

Seaspans CORP
Form F-3D
March 12, 2015
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As filed with the Securities and Exchange Commission on March 12, 2015

Registration Statement No. 333-

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

Form F-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SEASPAN CORPORATION
(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands (State or other jurisdiction of	4412 (Primary Standard Industrial	N/A (I.R.S. Employer
incorporation or organization)	Classification Code Number)	Identification Number)

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Unit 2, 2nd Floor, Bupa Centre

141 Connaught Road West

Hong Kong

China

Telephone: +852 (2540) 1686

Facsimile: +852 (2540) 1689

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive office)

Puglisi & Associates

850 Library Avenue

Suite 204

Newark, Delaware 19711

(302) 738-6680

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

David S. Matheson

Perkins Coie LLP

1120 N.W. Couch Street, Tenth Floor

Portland, OR 97209-4128

(503) 727-2008

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. x

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act of 1933, check the following box. "

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act of 1933, check the following box. "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered ⁽¹⁾	Proposed Maximum Offering Price Per Share ⁽²⁾	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Class A common shares, par value \$0.01 per share, and associated preferred share purchase rights ⁽³⁾	5,000,000	\$18.65	\$93,250,000	\$10,835.65 ⁽²⁾

- (1) Pursuant to Rule 416(a), the number of Class A common shares being registered shall be adjusted to include any additional shares that may become issuable as a result of any share distribution, split or similar transaction.
- (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended. The price per share and aggregate offering price are based on the average of the high and low sale prices of the registrant's Class A common shares on March 9, 2015, as reported on The New York Stock Exchange.
- (3) The preferred share purchase rights are presently attached to and transferable only with the common shares of the registrant. Prior to the occurrence of specified events, the preferred share purchase rights will not be exercisable

or evidenced separately from the common shares. The value, if any, attributable to the preferred share purchase rights, if any, is reflected in the value attributable to the common shares.

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PROSPECTUS

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

5,000,000 Common Shares

Seaspans Corporation

With this prospectus, we are offering you the opportunity to participate in our dividend reinvestment and stock purchase plan (the "plan" or our "plan"), which commenced in May 2008 and which we amended in February 2015 to increase the number of common shares subject to the plan from 10 million to 15 million. Our plan provides an economical and convenient way for current holders of our common shares to use their cash dividends to invest in additional common shares.

The plan allows you to:

reinvest all or part of your cash dividends in our common shares without paying any brokerage commission or service charge, and, at certain times, at a discount to market price;

deposit shares of our stock in the plan for safekeeping; and

sell the shares you hold in the plan.

This prospectus relates to our common shares purchased under the plan as of the date hereof. The price for such shares will be calculated pursuant to the terms of the plan as described herein.

Our common shares are listed on The New York Stock Exchange under the symbol "SSW".

We cannot estimate anticipated proceeds from sales of our common shares pursuant to the plan, which will depend upon the market price of our common shares, the extent of shareholder participation in the plan and other factors. We will not pay underwriting commissions in connection with the plan but will incur costs estimated at approximately \$60,000 in connection with this offering.

Investing in our common shares involves a high degree of risk. Please read Risk Factors beginning on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

March 12, 2015

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents incorporated by reference into this prospectus. We have not authorized anyone else to give you different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not offering these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus or any prospectus supplement, as well as the information we file with the U.S. Securities and Exchange Commission (the "SEC"), that is incorporated by reference into this prospectus, is accurate as of any date other than its respective date. We will disclose material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the SEC incorporated by reference in this prospectus.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form F-3 we filed with the SEC using a shelf registration process. Under the shelf registration process, we may sell the common shares described in this prospectus in one or more offerings. You should read this prospectus together with additional information described below under the headings **Where You Can Find More Information** and **Incorporation of Documents by Reference**.

Unless otherwise indicated, references in this prospectus to **Seaspan**, the **Company**, **we**, **us** and **our** and similar terms refer to Seaspan Corporation and/or one or more of its subsidiaries, except that those terms, when used in this prospectus in connection with the common shares described herein, shall mean Seaspan Corporation. References to **our Manager** are to Seaspan Management Services Limited and its wholly owned subsidiaries which provide us with all of our technical, administrative and strategic services. In January 2012, we acquired our Manager.

Unless otherwise indicated, all references in this prospectus to **dollars** and **\$** are to, and amounts are presented in, U.S. Dollars, and financial information presented in this prospectus is prepared in accordance with accounting principles generally accepted in the United States (**GAAP**).

The information in this prospectus is accurate as of its date. You should read carefully this prospectus, any prospectus supplement, and the additional information described below under the headings **Where You Can Find More Information** and **Incorporation of Documents by Reference**.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-3 regarding the securities covered by this prospectus. This prospectus does not contain all of the information found in the registration statement. For further information regarding us and the securities offered in this prospectus, you may wish to review the full registration statement, including its exhibits. In addition, we file annual and other reports with and furnish information to the SEC. You may inspect and copy any document we file with or furnish to the SEC at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC at that address, at prescribed rates, or from the SEC's web site at www.sec.gov free of charge. Please call the SEC at 1-800-SEC-0330 for further information on public reference rooms. You can also obtain information about us at the offices of The New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

As a foreign private issuer, we are exempt under the Securities Exchange Act of 1934 (the **Exchange Act**) from, among other things, certain rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, including the filing of quarterly reports or current reports on Form 8-K. However, we intend to make available quarterly reports containing our unaudited interim financial information for the first three fiscal quarters of each fiscal year.

INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to **incorporate by reference** into this prospectus information that we file with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to other documents filed separately with the SEC. The information incorporated by

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reference is an important part of this prospectus. Information that we later provide to the SEC, and which is deemed to be filed with the SEC, automatically will update information previously filed with the SEC, and may replace information in this prospectus.

We incorporate by reference into this prospectus the documents listed below:

our Annual Report on Form 20-F for the fiscal year ended December 31, 2014;

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all subsequent Annual Reports on Form 20-F filed prior to the termination of this offering;

Report on Form 6-K dated March 11, 2015;

any subsequent Reports on Form 6-K furnished to the SEC prior to the termination of this offering that we identify in such Reports as being incorporated by reference into the registration statement of which this prospectus is a part; and

the description of our common shares contained in our Registration Statement on Form 8-A filed on August 2, 2005, and amended on March 31, 2011, including any subsequent amendments or reports filed for the purpose of updating such description.

These reports contain important information about us, our financial condition and our results of operations.

You may obtain any of the documents incorporated by reference in this prospectus from the SEC through its public reference facilities or its website at the addresses provided above. You also may request a copy of any document incorporated by reference in this prospectus (excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference in this document), at no cost, by visiting our website at www.seaspancorp.com, or by writing or calling us at the following address:

Seaspan Corporation

Unit 2, 2nd Floor

Bupa Centre

141 Connaught Road West

Hong Kong

China

(852) 2540-1686

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with any information. You should not assume that the information incorporated by reference or provided in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each document.

SEASPAN CORPORATION

We are the largest independent charter owner and manager of containerships, which we charter primarily pursuant to long-term, fixed-rate time charters with major container liner companies.

We were incorporated in the Republic of the Marshall Islands in May 2005 to acquire all of the containership business of Seaspan Container Lines Limited. In August 2005, we completed our initial public offering of common shares. In

January 2012, we acquired our Manager, which provides us with all of our technical, administrative and strategic services and also manages a limited number of vessels for third parties.

We maintain our principal executive offices at Unit 2, 2nd Floor, Bupa Centre, 141 Connaught Road West, Hong Kong, China. Our telephone number is (852) 2540-1686. Our website address is *www.seaspacorp.com*. The information contained in our website is not part of this prospectus.

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus and any prospectus supplements are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, and the markets in which we operate. In some cases, you can identify the forward-looking statements by the use of words such as may, will, could, should, would, expect, plan, anticipate, intend, forecast, believe, estimate, potential, continue or the negative of these terms or other comparable terminology.

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Forward-looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events affecting us. Forward-looking statements are subject to risks, uncertainties and assumptions, including those risks discussed in "Risk Factors" set forth in this prospectus and those risks discussed in other reports we file with the SEC and that are incorporated into this prospectus by reference, including, without limitation, our Annual Report on Form 20-F. The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. In addition, we cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

RISK FACTORS

Before investing in our common shares, you should carefully consider all of the information included or incorporated by reference into this prospectus. When evaluating an investment in our common shares, you should carefully consider the following risk factors together with all other information included in this prospectus, including those risks discussed under the caption "Risk Factors" in our latest Annual Report on Form 20-F filed with the SEC, which are incorporated by reference into this prospectus, and information included in any applicable prospectus supplement.

