcox Power Generation Group, of Babcock & Wilcox Investment Company and The Babcock & Wilcox Company and Executive Vice President of MII since February 1995. Before assuming his present position, Mr. Boomer was Senior Vice President and Chief Project Management Officer of MII from August 1994; and prior to that, he was a General of the U.S. Marine Corps from 1986.

Daniel R. Gaubert, 46, Vice President, Finance, and Controller of the Company and MII since February 1995. During the past five years and before assuming his present position, he was Vice President and Controller of the Company and MII from February 1992; Corporate Controller of the Company and MII from July 1991; and prior to that, Group Controller, Power Generation Group, of Babcock & Wilcox Investment Company and The Babcock & Wilcox Company.

Joe J. Stewart, 57, President, Babcock & Wilcox Government Group, of Babcock & Wilcox Investment Company and The Babcock & Wilcox Company and Executive Vice President and Chief Project Management Officer of MII since February 1995. Before assuming his present position, Mr. Stewart was President and Chief Operating Officer of Babcock & Wilcox Investment Company and The Babcock & Wilcox Company from February 1993; and prior to that, Executive Vice President and Group Executive, Power Generation Group, of Babcock & Wilcox Investment Company and The Babcock & Wilcox Company from August 1990.

Edgar Allen Womack, Jr., 52, Senior Vice President and Chief Technical Officer of the Company and MII since February 1993. Before assuming his present position, Mr. Womack was Senior Vice President, Research and Development and Contract Research Divisions, of Babcock & Wilcox Investment Company and The Babcock & Wilcox Company from August 1991; and prior to that, Vice President, Research and Development and Contract Research Divisions, of Babcock & Wilcox Investment Company and The Babcock & Wilcox Company.

Richard E. Woolbert, 61, Executive Vice President and Chief Administrative Officer of the Company and MII since February 1995. Before assuming his present position, Mr. Woolbert was Senior Vice President and Chief Administrative Officer of the Company and MII from August 1991; and prior to that, Vice President and Chief Administrative Officer of the Company and MII from November 1988.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the number of shares of Series A Preferred Stock, Series B Preferred Stock and MII's Common Stock, par value \$1.00 per share ("MII Common Stock"), beneficially owned by each Director, each Named Executive Officer, as defined in "COMPENSATION OF EXECUTIVE OFFICERS", and all Directors and executive officers of the Company as a group, as of June 20, 1995, except as otherwise noted. No Director or executive officer beneficially owned, as of June 20, 1995, any other equity security of the Company or of its parent or subsidiaries.

<TABLE>  
<CAPTION>

NAME	Series A Preferred Stock	Series B Preferred Stock	MII Common Stock
- - - - -	<C>	<C>	<C>
<S>			
Walter E. Boomer(1).....	0	0	10,220
Brock A. Hattox(1) (2).....	0	0	98,999
Robert E. Howson(1) (2).....	0	0	486,556
Lawrence R. Purtell(1) (2).....	0	0	30,883
Joe J. Stewart(1) (2).....	0	0	132,927
Richard E. Woolbert(1) (2).....	171	164.673	80,592
All Directors and executive officers as a group (8 persons).....	175	168.673	964,354

</TABLE>

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(1) With respect to Messrs. Boomer, Hattox, Howson, Purtell, Stewart and

Woolbert, includes 10,220, 37,790, 201,500, 16,390, 55,820 and 39,130 shares, respectively, of MII Common Stock that were acquired as restricted stock awards under MII's 1987 Long-Term Performance Incentive Compensation Program or 1992 Officer Stock Incentive Program.

(2) With respect to Messrs. Hattox, Howson, Purtell, Stewart and Woolbert, includes 60,377, 275,776, 14,284, 76,226 and 71,194 shares, respectively, of MII Common Stock that are issuable upon the exercise of certain stock options, currently exercisable, granted under MII's 1983 and 1987 Long-Term Performance Incentive Compensation Programs or 1992 Officer Stock Incentive Program. With respect to Messrs. Hattox, Howson, Purtell, Stewart and Woolbert, includes the equivalent of 832, 780, 209, 881 and 909 shares, respectively, of MII Common Stock held for such individuals accounts in The Thrift Plan for Employees of McDermott Incorporated and Participating Subsidiary and Affiliated Companies (the "McDermott Thrift Plan") as of April 30, 1995.