If any of these risks were to occur, our business, financial condition, operating results or cash flows could be materially adversely affected. In that case, we might be unable to pay dividends on our common shares, the trading price of our common shares could decline, and you could lose all or part of your investment.

Risks Related to the Plan

You will not know the price of the common shares you are purchasing under the plan at the time you elect to have your dividends reinvested, and you may not be able to direct the time or price at which your common shares are sold under the plan.

The price of our common shares may fluctuate between the time you decide to purchase common shares under the plan and the time of actual purchase. In addition, during this time period, you may become aware of additional information that might affect your investment decision.

American Stock Transfer & Trust Company, LLC, the plan administrator, administers the plan. If you instruct the plan administrator to sell common shares under the plan, you will not be able to direct the time or price at which your common shares are sold. The price of our common shares may decline between the time you decide to sell common shares and the time of actual sale.

Risks Inherent in an Investment in Us

Anti-takeover provisions in our organizational documents could make it difficult for our shareholders to replace or remove our current board of directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our securities.

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Several provisions of our articles of incorporation and our bylaws could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include:

authorizing our board of directors to issue blank check preferred shares without shareholder approval;

providing for a classified board of directors with staggered, three-year terms;

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prohibiting cumulative voting in the election of directors;

authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote for those directors;

prohibiting shareholder action by written consent unless the written consent is signed by all shareholders entitled to vote on the action;

limiting the persons who may call special meetings of shareholders;

establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings; and

restricting business combinations with interested shareholders.

We have also adopted a shareholder rights plan pursuant to which our board of directors may cause the substantial dilution of the holdings of any person that attempts to acquire us without the board's prior approval.

These anti-takeover provisions, including the provisions of our shareholder rights plan, could substantially impede a potential change in control and, as a result, may adversely affect the market price of our securities. Please read Description of the Common Shares Anti-takeover Effects of Certain Provisions of Our Articles of Incorporation and Bylaws.

Substantial future sales of our common shares in the public market could cause the price of our common shares to fall.

The market price of our common shares could decline due to sales of a large number of shares in the market, including sales of shares by our large shareholders, or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate to raise funds through future offerings of common shares. In connection with our initial public offering, our issuance of Series A preferred shares, our entry into employment or services agreements with our chief executive officer, Gerry Wang, and an affiliate of one of our directors, Graham Porter, and the acquisition of our Manager, we have granted registration rights to the holders of certain of our securities, including common shares or securities convertible into common shares. These shareholders have the right, subject to certain conditions, to require us to file registration statements covering the sale by them of such common shares. Following their sale under an applicable registration statement, any such common shares will become freely tradable. By exercising their registration rights and selling a large number of common shares, these shareholders could cause the price of our common shares to decline.

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law.

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act (the "BCA"). The provisions of the BCA resemble provisions of the corporation laws of some states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the

BCA. The rights and fiduciary responsibilities of directors under the laws of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

We are organized under the laws of the Marshall Islands, and all of our assets are located outside of the United States. Our principal executive offices are located in Hong Kong and a majority of our directors and officers are residents outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against our directors or our management in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against our assets or our directors and officers.

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USE OF PROCEEDS

We will receive proceeds from the sale of common shares that the plan administrator purchases directly from us. We will not receive proceeds from the sale of common shares that the plan administrator purchases in the open market or in privately negotiated transactions. We cannot estimate anticipated proceeds from sales of our common shares pursuant to the plan, which will depend upon the market price of our common shares, the extent of shareholder participation in the plan and other factors. We intend to use proceeds we receive from the sale of our common shares offered by this prospectus for general corporate purposes, including capital expenditures (such as vessel acquisitions), repayment of indebtedness and working capital.

THE DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The following questions and answers explain and constitute our Dividend Reinvestment and Stock Purchase Plan, which we refer to as the plan and became effective May 29, 2008. In February 2015, we increased the number of our common shares subject to the plan from 10 million to 15 million. If you decide not to participate in the plan, you will receive cash dividends, as declared and paid in the usual manner.

The plan is open to existing shareholders of Seaspan Corporation and investors who become shareholders of Seaspan Corporation in the future.

Existing shareholders are either record owners or beneficial owners. You are a record owner if you own common shares in your own name. You are a beneficial owner if you own common shares that are registered in a name other than your own name (for example, the shares are held in the name of a broker, bank or other nominee). A record owner may participate directly in the plan. If you are a beneficial owner, however, you will either have to become a record owner by having one or more shares transferred into your name or coordinate your participation through the broker, bank or other nominee in whose name your shares are held.

PURPOSE

1. What is the purpose of the plan?

The primary purpose of the plan is to provide shareholders with an economical and convenient way to increase their investment in Seaspan Corporation. Shareholders are permitted to invest cash dividends in common shares without paying any brokerage commission or service charge and, at certain times, at a discount from the Market Price (as described in Question 14). Please read Question 14 with respect to the purchase price for common shares purchased under the plan.

The plan is primarily intended for the benefit of long-term investors, and not for the benefit of individuals or institutions who engage in short-term trading activities that could cause aberrations in the overall trading volume of our common shares. From time to time, financial intermediaries may engage in positioning transactions in order to benefit from the discount from the Market Price for common shares acquired through the reinvestment of dividends under the plan. These transactions may cause fluctuations in the trading volume of our common shares. We reserve the right to modify, suspend or terminate participation in the plan by otherwise eligible holders of common shares in order to eliminate practices which are not consistent with the purposes of the plan.

OPTIONS AVAILABLE TO PARTICIPANTS

Information on how to participate in the plan is set forth in Questions 5 through 13.

2. What are my investment options under the plan?

Shareholders may elect to have all, a portion or none of their cash dividends paid on their common shares automatically reinvested in common shares through the dividend reinvestment program. Cash dividends are paid on common shares when and as declared by our board of directors, generally on a quarterly basis. Subject to the availability of common shares registered for issuance under the plan, there is no limitation on the amount of dividends you may reinvest under the dividend reinvestment program.

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3. How can I change my investment options?

You may change your investment options at any time by requesting a new authorization form and returning it to the plan administrator at the address set forth in Question 7. Any authorization form which is returned to the plan administrator to change your investment options will be effective in accordance with the schedule described in Question 11.

ADVANTAGES AND DISADVANTAGES

4. What are the advantages and disadvantages of the plan?

Before deciding whether to participate in the plan, you should consider the following advantages and disadvantages of the plan.

Advantages

The plan provides you with the opportunity to reinvest cash dividends paid on all or a portion of common shares that you hold toward the purchase of additional common shares. Dividend reinvestments made directly through us are eligible for a discount of up to 5% from the average of the high and low sales prices on the applicable investment date.

There are no costs associated with the plan that you must pay, except for certain costs if you decide to sell common shares you purchased through the plan or terminate your participation in the plan (please read Questions 23 and 24 for a description of these costs). You will not pay brokerage commissions or service fees to reinvest your dividends through the plan.

As noted above, you will have the convenience of having all or a portion of your cash dividends automatically reinvested in additional common shares. In addition, since the plan administrator will credit fractional common shares to your plan account, you will receive full investment of your dividends. (Please read Questions 15 and 20.)

You will have the option of having your stock certificates held for safekeeping by the plan administrator for a one-time charge of \$7.50, insuring your protection against loss, theft or destruction of the certificates representing your common shares.

You will simplify your record keeping by receiving periodic statements which will reflect all current activity in your plan account, including dividend reinvestments, sales and latest balances. (Please read Question 19.)

At any time, you may direct the plan administrator to sell or transfer all or a portion of the common shares held in your plan account. Sales of common shares credited to your plan account may be sold as often as daily but at least within five (5) business days of receipt. (Please read Question 23.)

Disadvantages

No interest will be paid by us or the plan administrator on dividends held pending reinvestment or investment.

You may not know the actual number of common shares that you have acquired through the plan until after the investment date.

Your participation in the dividend reinvestment program generally will result in your being treated, for U.S. federal income tax purposes, as having received a distribution equal to the fair market value of the common shares on the dividend payment date. The fair market value of the common shares on the dividend payment date may be higher or lower than the Market Price or the average price per share, as applicable, used to determine the number of common shares acquired pursuant to the plan. The distribution will be includable in your income as a taxable dividend to the extent of our earnings and profits for U.S. federal income tax purposes even though no cash will have been received to pay any tax that becomes due. (Please read Certain Material United States Federal Income Tax Considerations.)

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Sales of common shares credited to your plan account will involve a nominal fee per transaction to be deducted from the proceeds of the sale by the plan administrator (if you request the plan administrator to make such sale), plus any brokerage commission and any applicable stock transfer taxes on the sales. (Please read Question 23.)

Because the purchase price for stock purchased directly from us under the plan is based on the sales price over the five (5) trading days prior to the investment date, it is possible that the actual price you pay for common shares acquired under the plan may be higher than the amount for which the common shares could have been purchased in the open market on the investment date.

You cannot pledge common shares deposited in your plan account until the shares are withdrawn from the plan.

ADMINISTRATION AND PLAN ADMINISTRATOR

5. Who administers the plan?

We have appointed American Stock Transfer & Trust Company, LLC to be the plan administrator.

6. What are the responsibilities of the plan administrator?

The plan administrator's responsibilities include:

administration of the plan;

acting as your agent;

keeping records of all plan accounts;

sending statements of activity to each participant;

purchasing and selling, on your behalf, all common shares under the plan; and

the performance of other duties relating to the plan.

Holding Shares. The plan administrator will hold any shares you choose to enroll in the dividend reinvestment program and will register them in the plan administrator's name (or that of its nominee) as your agent.

Receipt of Dividends. As record holder for the plan shares, the plan administrator will credit the dividends accrued on your plan shares as of the dividend record date to your plan account on the basis of whole or fractional plan shares held in such account and will automatically reinvest such dividends in additional common shares. Any remaining portion of cash dividends not designated for reinvestment will be sent to you.

Other Responsibilities. The plan administrator also acts as dividend disbursing agent, transfer agent and registrar for our common shares. If the plan administrator resigns or otherwise ceases to act as the plan administrator, we will appoint a new plan administrator to administer the plan.

7. How do I contact the plan administrator?

You should send all transaction requests to the plan administrator at:

American Stock Transfer & Trust Company, LLC

Wall Street Station

P.O. Box 922

New York, New York 10269-0560

You should send all correspondence to the plan administrator at:

American Stock Transfer & Trust Company, LLC

6201 Fifteenth Avenue

Brooklyn, New York 11219

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Please mention Seaspans Corporation and this plan in all correspondence. In addition, you may call the plan administrator at (866) 665-2272 or contact the plan administrator via the Internet at www.amstock.com.

PARTICIPATION

8. Who is eligible to participate?

The following persons are eligible to participate in the plan:

Record Owners. All record owners (shareholders whose shares are held in their name on the records kept by our transfer agent) of common shares are eligible to participate directly in this plan.

Beneficial Owners. Beneficial owners (shareholders whose shares are held in the name of a broker, bank or other nominee on the records kept by our transfer agent) of common shares may participate in two ways. A beneficial owner may participate directly by becoming a record owner by having one or more shares transferred into his or her name from that of the applicable broker, bank or other nominee. Alternatively, a beneficial owner may seek to arrange with the broker, bank or other nominee that is the record owner of his or her shares to participate on the beneficial owner's behalf.

9. Are there limitations on participation in the plan other than those described above?

Foreign Law Restrictions. You may not participate in the plan if it would be unlawful for you to do so in the jurisdiction where you are a citizen or reside. If you are a citizen or resident of a country other than the United States, you should confirm that by participating in the plan you will not violate local laws governing, among other things, taxes, currency and exchange controls, stock registration and foreign investments.

Exclusion from Plan for Short-Term Trading or Other Practices. You should not use the plan to engage in short-term trading activities that could change the normal trading volume of the common shares. If you do engage in short-term trading activities, we may prevent you from participating in the plan. We reserve the right to modify, suspend or terminate participation in the plan, by otherwise eligible holders of common shares, in order to eliminate practices which we determine, in our sole discretion, are not consistent with the purposes or operation of the plan or which may adversely affect the price of the common shares.

Restrictions at Our Discretion. In addition to the restrictions described above, we reserve the right to prevent you from participating in the plan for any other reason. We have the sole discretion to exclude you from or terminate your participation in the plan.

10. How do I enroll in the plan?

Record Owners. Record owners may join the plan by completing and signing an authorization form (please read Question 12) and returning it to the plan administrator, or by following the enrollment procedures specified on the plan administrator's website at www.amstock.com. Authorization forms may be obtained at any time by written request, by contacting the plan administrator at the address and telephone number provided in Question 7, or via the Internet at the plan administrator's website at www.amstock.com.

Beneficial Owners. A beneficial owner may request that the number of shares the beneficial owner wishes to be enrolled in the plan be registered by the broker, bank or other nominee in the beneficial owner's own name as record owner in order to participate directly in the plan. Alternatively, beneficial owners who wish to join the plan may instruct their broker, bank or other nominee to arrange participation in the plan on the beneficial owner's behalf. The broker, bank or other nominee should then make arrangements with its securities depository, and the securities depository will provide the plan administrator with the information necessary to allow the beneficial owner to participate in the plan.

To facilitate participation by beneficial owners, we have made arrangements with the plan administrator to reinvest dividends by record holders such as brokers, banks and other nominees, on behalf of beneficial owners. If you are an interested beneficial owner, be sure that your broker, bank or other nominee passes along the proceeds of any applicable discount to your account.

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Alternatively, a beneficial owner may simply request that the number of shares the beneficial owner wishes to be enrolled in the plan be re-registered by the broker, bank or other nominee in the beneficial owner's own name as record owner in order to participate directly in the plan.

Non-Shareholders. A non-shareholder must first become a record owner before becoming eligible to participate in the plan.

11. When will my participation in the plan begin?

If your authorization form (please read Question 12) is received by the plan administrator by the record date established for a particular dividend, reinvestment will commence with that dividend. If your authorization form is received after the record date established for a particular dividend, reinvestment will begin on the dividend payment date following the next record date if you are, or your broker, bank or other nominee is, still a record owner on such record date.

Once you enroll in the plan, you will remain enrolled in the plan until you withdraw from the plan, we terminate your participation in the plan or we terminate the plan.

12. What does the authorization form provide?

The authorization form appoints the plan administrator as your agent and directs us to pay to the plan administrator, on the applicable record date, the cash dividends on your common shares that are enrolled in the dividend reinvestment program, including all whole and fractional common shares that are subsequently credited to your plan account, as they are added with each reinvestment. These cash dividends with respect to shares enrolled in the dividend reinvestment program will be automatically reinvested by the plan administrator in common shares. Any remaining cash dividends with respect to shares not enrolled in the dividend reinvestment program will be paid directly to you.

The authorization form provides for the purchase of additional common shares through the following investment options:

Full Dividend Reinvestment This option directs the administrator to reinvest cash dividends on all of the common shares owned by you then or in the future into additional common shares.

Partial Dividend Reinvestment This option directs the administrator to reinvest cash dividends paid on a specified number of common shares owned by you into additional common shares. We will continue to pay you cash dividends on shares that you own for which you do not elect dividend reinvestment, when and if such dividends are declared by our board of directors.

Unless you designate a specific amount of your shares for enrollment in the dividend reinvestment program, you will be enrolled as having selected the full dividend reinvestment option. In addition, if you return a properly executed authorization form to the plan administrator without electing an investment option, you will be enrolled as having selected the full dividend reinvestment option.

You may select any one of the options desired, and the designated options will remain in effect until you specify otherwise by indicating a different option on a new authorization form, by withdrawing some or all shares from the plan in favor of receiving cash dividends or in order to sell your common shares, or until the plan is terminated.

13. What does the plan administrator's website provide?

Instead of submitting an authorization form (please read Question 12), you can participate in the plan by accessing the plan administrator's website at www.amstock.com. You may do the following online:

enroll or terminate your participation in the plan;

sell common shares;

request a stock certificate for non-fractional common shares held in your plan account; and

view your account history and balances.

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PURCHASES AND PRICES OF SHARES

14. What will be the price of shares purchased under the plan?

Purchase Price and Discounts. The purchase price of common shares under the plan depends on whether we issue new shares to you or the plan administrator obtains your shares by purchasing them in the open market, and whether any discount is being offered by us at the time of the applicable common share purchase.

We may offer a discount off of the Market Price (as determined below) on shares purchased directly from us, which discount may not exceed 5% of the average of the high and low sales prices on the applicable investment date. The discount rate is set by our board of directors, and we are currently offering a discount of 3%. We may change or discontinue such discount rate at any time and without notice to the plan participants after we review current market conditions, the level of participation in the plan and our current projected capital needs. The purchase price for common shares acquired directly from us will be the Market Price of the common shares less any discount that we may elect to offer, but in no event will the discount exceed 5% of the average of the high and low sales prices on the applicable investment date.