Shares beneficially owned in all cases constituted less than one percent of the outstanding shares of the applicable security, except that the 964,354 shares of MII Common Stock beneficially owned by all Directors and executive officers as a group constituted approximately 1.78% of the outstanding MII Common Stock.

4

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table furnishes information concerning all persons known to the Company to beneficially own 5% or more of any class of voting stock of the Company as of June 20, 1995:

<TABLE>  
<CAPTION>

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
<S>	<C>	<C>	<C>
Voting Common Stock(1).....	McDermott International, Inc. 1450 Poydras Street New Orleans, LA 70112	3,000(2)	100%

</TABLE>  
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- (1) Entitles the holder thereof to 12,000 votes per share, voting as a single class with holders of the Series A Preferred Stock and the Series B Preferred Stock, each share of which entitles the holder thereof to one-half of a vote. Accordingly, MII holds approximately 92% of the voting power of the outstanding capital stock of the Company.
- (2) Sole voting and investment power.

5

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table

The following table summarizes the annual and long-term compensation of the Company's Chief Executive Officer and four highest paid executive officers (collectively, the "Named Executive Officers") for 1995, 1994 and 1993:

Summary Compensation Table

<TABLE>  
<CAPTION>

Name	Principal Position	Fiscal Year	Annual Compensation(1)			Long-Term Compensation			
			Salary	Bonus	Other Annual Comp.	Awards			
						Restricted Stock (2)	Securities Underlying Stock Options	Payouts LTIP Payouts	All Other Comp. (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
R.E. Howson.....	Chairman & Chief	1995	\$814,301	\$294,977	\$48,630	\$1,870,833(4)	385,450	\$ 0	\$27,078

	Executive Officer	1994	\$729,210	\$325,264	\$41,496	\$567,025	65,820	\$0	\$29,652
		1993	\$665,420	\$600,279	\$21,166	\$522,493	59,410	\$0	\$29,442
W.E. Boomer(5)	Executive Vice President	1995	\$154,677	\$64,562	\$91	\$252,309(6)	29,870	\$0	\$2,525
B.A. Hattox	Executive VP & Chief Financial Officer	1995	\$326,335	\$83,440	\$10,549	\$199,241	15,870	\$0	\$5,424
		1994	\$306,325	\$92,008	\$5,126	\$178,756	18,860	\$0	\$27,980(7)
		1993	\$285,275	\$171,239	\$5,683	\$252,512	17,400	\$0	\$53,056(7)
J.J. Stewart	Executive VP & Chief Project Management Officer	1995	\$364,995	\$93,868	\$10,772	\$172,358	15,870	\$0	\$9,162
		1994	\$344,615	\$119,849	\$4,487	\$217,838	24,060	\$0	\$9,913
		1993	\$301,870	\$224,724	\$1,186	\$301,517	20,770	\$0	\$8,382
R.E. Woolbert	Executive VP & Chief Administrative Officer	1995	\$301,685	\$76,948	\$4,335	\$191,674	14,400	\$0	\$9,905
		1994	\$280,085	\$84,848	\$13,569	\$163,262	17,230	\$0	\$10,605
		1993	\$258,440	\$156,441	\$4,329	\$152,460	15,750	\$0	\$8,861