The purchase price for common shares that the plan administrator purchases from parties other than us, either in the open market or in privately negotiated transactions, will be 100% of the average price per share actually paid by the plan administrator, excluding any brokerage commissions. We are not required to provide any notice to you as to the source of the common shares to be purchased under the plan.

Determination of Market Price and Average Price Per Share. For purposes of the calculation of the purchase price for shares purchased directly from us, Market Price is equal to the average of the daily high and low sales prices, computed to four decimal places, of our common shares on The New York Stock Exchange, as reported in The Wall Street Journal, during the five (5) days on which The New York Stock Exchange is open and for which trades in our common shares are reported immediately preceding the investment date, or, if no trading occurs in our common shares on one or more of such days, for the five (5) days immediately preceding the investment date for which trades are reported.

For purposes of the calculation of the purchase price for shares purchased from parties other than us, either on the open market or in privately negotiated transactions, average price per share is equal to the weighted average of the actual prices paid, computed to four decimal places, for all of the common shares purchased with all participants reinvested dividends.

Plan Administrator's Control of Purchase Terms. When open market purchases are made by the plan administrator, these purchases may be made on any securities exchange where our common shares are traded, in the over-the-counter market or by negotiated transactions, and may be subject to the terms with respect to price, delivery and other matters to which the plan administrator agrees. We do not, and you will not, have any authorization or power to direct the time or price at which shares will be purchased or the selection of the broker or dealer through or from whom purchases are to be made by the plan administrator. However, when open market purchases are made by the plan administrator, the plan administrator will use its reasonable efforts to purchase the shares at the lowest possible price.

15. How will the number of shares purchased for my account be determined?

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Your account will be credited with the number of shares, including fractions computed to three decimal places, equal to the total amount to be invested on your behalf, divided by the applicable price per share, calculated pursuant to the methods described above, as applicable.

The total amount to be invested will depend on the amount of any dividends paid on the number of shares you own and have designated for reinvestment. Subject to the availability of common shares registered for issuance under the plan, there is no total maximum number of shares available for issuance pursuant to the reinvestment of dividends.

The amount of reinvested dividends to be invested will be reduced by any amount we are required to deduct for federal tax withholding purposes.

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16. What is the source of common shares purchased under the plan?

The plan administrator will purchase common shares either directly from us or from parties other than us, either on the open market or through privately negotiated transactions, or by a combination of the foregoing. We will determine the source of the common shares to be purchased under the plan after a review of current market conditions and our current and projected capital needs. We and the plan administrator are not required to provide any prior notice to you as to the source of the common shares to be purchased under the plan.

17. What are investment dates and when will dividends be invested?

Shares purchased under the plan will be purchased on the investment date. The investment date will be (a) if acquired directly from us, the quarterly dividend payment date declared by our board of directors or (b) in the case of open market purchases, as soon as practicable following the date or dates of actual investment.

For the reinvestment of dividends, the record date is the record date declared by our board of directors for that dividend. Likewise, the dividend payment date declared by the board of directors constitutes the investment date. We historically have paid quarterly dividends in or around February, May, August and November. We cannot assure you that we will pay dividends according to this schedule in the future, and nothing contained in the plan obligates us to do so. Neither we nor the plan administrator will be liable when conditions, including compliance with the rules and regulations of the SEC, prevent the plan administrator from buying common shares or interfere with the timing of purchases. We pay dividends as and when declared by our board of directors. We cannot assure you that we will declare or pay a dividend in the future, and nothing contained in the plan obligates us to do so. The plan does not represent a guarantee of future dividends.

Shares will be allocated and credited to your plan accounts on the appropriate investment date.

No interest will be paid on cash dividends pending investment or reinvestment under the terms of the plan.

18. Will I incur expenses in connection with my participation under the plan?

You will not pay brokerage commissions or service fees to purchase common shares through the plan. We will pay all other costs of administration of the plan. However, if you request that the plan administrator sell all or any portion of your shares or if you terminate your participation in the plan, you will incur fees as described under Questions 23 and 24, below. Additionally, if you elect to send certificates for any other of our common shares that you own to the plan administrator for safekeeping, you will incur a one-time fee of \$7.50 for this service. This fee will be waived by the plan administrator if you are selling your certificated shares at the same time you are committing shares with the plan administrator for safekeeping.

REPORTS TO PARTICIPANTS

19. How will I keep track of my investments?

You will receive a statement of your account following each purchase of additional shares. This detailed statement will provide you with the following information with respect to your plan account:

price paid per common share;

total number of common shares purchased, including fractional shares;

date of stock purchases; and

total number of common shares in your plan account.

You should retain these statements to determine the tax cost basis of the shares purchased for your account under the plan. In addition, you will receive copies of other communications sent to our shareholders, including our annual report to shareholders, the notice of annual meeting and proxy statement in connection with our annual meeting of shareholders and the U.S. Internal Revenue Service (the IRS) information for reporting dividends paid.

You can also view your account history and balance online by accessing the plan administrator's website at www.amstock.com.

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DIVIDENDS ON FRACTIONS OF SHARES

20. Will I be credited with dividends on fractions of shares?

Yes. Any fractional share held in your plan account (please read Question 15) that has been designated for participation in the dividend reinvestment program of the plan will receive a proportionate amount of any dividend declared on our common shares.

CERTIFICATES FOR SHARES

21. Will I receive certificates for shares purchased?

Safekeeping of Certificates. Normally, common shares purchased for you under the plan will be held in the name of the plan administrator or its nominee. The plan administrator will credit the shares to your plan account in book-entry form. This service protects against loss, theft or destruction of certificates evidencing common shares.

You may also elect to deposit with the plan administrator certificates for other common shares that you own and that are registered in your name for safekeeping under the plan for a one-time fee of \$7.50. This fee will be waived by the plan administrator if you are selling your certificate shares at the same time you are committing shares with the plan administrator for safekeeping. The plan administrator will credit the common shares represented by the certificates to your account in book-entry form and will combine the shares with any whole and fractional shares then held in your plan account. In addition to protecting against the loss, theft or destruction of your certificates, this service is convenient if and when you sell common shares through the plan. Because you bear the risk of loss in sending certificates to the plan administrator, you should send certificates by registered mail, return receipt requested, and properly insured to the address specified in Question 7 above.

Issuance of Certificates. No certificates will be issued to you for shares in the plan unless you submit a written request to the plan administrator or until your participation in the plan is terminated. At any time, you may request the plan administrator to send a certificate for some or all of the whole shares credited to your account. This request should be mailed to the plan administrator at the address set forth in the answer to Question 7 or made via www.amstock.com. There is no fee for this service. Any remaining whole shares and any fraction of a share will remain credited to your plan account. Certificates for fractional shares will not be issued under any circumstances.

22. In whose name will certificates be registered when issued?

Your plan account will be maintained in the name in which your certificates were registered at the time of your enrollment in the plan. Stock certificates for those shares purchased under the plan will be similarly registered when issued upon your request. If your shares are held through a broker, bank or other nominee, such request must be placed through your broker, bank or other nominee.

SALE OF SHARES

23. How do I sell shares held in my plan account?

You may contact the plan administrator to sell all or any part of the shares held in your plan account. After receipt of your request, the plan administrator will sell the shares through a designated broker or dealer. The plan administrator will mail to you a check for the proceeds of the sale, less applicable brokerage commissions, service charges and any taxes. The plan administrator will sell shares as often as daily but at least within five (5) business days of receipt of the sale request, at then current market prices through one or more brokerage firms. If you sell or transfer only a portion of the shares in your plan account, you will remain a participant in the plan and may continue to reinvest dividends. If you have elected to have your dividends reinvested, the plan administrator will continue to reinvest the dividends on the shares credited to your account unless you notify the plan administrator that you wish to withdraw from the plan.

The plan requires you to pay all costs associated with the sale of your shares under the plan. You will receive the proceeds of the sale, less a \$15.00 service fee per transaction and a \$0.10 per share brokerage commission paid to the plan administrator and any other applicable fees.

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If the plan administrator sells all shares held in your plan account, the plan administrator will automatically terminate your account. In this case, you will have to complete and file a new authorization form to rejoin the plan.

WITHDRAWALS AND TERMINATION

24. When may I withdraw from the plan?

You may withdraw from the plan with respect to all or a portion of the shares held in your plan account at any time. If the request to withdraw is received prior to a dividend record date set by our board of directors for determining shareholders of record entitled to receive a dividend, the request will be processed on the first business day following receipt of the request by the plan administrator.