</TABLE>

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- (1) Includes amounts earned in fiscal year, whether or not deferred.
- (2) Restricted stock awards in MII Common Stock for fiscal year 1995 are valued at the closing price on the date of grant. All such awards, other than the 50,000 and 5,500 restricted shares of MII Common Stock awarded to Mr. Howson and Mr. Boomer as described in footnotes 4 and 6, respectively, were made on June 9, 1995. The total number of shares of MII Common Stock held as of March 31, 1995 and the aggregate market value at such date (based upon the closing market price on that date of \$27.375 per share) is as follows: Mr. Howson held 201,430 shares valued at \$5,312,716; Mr. Hattox held 35,760 shares valued at \$943,170; Mr. Stewart held 55,800 shares valued at \$1,471,725; Mr. Boomer held 5,500 shares valued at \$145,063; Mr. Woolbert held 39,110 shares valued at \$1,031,526. Dividends are paid on restricted shares at the same time and at the same rate as dividends paid to stockholders of unrestricted

6

shares. Grants of restricted stock generally vest fifty percent in five years with the remaining fifty percent vesting in three to ten years based on performance. In the event of a change of control of MII, the Compensation Committee of MII may cause all restrictions to lapse.

- (3) Amounts shown for 1995 relate to company matching contributions to the McDermott Thrift Plan for each of the Named Executive Officers (other than Mr. Boomer) in the amount of \$4,500; and the value of insurance premiums paid by the Company for Messrs. Boomer, Howson, Hattox, Stewart and Woolbert in the amounts of \$2,525, \$22,578, \$910, \$4,662 and \$5,405, respectively.
- (4) Includes 50,000 restricted shares of MII Common Stock awarded under an employment agreement between MII and Mr. Howson, which shares will vest less than three years from the date of the grant if MII's Board of Directors approves a successor to Mr. Howson as Chairman of the Board and Chief Executive Officer of MII during such time.
- (5) Only includes amounts paid to or received by Mr. Boomer for the period from August 1994, when he became employed as an executive officer of the Company, through the end of fiscal year 1995.
- (6) Includes 5,500 restricted shares of MII Common Stock awarded to Mr. Boomer as a signing bonus.
- (7) Includes \$20,000 and \$46,000 for fiscal years 1993 and 1994, respectively, representing amounts paid to Mr. Hattox as a signing bonus.

7

#### Option Grant Table

Executive officers of the Company are granted options to acquire MII Common Stock. Options to acquire shares of MII Common Stock generally vest in equal installments of one-third beginning on the first anniversary of the date of grant through the third anniversary of the date of grant and expire ten years from the date of grant. In general, vesting is contingent on continuing employment with the Company or MII. In the event of a change in control of MII, the Compensation Committee of MII may accelerate the exercisability of any outstanding options. The following table provides information about option grants to the Named Executive Officers during fiscal year 1995. Neither the Company nor MII granted any stock appreciation rights to the Company's

executive officers during fiscal year 1995.

Option Grants in Last Fiscal Year

<TABLE>  
<CAPTION>

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4)	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees (2)	Exercise Price (3)	Expiration Date	5%	10%
					Dollar Gains	Dollar Gains
<S>	<C>	<C>	<C>	<C>	<C>	<C>
R.E. Howson						
MII Common Stock.....	325,000	40.18	\$25.125	08/09/04	\$ 5,136,625	\$ 13,014,625
MII Common Stock.....	60,450	7.47	25.500	02/06/05	969,425	2,456,714
W.E. Boomer						
MII Common Stock.....	14,000	1.73	25.313	08/22/04	222,805	564,782
MII Common Stock.....	15,870	1.96	25.500	02/06/05	254,555	644,956
B.A. Hattox						
MII Common Stock.....	15,870	1.96	25.500	02/06/05	254,555	644,956
J.J. Stewart						
MII Common Stock.....	15,870	1.96	25.500	02/06/05	254,555	644,956
R.E. Woolbert						
MII Common Stock.....	14,400	1.78	25.500	02/06/05	230,976	585,216
All Stockholders(1)						
MII Common Stock.....	--	--	25.500	--	868,173,013	2,200,120,870
Named Executive Officers' gains as a % of all stockholders' gains...					.84%	.84%

- (1) Total dollar gains based on the assumed annual rates of appreciation shown here and calculated on 54,059,598 outstanding shares of MII Common Stock on March 31, 1995.
- (2) Based on 808,930 options granted to all employees of MII and its subsidiaries, including the Company, during the fiscal year ended March 31, 1995.
- (3) Fair market value on date of grant.
- (4) At a five percent and ten percent annual rate of appreciation, the stock price would be approximately \$41.54 and \$66.14 per share of MII Common Stock, respectively, if the assumed annual rates of stock price appreciation shown were to be achieved over a ten year option term.