If the request to withdraw from the plan is received by the plan administrator at least three (3) business days prior to the dividend payable date, then that dividend will be paid out in cash to the participant. However, if the request to withdraw from the plan is received less than three (3) business days prior to the dividend payable date, then that dividend will be reinvested. However, all subsequent dividends will be paid out in cash on all balances. There is a \$15.00 service fee and \$0.10 per share commission for terminating your participation in the plan.

25. How do I withdraw from the plan?

If you wish to withdraw from the plan with respect to all or a portion of the shares in your plan account, you must notify the plan administrator in writing at its mailing address or via its Internet address specified in the answer to Question 7 by utilizing the stub attached to our statement. Upon your withdrawal from the plan or our termination of the plan, certificates for the appropriate number of whole shares credited to your account under the plan will be issued free of charge. A cash payment will be made for any fraction of a share. You will be charged a \$15.00 fee and a \$0.10 per share commission.

Upon withdrawal from the plan, you may also request in writing that the plan administrator sell all or part of the shares credited to your plan account. (Please read Question 24.)

OTHER INFORMATION

26. May shares in my account be pledged?

You may not pledge any of the common shares in your plan account. Any attempted pledge of these shares will be void. If you wish to pledge shares, you must first withdraw them from the plan.

27. What happens if Seaspan declares a dividend payable in shares or declares a share split?

Any dividend payable in shares and any additional shares distributed by us in connection with a share split in respect of shares credited to your plan account will be added to that account. Share dividends or split shares which are attributable to shares registered in your own name and not in your plan account will be mailed directly to you as in the case of shareholders not participating in the plan.

Transaction processing may be curtailed or suspended until the completion of any stock dividend, stock split or similar corporate action.

28. How will shares held by the plan administrator be voted at meetings of shareholders?

If you are a record owner, you will receive a proxy card covering both directly held shares and shares held in the plan. If you hold your shares through a broker, bank or other nominee, you should receive a proxy covering shares held in the plan from your broker, bank or other nominee.

If a proxy is returned properly signed and marked for voting, all of the shares covered by the proxy =>

Compensation Committee Member

Governance Committee Member

From 2005 until his retirement in 2007, Mr. Brown, 70, was Vice President, Strategic Initiatives of Smith International, Inc., a supplier of goods and services to the oil and gas exploration and production industry, the petrochemical industry and other industrial markets. Mr. Brown was President of Smith Technologies (a business unit of Smith International, Inc.) from 1998 until 2005. Mr. Brown has served as a director of Ultra Petroleum Corp. since 2007, and previously served as a director of Boart Longyear Limited from 2010-2014. The Board of Directors is nominating Mr. Brown in consideration of his:

executive leadership experience in the oil and gas exploration and production industry;

knowledge of corporate governance issues; and

experience as a board member of public companies.

David Dickson

Director Since 2013

President and Chief Executive Officer

Mr. Dickson, 47, has served as a member of our Board of Directors and as President and Chief Executive Officer since December 2013, prior to which he served as our Executive Vice President and Chief Operating Officer from October 2013. Mr. Dickson has over 24 years of offshore oilfield engineering and construction business experience, including 11 years of experience with Technip S.A. and its subsidiaries. From September 2008 to

October 2013, he served as President of Technip U.S.A. Inc., with oversight responsibilities for all of Technip's North American operations. In addition to being the President of Technip U.S.A. Inc., Mr. Dickson also had responsibility for certain operations in Latin America, including Mexico, Venezuela, Colombia and the Caribbean. Mr. Dickson also supported the Technip organization by managing key customer accounts with international oil companies based in the United States. The Board of Directors is nominating Mr. Dickson in consideration of his:

position as our President and Chief Executive Officer;

executive leadership experience in and significant knowledge of the offshore oilfield engineering and construction business; and

broad knowledge of the expectations of our core customers.

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Stephen G. Hanks

Director Since 2009

Governance Committee Chairman

Audit Committee Member

Mr. Hanks, 64, served in various roles over a 30-year career with Washington Group International, Inc. (and its predecessor, Morrison Knudsen Corporation), an integrated construction and management services company, and from 2000 through 2007 served as President, Chief Executive Officer and a member of its board of directors. Mr. Hanks has also served as a director of Lincoln Electric Holdings, Inc. since 2006 and as a director of The Babcock & Wilcox Company since 2010. The Board of Directors is nominating Mr. Hanks in consideration of his:

experience in executive leadership, including his position as the Chief Executive Officer of Washington Group;

background and knowledge in the areas of accounting, auditing and financial reporting, having previously served as a Chief Financial Officer;

experience in the engineering and construction industry; and

experience as a board member of public companies.

Gary P. Luquette

Director Since 2013

Non-Executive Chairman of the Board

Compensation Committee Member

Mr. Luquette, 59, has served as President and Chief Executive Officer of Frank's International N.V., a global provider of engineered tubular services to the oil and gas industry, since January 2015, and has served as a member of its Board of Directors since November 2013. Previously, he served as President, Chevron North America Exploration and Production, a unit of Chevron Corporation, from 2006 until September 2013, and held other key

exploration and production positions with Chevron in Europe, California, Indonesia and Louisiana. The Board of Directors is nominating Mr. Luquette in consideration of his:

executive leadership experience in the oil and gas exploration and production industry, with significant international experience, including in Europe and Asia Pacific;

experience in the upstream energy and supporting infrastructure businesses;

knowledge of and experience with our core customers; and

experience as a board member of public companies.

William H. Schumann, III

Director Since 2012

Audit Committee Chairman

Finance Committee Member

From February 2007 until August 2012, Mr. Schumann, 64, served as Executive Vice President of FMC Technologies, Inc. (FMC), a global provider of technology solutions for the energy industry. Mr. Schumann previously served in the following capacities at FMC Technologies and its predecessor, FMC Corporation: Chief Financial Officer from 1999 until his retirement from that position in December 2011; Vice President, Corporate Development from 1998 to 1999; Vice President and General Manager, Agricultural Products Group from 1995 to 1998; Regional Director, North America Operations, Agricultural Products Group from 1993 to 1995; Executive Director of Corporate Development from 1991 to 1993, and other various management positions from the time he joined FMC in 1981. Mr. Schumann currently serves as Chairman of the Board of Avnet, Inc., a board on which he has served on since February 2010. He also previously served on the board of directors of Great Lakes Advisors, Inc. from 1991 to June 2011, UAP Holding Corp. from 2005 to 2008, AMCOL International Corporation from September 2012 to May 2014 and URS Corporation from March 2014 to October 2014. The Board of Directors is nominating Mr. Schumann in consideration of his:

executive leadership experience in the energy industry;

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background and knowledge in the areas of accounting, auditing and financial reporting, having served as a Chief Financial Officer of a public company; and

experience as a board member of public companies, including as a chairman of a public company.

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Mary L. Shafer-Malicki

Director Since 2011

Compensation Committee Chairman

Governance Committee Member

From July 2007 until her retirement in March 2009, Ms. Shafer-Malicki, 54, was Senior Vice President and Chief Executive Officer of BP Angola, a subsidiary of BP p.l.c., an oil and natural gas exploration, production, refining and marketing company. Previously, Ms. Shafer-Malicki served as Chief Operating Officer of BP Angola from January 2006 to June 2007 and in various other international engineering and managerial positions with BP p.l.c. Ms. Shafer-Malicki has also served as a director of Ausenco Limited since January 2011 and John Wood Group PLC since June 2012. The Board of Directors is nominating Ms. Shafer-Malicki in consideration of her:

experience in the upstream energy and supporting infrastructure businesses;

knowledge of and experience with our core customers;

executive experience and business leadership skills, including operations, strategy, commercial, safety and supply chain management;

significant international experience, having executive or management experience in Europe, Asia Pacific and Africa; and

experience as a board member of public companies.

David A. Trice

Director Since 2009

Finance Committee Chairman

Audit Committee Member

From February 2000 until his retirement in May 2009, Mr. Trice, 67, was Chief Executive Officer of Newfield Exploration Company, an oil and natural gas exploration and production company, and served as Chairman of its board from September 2004 to May 2010. Mr. Trice has served as a director of New Jersey Resources Corporation since 2004 and QEP Resources, Inc. since 2011. Mr. Trice previously served as a director of Grant PrideCo, Inc. from 2003 to 2008 and Hornbeck Offshore Services, Inc. from 2002 to 2011. The Board of Directors is nominating Mr. Trice in consideration of his:

executive experience as a Chief Executive Officer of a public company;

experience in the oil and gas exploration and production business;

background and knowledge in the areas of accounting, auditing and financial reporting, having served as a Chief Financial Officer; and

experience as a board member of public companies, including as a chairman of a public company.