Option Exercises and Year-End Value Table

The following table provides information concerning the exercise of options to acquire MII Common Stock during fiscal year 1995 by each of the Named Executive Officers and the value at March 31, 1995 of such unexercised options held by such individuals. The value of unexercised options reflects the increase in market value of MII's Common Stock from the date of grant through March 31, 1995 (when the fair market value of MII's Common Stock was \$27.1875 per share). The value actually realized upon exercise of the options by the Named Executive Officers will depend on the value of MII's Common Stock at the time of exercise.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

<TABLE>  
<CAPTION>

Name	Number of Shares Acquired on Exercise	Value Realized	Total Number of Unexercised Options Held at Fiscal Year-End		Total Value of Unexercised, In-the-Money Options Held at Fiscal Year-End	
			Exercisable	Unexercisable	Exercisable	Unexercisable



<S>	<C>	<C>	<C>	<C>	<C>	<C>
R.E. Howson MII Common Stock.....	0	\$ 0	275,776	449,134	\$ 1,560,169	\$ 976,018
W.E. Boomer MII Common Stock.....	0	\$ 0	0	29,870	\$ 0	\$ 53,031
B.A. Hattox MII Common Stock.....	0	\$ 0	60,377	34,243	\$ 180,098	\$ 85,585
J.J. Stewart MII Common Stock.....	0	\$ 0	76,226	38,834	\$ 384,548	\$ 100,137
R.E. Woolbert MII Common Stock.....	0	\$ 0	71,194	31,136	\$ 432,140	\$ 77,851

#### Variable Supplemental Compensation Plan

MII has a Variable Supplemental Compensation Plan based on the achievement of certain performance standards for managerial and other key employees, including officers of the Company and its consolidated subsidiaries. Under the plan, the aggregate amount available for award in respect of the 1996 fiscal year shall equal the sum of 1% of that portion of Cash Flow for such year as would produce a Cash Flow Return on Capital of no more than 16% plus 6% of Cash Flow in excess of such portion. Cash Flow Return on Capital is defined as Cash Flow divided by Capital (as those terms are defined in the plan). Except on a selected basis, no awards will be made in respect of a fiscal year during which Cash Flow Return on Capital does not equal or exceed 16%. If an award is made during a fiscal year when the Cash Flow Return on Capital requirement is not achieved, then the award, generally, will be equal only to one-half of the established guideline amounts. Allocations of awards to eligible employees are made at the discretion of MII's Compensation Committee, based upon a percentage of salary. For fiscal year 1996, the Chief Executive Officer of the Company may receive a maximum award of 70% of his salary under the plan.

9

Awards are payable to the recipients within 30 days of the Compensation Committee's determination, unless deferred by such recipients. Awards may be deferred until termination of employment other than by retirement or for up to 15 years after retirement. In case of deferral, awards accrue interest, compounded daily, at the minimum commercial lending rate of a designated bank, until paid. The plan is unfunded and no assets will be segregated to secure payment of awards.

#### Retirement Plans

Pension Plans. MII maintains several funded retirement plans covering substantially all regular full-time employees, except certain non-resident alien employees who are not citizens of a European Community country or who do not earn income in the United States, Canada or the United Kingdom. All officers who are employees of the Company are covered under The Retirement Plan for Employees of McDermott Incorporated (the "McDermott Retirement Plan"). Officers who are employed by The Babcock & Wilcox Company ("B&W") or certain of its subsidiaries or affiliates are covered under The Employee Retirement Plan of The Babcock & Wilcox Company (the "B&W Retirement Plan"). Employees do not contribute to either plan and company contributions are determined on an actuarial basis. In order to comply with the limitations prescribed by the Employee Retirement Income Security Act of 1974, as amended, pension benefits will be paid directly by the applicable company or a subsidiary under the terms of the unfunded excess benefit plans maintained by them (the "Excess Plans") when such benefits are limited by Section 415(b) or 401(a)(17) of the Internal Revenue Code of 1986.