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CORPORATE GOVERNANCE

We maintain a corporate governance section on our Web site which contains copies of our principal governance documents. The corporate governance section may be found at www.mcdermott.com under About Us Leadership & Corporate Governance Corporate Governance and About Us Leadership & Corporate Governance Board Committees. The corporate governance section contains the following documents:

By-Laws

Corporate Governance Guidelines

Code of Ethics for CEO and Senior Financial Officers

Board of Directors Conflicts of Interest Policies and Procedures

Audit Committee Charter

Compensation Committee Charter

Finance Committee Charter

Governance Committee Charter

In addition, our Code of Business Conduct may be found on our Web site at www.mcdermott.com at About Us Leadership & Corporate Governance.

Director Independence

The New York Stock Exchange listing standards require our Board of Directors to be comprised of at least a majority of independent directors. For a director to be considered independent, our Board must determine that the director does not have any direct or indirect material relationship with us. To assist it in determining director independence, and as permitted by NYSE rules then in effect, the Board previously established categorical standards which conform to, or are more exacting than, the independence requirements in the NYSE listing standards. These standards are contained in our Corporate Governance Guidelines, which can be found on our Web site at www.mcdermott.com under About Us Leadership & Corporate Governance Corporate Governance.

Based on these independence standards, our Board of Directors has affirmatively determined that the following directors are independent and meet our categorical independence standards:

John F. Bookout, III

William H. Schumann, III

Roger A. Brown

Mary L. Shafer-Malicki

Stephen G. Hanks

David A. Trice

Gary P. Luquette

In determining the independence of the directors, our Board considered ordinary course transactions between us and other entities with which the directors are associated, none of which were determined to constitute a material relationship with us. Messrs. Brown, Schumann and Trice have no relationship with McDermott, except as a director

and stockholder. Messrs. Bookout and Hanks and Ms. Shafer-Malicki are directors of entities with which we transact business in the ordinary course. Mr. Bookout is Managing Director for a private equity firm which has invested in entities with which we transact business in the ordinary course. Mr. Luquette is an executive and director of an entity with which we transact business in the ordinary course; however, the aggregate annual amount of such transactions for 2014 was substantially lower than the thresholds contained in the independence requirements in the NYSE listing standards. Our Board also considered contributions by us to charitable organizations with which the directors were associated. No director is related to any executive or significant stockholder of McDermott, nor is any director, with the exception of Mr. Dickson, a current or former employee of McDermott.

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Executive Sessions

Our independent directors meet in executive session without management on a regular basis. Currently, Mr. Luquette, our Chairman of the Board of Directors, serves as the presiding director for those executive sessions.

Communications with the Board

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. Information regarding this process is posted on our Web site at www.mcdermott.com under About Us Leadership & Corporate Governance Independent Director Access Information.

Board of Directors and Its Committees

Our Board met 16 times during 2014. All directors attended 75% or more of the meetings of the Board and of the committees on which they served during 2014. In addition, as reflected in our Corporate Governance Guidelines, we have adopted a policy that each member of our Board must make reasonable efforts to attend our Annual Meeting. All directors then serving on the Board attended our 2014 Annual Meeting.

Board Leadership Structure. Mr. Luquette has served as Chairman of the Board since Mr. D. Bradley McWilliams, our former Chairman of the Board, retired as a member of our Board of Directors on May 6, 2014. Our Board believes that it is appropriate for McDermott to have a Chairman of the Board separate from the Chief Executive Officer, as this structure allows Mr. Dickson, McDermott's President and Chief Executive Officer, to maintain his focus on our strategic direction and the management of our day-to-day operations and performance, while Mr. Luquette is able to set the Board's agendas and lead the Board meetings.

Board Committees. Our Board currently has, and appoints the members of, standing Audit, Compensation, Finance and Governance Committees. Each of those committees is comprised entirely of independent nonemployee directors and has a written charter approved by the Board. The current charter for each standing Board committee is posted on our Web site at www.mcdermott.com under About Us Leadership & Corporate Governance Board Committees. Attendance at committee meetings is open to every director, regardless of whether he or she is a member of the committee. Occasionally, our Board may convene joint meetings of certain committees and the Board. Each portion of the joint meeting is counted separately for purposes of the number of meetings of the Board and its committees disclosed in this proxy statement. The following table shows the current membership, the principal functions and the number of meetings held in 2014 for each committee:

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Committee	Principal Functions and Additional Information
AUDIT	<p>Monitors our financial reporting process and internal control system.</p> <p>Oversees the integrity of our financial statements.</p>
Committee Members:	<p>Monitors our compliance with legal and regulatory financial requirements, including our compliance with the applicable reporting requirements established by the Securities and Exchange Commission (the SEC).</p>
Mr. Schumann (Chair)	
Mr. Hanks	Evaluates the independence, qualifications, performance and compensation of our independent registered public accounting firm.
Mr. Trice	Oversees the performance of our internal audit function.
4 Meetings Held in 2014	<p>Oversees certain aspects of our Compliance and Ethics Program relating to financial matters, books and records and accounting and as required by applicable statutes, rules and regulations.</p> <p>Provides an open avenue of communication among our independent registered public accounting firm, financial and senior management, the internal audit department and the Board.</p> <p>Our Board has determined that Messrs. Trice, Hanks and Schumann each qualify as an audit committee financial expert within the definition established by the SEC. For more information on the backgrounds of those directors, see their biographical information under Election of Directors above.</p>
COMPENSATION	Evaluates our officer and director compensation plans, policies and programs and our employee benefit plans.
Committee Members:	Approves and/or recommends to the Board for approval such officer and director compensation plans, policies and programs.
Ms. Shafer-Malicki (Chair)	Oversees our disclosures relating to compensation plans, policies and programs, including overseeing the preparation of the Compensation Discussion and Analysis included in this proxy statement.
Mr. Brown	
Mr. Luquette	Acts in its sole discretion to retain or terminate any compensation consultant to be used to assist the Compensation Committee in the discharge of its responsibilities. For additional information on the role of compensation consultants, please see Compensation Discussion and Analysis Role of Compensation Committee, Compensation Consultant and Management below.
7 Meetings Held in 2014	

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For 2014, the Compensation Committee authorized our Chief Executive Officer, in consultation with his direct reports, to establish individual goals under our Executive Incentive Compensation Plan (EICP) for our other executive officers who participate in the EICP. All payments under the EICP are subject to Compensation Committee approval.

Under the 2009 LTIP and 2014 LTIP, the Compensation Committee may delegate some of its duties to our Chief Executive Officer or other senior officers. The Compensation Committee has delegated certain authority to our Chief Executive Officer and Senior Vice President, Human Resources, for the approval of awards under the 2014 LTIP to new-hire, non-officer employees.

Under the McDermott International, Inc. Director and Executive Deferred Compensation Plan, which we refer to as the DCP, the Compensation Committee may delegate any of its powers or responsibilities to one or more members of the Committee or any other person or entity.

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FINANCE

Reviews and oversees financial policies and strategies, including financings, capital structure, mergers and acquisitions and the investment performance of pension plans.

Committee Members:

Recommends any change in dividend policies or stock repurchase programs.

Mr. Trice (Chair)

Oversees capital expenditures and capital allocation strategies.

Mr. Bookout

Oversees tax structure and monitors any developments relating to changes in tax legislation.

Mr. Schumann

Generally has responsibility over such matters up to \$50 million, and for activities involving amounts over \$50 million, reviews each such activity and makes a recommendation to the Board.

6 Meetings Held in 2014

Additionally, a subcommittee of the Finance Committee consisting of Messrs. Trice, Schumann and Hanks (who was a member of the Finance Committee at the time), constituted a Pricing Committee in connection with McDermott's refinancing activities in early 2014. The Pricing Committee held 2 meetings in 2014, in addition to the 6 Finance Committee meetings held in 2014.

GOVERNANCE

Identifies individuals qualified to become Board members and recommends to the Board each year the director nominees for the next annual meeting of stockholders.

Committee Members:

Recommends to the Board the directors to serve on each Board committee.

Mr. Hanks (Chair)

Develops, reviews and recommends to the Board any changes to our Corporate Governance Guidelines the Governance Committee deems appropriate.

Mr. Bookout

Leads the Board in its annual review of the Board's performance and, in conjunction with the Compensation Committee, oversees the annual evaluation of our Chief Executive Officer.

Mr. Brown

Ms. Shafer-Malicki

Reviews and assesses the succession plan for the Chief Executive Officer and other members of executive management and reviews such plan with the Board periodically, and at least on an annual basis.

5 Meetings Held in 2014

Recommends to the Board the compensation of nonemployee directors.

Serves as the primary committee overseeing our Compliance and Ethics Program, excluding certain oversight responsibilities assigned to the Audit Committee.

Oversees our director and officer insurance program.

Table of Contents**The Board's Role in Risk Oversight**

As part of its oversight function, the Board is actively involved in overseeing risk management through our Enterprise Risk Management (ERM) program, which includes periodic reporting through a regional and corporate ERM structure. In connection with the ERM program, the Board exercises its oversight responsibility with respect to key external, strategic, operational and financial risks and discusses the effectiveness of current efforts to mitigate certain focus risks as identified by senior management and the Board through anonymous risk surveys.

Although the Board is ultimately responsible for risk oversight, the Board is assisted in discharging its risk oversight responsibility by the Audit, Compensation, Finance and Governance Committees. Each committee oversees management of risks, including, but not limited to, the areas of risk summarized below, and periodically reports to the Board on those areas of risk:

Committee	Risk Oversight
Audit	Oversees management of risks related to our financial statements and the financial reporting process
Compensation	Oversees management of risks related to our compensation policies and practices applicable to executives as well as employees generally, employee benefit plans and the administration of equity plans
Finance	Oversees management of risks with respect to our policies and processes regarding capital structure, capital expenditures, financing and mergers and acquisitions
Governance	Oversees management of risks related to succession planning for the Chief Executive Officer and other members of executive management, our Compliance and Ethics Program (excluding responsibilities assigned to the Audit Committee) and director and officer insurance coverage

At their respective November 2014 meetings, each committee undertook an assessment of those areas of risk oversight that were delegated to it and provided a report to the Board. Also, at its November 2014 meeting, the Board received an ERM report and performed an assessment and review of the risks described in that report that were not delegated to the committees.

Compensation Policies and Practices and Risk

The Compensation Committee has concluded that risks arising from McDermott's compensation policies and practices for McDermott employees are not reasonably likely to have a materially adverse effect on McDermott. In reaching this conclusion, the Compensation Committee considered the policies and practices in the following paragraph.

The Compensation Committee regularly reviews the design of our significant compensation programs with the assistance of its compensation consultant. We believe our compensation programs assist us in attracting, developing, motivating and retaining our executive officers while allowing for appropriate levels of business risk through some of the following features:

Reasonable Compensation Programs Using the elements of total direct compensation, the Compensation Committee seeks to provide compensation opportunities for employees targeted at or near the median compensation of comparable positions in our market. As a result, we believe the total direct compensation of executive officer employees provides a reasonable and appropriate mix of cash and equity, annual and longer-term incentives and performance metrics.

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Emphasis on Long-Term Incentive Compensation Over Annual Incentive Compensation Long-term incentive compensation typically makes up a larger percentage of an executive officer's total direct compensation than annual incentive compensation. Incentive compensation helps drive performance and align the interests of our employees with those of stockholders. In addition, tying a significant portion of an employee's total direct compensation to long-term incentives (which typically vest over a period of three or more years) helps to promote longer-term perspectives regarding our company's performance.

Clawback Policy The Compensation Committee has adopted a policy that allows McDermott to recover, under certain circumstances, compensation paid to executive officers.

Long-Term Incentive Compensation Subject to Forfeiture The Compensation Committee may terminate any outstanding stock award if the recipient, while employed by McDermott or performing services on behalf of McDermott under any consulting agreement: (1) is convicted of a misdemeanor involving fraud, dishonesty or moral turpitude or a felony; or (2) engages in conduct that adversely affects or, in the sole judgment of the Compensation Committee, may reasonably be expected to adversely affect, the business reputation or economic interests of our company.

Annual Incentive Compensation Subject to Linear and Capped Payouts The Compensation Committee establishes financial performance goals which are generally used to plot a linear payout formula for annual incentive compensation, eliminating payout cliffs between the established performance goals. The maximum payout for the annual incentive compensation is capped at 200% of target.

Use of Multiple Performance Metrics Utilizing diversified performance measures helps prevent compensation opportunities from being overly weighted toward the performance result of a single measure. In 2014, McDermott utilized operating income as the performance metric for our long-term incentive plan, and operating income, free cash flow, order intake and order intake operating margin as the performance metrics for our annual incentive plan. These metrics are further diversified from metrics used in prior years, which we believe further reduces risks related to incentive compensation.

Stock Ownership Guidelines Our executive officers and directors are subject to stock ownership guidelines, which also help promote longer-term perspectives and align the interests of our executive officers and directors with those of our stockholders. All directors and executive officers currently meet or exceed their ownership requirement or are within the five-year period allowed to achieve compliance.

Compensation Committee Interlocks and Insider Participation

All members of our Compensation Committee are independent in accordance with NYSE listing standards. No member of the Compensation Committee (1) was, during the year ended December 31, 2014, or had previously been, an officer or employee of McDermott or any of its subsidiaries, or (2) had any material interest in a transaction of McDermott or a business relationship with, or any indebtedness to, McDermott. No interlocking relationship existed during the year ended December 31, 2014 between any member of the Board of Directors or the Compensation Committee and an executive officer of McDermott.

Table of Contents**COMPENSATION OF DIRECTORS**

Under our 2014 nonemployee director compensation program, cash compensation for nonemployee directors consisted of retainers (paid monthly and prorated for partial terms) and meeting fees as follows:

annual Board member retainer: \$75,000;

additional retainer for the chair of each of the Audit Committee and Compensation Committee: \$20,000;

additional retainer for the chair of each of the Finance Committee and Governance Committee: \$10,000;

additional retainer for the Lead Director: \$20,000;

additional retainer for the non-executive Chairman of the Board: \$150,000; and

meeting fees of \$2,500 for each meeting of the Board or a Committee (of which the nonemployee director is a member) attended, in person or by telephone, in excess of the twelfth Board or Committee meeting per annual director term of service.

From 2011 to 2013, our nonemployee director compensation program was generally consistent with the above, with two exceptions. First, in 2014 we reinstated the additional retainer for the non-executive Chairman of the Board in connection with our return to a non-executive Chairman of the Board. Second, in 2014 we increased the number of meetings required to be attended per annual term of service before a director received additional meeting fees from 8 to 12 meetings of the Board or a Committee (of which the nonemployee director is a member) attended. All directors who continued to serve as a member of the Board of Directors after our 2014 Annual Meeting of Stockholders waived any additional meeting fees they would have been owed under our previous nonemployee director compensation program when the Governance Committee adopted the 2014 nonemployee director compensation program. On average, each of these directors waived over \$7,000 in meeting fees during 2014.

The table below summarizes the compensation earned by or paid to our nonemployee directors during the year ended December 31, 2014. Mr. D. Bradley McWilliams served as our Chairman of the Board prior to his retirement in May 2014.

DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash	Stock Awards⁽¹⁾	Total
John F. Bookout, III	\$75,000	\$119,997	\$194,997
Roger A. Brown	\$78,333	\$119,997	\$198,330
Stephen G. Hanks	\$81,932	\$119,997	\$201,929

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Gary P. Luquette ⁽²⁾	\$172,727	\$119,997	\$292,724
D. Bradley McWilliams ⁽²⁾	\$91,894		\$91,894
William H. Schumann, III	\$88,864	\$119,997	\$208,861
Mary L. Shafer-Malicki	\$95,000	\$119,997	\$214,997
David A. Trice	\$88,598	\$119,997	\$208,595

(1) Under our 2014 director compensation program, equity compensation for nonemployee directors generally consisted of a discretionary annual stock grant. On May 12, 2014, each of the nonemployee directors then serving as a director received a grant of 17,045 shares of restricted stock valued at \$119,997, which is the aggregate grant date fair value computed in

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accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 718, using the closing market price of McDermott common stock on the date of grant (\$7.04). Under the terms of each award, the restricted stock vested immediately on the grant date and immediately became unrestricted shares of McDermott common stock.

As of December 31, 2014, nonemployee directors had aggregate outstanding stock option awards as follows: Mr. Bookout stock options to purchase 6,105 shares; and Mr. Brown stock options to purchase 38,085 shares. All of such stock options were fully vested.

(2) Mr. Luquette has served as non-executive Chairman of the Board since May 2014. Mr. McWilliams served as non-executive Chairman of the Board until his retirement in May 2014.