The following table shows the annual benefit payable under the McDermott Retirement Plan at age 65 (the normal retirement age) to employees retiring in 1995 in accordance with the lifetime only method of payment and before profit sharing plan offsets. Benefits are based on the formula of a specified percentage (dependent on years of service) of average annual basic earnings (exclusive of bonus and allowances) during the five consecutive years out of the ten years prior to retirement in which such earnings were highest ("Final Average Earnings") less a specified percentage of anticipated social security benefits. Final Average Earnings and credited service under the McDermott Retirement Plan at December 31, 1994 for Messrs. Howson and Hattox were \$659,852 and 23 years, and \$290,625 and 4 years, respectively. As of April 1, 1995, Mr. Boomer

had no entitlement to any benefit from the McDermott Retirement Plan. Unless elected otherwise by the employee, payment will be made in the form of a joint and survivor annuity of equivalent actuarial value to the amount shown below.

McDermott Retirement Plan

<TABLE>  
<CAPTION>  
Final  
Average  
Earnings

	Annual Benefits at Age 65 For Years of Service Indicated						
	10	15	20	25	30	35	40
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
100,000	\$14,267	\$ 21,400	\$ 28,533	\$ 36,623	\$ 45,885	\$ 53,913	\$ 61,631
125,000	18,433	27,650	36,867	46,087	57,731	67,821	77,524
150,000	22,600	33,900	45,200	56,500	69,576	81,730	93,417
200,000	30,933	46,400	61,867	77,333	93,266	109,548	125,202
250,000	39,267	58,900	78,533	98,167	117,800	137,433	157,067
300,000	47,600	71,400	95,200	119,000	142,800	166,600	190,400
400,000	64,267	96,400	128,533	160,667	192,800	224,933	257,067
500,000	80,933	121,400	161,867	202,333	242,800	283,267	323,733
550,000	89,267	133,900	178,533	223,167	267,800	312,433	357,067
600,000	97,600	146,400	195,200	244,000	292,800	341,600	390,400

</TABLE>

The following table shows the annual benefit payable under the B&W Retirement Plan at age 65 (the normal retirement age) to employees retiring in 1995 in accordance with the lifetime only method of payment. Benefits are based on the formula of a specified percentage (dependent on the level of wages subject to social security taxes during the employee's career) of average annual earnings (inclusive of bonuses) during the five consecutive years out of the ten years prior to retirement in which such earnings were highest ("B&W Final Average Earnings"). B&W Final Average Earnings and credited service under the B&W Retirement Plan at December 31, 1994 for Messrs. Stewart and Woolbert were \$426,345 and 23 years, and \$336,886 and 39 years, respectively. Unless elected otherwise by the employee, payment will be made in the form of a joint and survivor annuity of equivalent actuarial value to the amount shown below.

Babcock & Wilcox Retirement Plan

<TABLE>  
<CAPTION>  
B&W  
Final  
Average  
Earnings

	Annual Benefits at Age 65 For Years of Service Indicated						
	10	15	20	25	30	35	40
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
100,000	\$11,855	\$ 17,783	\$ 23,710	\$ 29,638	\$ 35,565	\$ 41,493	\$ 47,420
125,000	14,980	22,470	29,960	37,450	44,940	52,430	59,920
150,000	18,105	27,158	36,210	45,263	54,315	63,368	72,420
200,000	24,355	36,533	48,710	60,888	73,065	85,243	97,420
250,000	30,605	45,908	61,210	76,513	91,815	107,118	122,420
300,000	36,855	55,283	73,710	92,138	110,565	128,993	147,420
400,000	49,355	74,033	98,710	123,388	148,065	172,743	197,420
500,000	61,855	92,783	123,710	154,638	185,565	216,493	247,420
550,000	68,105	102,158	136,210	170,263	204,315	238,368	272,420
600,000	74,355	111,533	148,710	185,888	223,065	260,243	297,420

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Supplemental Executive Retirement Plan. An unfunded supplemental retirement plan called the Supplemental Executive Retirement Plan (the "SERP") was established in June of 1980 by the Company and was amended to become a plan of MII in September of 1989. The SERP covers certain officers of MII and other designated companies, including the Company and B&W. Generally, benefits are based upon a specified percentage (determined by age, years of service and date of initial participation in the SERP) of final 3-year average cash compensation (salary plus supplemental compensation for the highest three out of the last ten years of service) or 3-year average cash compensation prior to SERP

scheduled retirement date, whichever is greater. Except for the benefit payable to Mr. Howson, the maximum benefit shall not exceed 60-65% (dependent upon date of initial participation in the SERP) of such 3-year average cash compensation. Under an employment agreement between Mr. Howson and MII, the maximum benefit payable to Mr. Howson is 73% of his final 3-year average cash compensation (based upon his highest three years, consecutive or nonconsecutive, of base salary and bonus during the last ten years of his employment). Payments under the SERP will be reduced by an amount equal to pension benefits payable under any other retirement plan maintained by MII or any of its subsidiaries, including the Company, or any previous employer. A death benefit is also provided under the SERP. Before giving effect to such reductions, the approximate annual benefit payable under the SERP to Messrs. Boomer, Hattox, Howson and Stewart, and Woolbert at retirement age as stated in the SERP is 27%, 60%, 73%, 60% and 65%, respectively, of each such person's applicable final 3-year average cash compensation.

A trust (assets of the trust constitute corporate assets) has been established which is designed to ensure the payment of benefits arising under the SERP, the Excess Plans and certain other contracts and arrangements (collectively, the "Plans") in the event of an effective change in control of MII. Although MII would retain primary responsibility for such payments, the trust would provide for payments to designated participants, in the form of lump sum distributions, if certain events occur following an effective change in control of MII, including but not limited to failure by MII to make such payments and termination of a participant's employment under certain specified circumstances. In addition, with respect to benefits which otherwise would have been paid in the form of an annuity, the trust provides for certain lump sum equalization payments which, when added to the basic lump sum payments described above, would be sufficient, after payment of all applicable taxes, to enable each active participant receiving a lump sum distribution to purchase an annuity which would provide such participant with the same net after-tax stream of annuity benefits that such participant would have realized had he retired as of the date of the lump sum distribution and commenced to receive annuity payments at that time under the terms of the applicable Plan, based on salary and service factors at the time of the effective change in control. With respect to designated participants who retire prior to an effective change in control and who receive a basic lump sum distribution under the circumstances described above, the trust provides for similar lump sum equalization payments, based on salary and service factors at the time of actual retirement.

12

#### CERTAIN TRANSACTIONS

In connection with the merger of Offshore Pipelines, Inc. into a merger subsidiary of J. Ray McDermott and the related contribution by MII of its marine construction services business to J. Ray McDermott, the Company sold substantially all of its marine construction services assets to MII for approximately \$221,000,000 of marketable securities. Such consideration was determined based upon the fair market value of such assets as determined by an independent appraiser in accordance with certain covenants contained in public debt instruments to which the Company is a party that require transactions between the Company and its affiliates, including MII, to be on terms no less favorable to the Company than might be obtained at the time of such transaction with a non-affiliate.

#### COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own 10% or more of the Company's voting stock to file reports of ownership and changes in ownership of the Company's equity securities with the Securities and Exchange Commission ("SEC") and the New York Stock Exchange. Directors, executive officers and 10% or more stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to the Company, or written representations that no forms were required, the Company believes that its directors, executive officers and 10% or more stockholders complied with all Section 16(a) filing requirements during the most recent fiscal year.

#### OTHER MATTERS

No business other than that set forth in the accompanying Notice of the taking of corporate action without a meeting is expected to be acted upon.

By Order of the Board of Directors,

LAWRENCE R. PURTELL  
Secretary

Dated: July 12, 1995