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EXECUTIVE OFFICER PROFILES

The profiles below and on the following pages provide summary information regarding the experience and 2014 compensation of our Chief Executive Officer, Chief Financial Officer and our three other most highly compensated executive officers, who were employed by McDermott as of December 31, 2014, whom we refer to as our Continuing Named Executives or Continuing NEOs. The Continuing Named Executive profiles provide biographical information, including age and tenure with McDermott as of May 8, 2015, and summarize the compensation disclosures that are provided in the Compensation Discussion and Analysis (CD&A) and executive compensation tables. These profiles are supplemental, and are being provided in addition to, and not in substitution for, the detailed compensation tables required by the SEC that follow the CD&A. Please consult the more detailed compensation tables and the accompanying footnotes following the CD&A for an explanation of how the compensation information is calculated. See the following pages for profiles of:

David Dickson, our President and Chief Executive Officer;

Stuart A. Spence, our Executive Vice President and Chief Financial Officer;

Scott V. Cummins, our Senior Vice President, Commercial;

Tony Duncan, our Senior Vice President, Project Support; and

Liane K. Hinrichs, our Senior Vice President, General Counsel and Corporate Secretary.

We have included below biographical information, including age as of May 8, 2015, for Messrs. Stephen L. Allen, our Senior Vice President, Human Resources, Hugh J. Cuthbertson, our Vice President, Asia, Thomas W. Mackie, our Vice President, Middle East, and Scott Munro, our Vice President, Americas, Europe & Africa, who are also executive officers but are not NEOs under applicable SEC rules.

The Continuing Named Executives and Mr. Perry L. Elders, our former Senior Vice President and Chief Financial Officer, who resigned in August 2014, are collectively referred to as our Named Executives or NEOs. Information relating to Mr. Elders is provided in the CD&A and the compensation-related tables included in this proxy statement.

Stephen L. Allen, 62, has served as our Senior Vice President, Human Resources since March 2014 and, previously, as our Senior Director, Human Resources from January 2014 to March 2014. Previously, he served as the Senior Vice President, Human Resources for Technip USA Inc., a subsidiary of Technip, S.A. (Technip), in Houston, Texas, from August 2005 until January 2014. Mr. Allen has over 25 years of human resources experience in the oil and gas, utility and engineering and construction industries. His human resources experience includes leadership roles in compensation, benefits, talent acquisition, talent management and real estate management. Prior to joining Technip in 2005, Mr. Allen held the position of General Manager, Human Resources for Duke Energy in Cincinnati, Ohio.

Hugh Cuthbertson, 57, has served as our Vice President, Asia, since January 2015. Previously, he served as our Vice President & General Manager Asia Pacific from April 2014 to January 2015; Senior Director, Operations, McDermott Australia Pty. Ltd. (MAP) from July 2013 to March 2014; Senior Director Business Development, MAP, from March

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2012 to July 2013, and Managing Director, MAP, from May 2009 to March 2012. Mr. Cuthbertson joined McDermott in 1978, and has held positions of increasing responsibility in business development, project management and regional responsibility.

Thomas W. Mackie, 64, has served as our Vice President, Middle East, since January 2015. Mr. Mackie has held positions of increasing responsibility in project management, design, construction,

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installation, hook-up and commissioning and operations since joining McDermott in 2005, including serving as our Vice President & General Manager Middle East from April 2014 to January 2015; Director of Projects, McDermott Middle East, Inc. (MME) from April 2013 to April 2014; Senior Project Director, MME, from August 2012 to April 2013; General Manager, Hook-up and Brownfield, MME, from 2011 to August 2012; Project Director, MME, from 2009 to 2011; and General Manager Engineering, MME, from 2005 to 2009.

Scott Munro, 40, has served as our Vice President, Americas, Europe & Africa, since January 2015. Previously, he served as our Vice President & General Manager North Sea and Africa from April 2014 to January 2015; and Vice President Projects & Operations Subsea, from the time he joined McDermott in January 2014 to March 2014. Prior to joining McDermott, Mr. Munro was Vice President, Commercial, for Technip U.S.A. Inc., a subsidiary of Technip, from 2010 to 2013; and Vice President Offshore Unit, Technip France, an operating unit of Technip, from 2013 to 2014. Mr. Munro has management experience in the oil and gas industry having worked in the United Kingdom, United States, Canada, Brazil and France in a variety of operational and project management roles in organizations such as Coflexip Stena Offshore Group S.A., Acergy, S.A., Chevron Corporation and Technip.

Table of Contents**DAVID DICKSON**

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Age: 47

Tenure with McDermott: 19 months

Mr. Dickson, 47, has served as a member of our Board of Directors and as President and Chief Executive Officer since December 2013, prior to which he served as our Executive Vice President and Chief Operating Officer from October 2013. Mr. Dickson has over 24 years of offshore oilfield engineering and construction business experience, including 11 years of experience with Technip S.A. and its subsidiaries. From September 2008 to October 2013, he served as President of Technip U.S.A. Inc., with oversight responsibilities for all of Technip's North American operations. In addition to being the President of Technip U.S.A. Inc., Mr. Dickson also had responsibility for certain operations in Latin America, including Mexico, Venezuela, Colombia and the Caribbean. Mr. Dickson also supported the Technip organization by managing key customer accounts with international oil companies based in the United States.

2014 COMPENSATION**Annual Base Salary**

Base Salary Earned	\$ 850,000
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Annual Incentive Compensation

Executive Incentive Compensation Plan Award ⁽¹⁾	\$ 552,000
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Long-Term Incentive Compensation⁽²⁾

Restricted Stock Units	\$ 2,399,981
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Performance Shares	\$ 1,599,995
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Other Compensation

Deferred Compensation Plan Contribution	\$ 42,500
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Thrift Match	\$ 3,900
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Service-Based Thrift Contribution	\$ 7,800
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Tax Payments	\$ 0
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Perquisite Allowance	\$ 20,000
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EQUITY AWARDED IN 2014

March 6, 2014	Restricted Stock Units	306,120	units
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March 6, 2014

Performance Shares

204,081

shares

(1) This amount represents Mr. Dickson's annual incentive award earned in 2014 but paid in 2015 pursuant to the terms of the EICP.

(2) Each equity grant is disclosed at the grant date fair value of the award.

Table of Contents**STUART A. SPENCE****EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER**

Age: 46

Tenure with McDermott: 9 months

Mr. Spence has served as McDermott's Executive Vice President and Chief Financial Officer since August 2014. Mr. Spence has approximately 19 years of combined financial and operational management experience with companies in the oilfield products and services and engineering and construction businesses. Immediately prior to joining McDermott, Mr. Spence served as Vice President, Artificial Lift for Halliburton Company, where he had overall strategic and operational responsibility for Halliburton's artificial lift product and service line. Previously, he served as Senior Director, Strategy and Marketing for Halliburton's Completion and Production Division. Mr. Spence joined Halliburton following Halliburton's acquisition of Global Oilfield Services Inc. in November 2011. He served as Executive Vice President and Chief Financial Officer of Global Oilfield Services from 2008 to May 2011 and as Executive Vice President, Strategy, in May 2011 in connection with the sale to Halliburton. His prior experience also includes positions of increasing financial and management responsibility at: Green Rock Energy, LLC; and Vetco International Ltd. (holding company for Aibel Ltd., an oilfield facilities maintenance and construction company, and Vetco Gray, Inc., a subsea production and drilling equipment company).

2014 COMPENSATION**Annual Base Salary⁽¹⁾**

Base Salary Earned	\$ 168,229
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Annual Incentive Compensation

Executive Incentive Compensation Plan Award ⁽²⁾	\$ 70,656
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Long-Term Incentive Compensation⁽³⁾

Restricted Stock Units	\$ 599,999
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Performance Shares	\$ 400,000
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Restricted Stock Units ⁽⁴⁾	\$ 1,299,995
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Other Compensation

Deferred Compensation Plan Contribution	\$ 0
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Thrift Match	\$ 2,523
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Service-Based Thrift Contribution	\$ 5,047
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Tax Payments	\$ 0
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Perquisites ⁽⁵⁾	\$ 0
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EQUITY AWARDED IN 2014

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August 25, 2014	Restricted Stock Units	81,081	units
August 25, 2014	Performance Shares	54,054	shares
August 25, 2014	Restricted Stock Units ⁽⁴⁾	175,675	units

- (1) Base salary earned reflects partial year compensation for the period from August 25, 2014 through December 31, 2014.
- (2) This amount represents Mr. Spence's annual incentive award earned in 2014 but paid in 2015 pursuant to the terms of the EICP. Mr. Spence's annual incentive compensation award was computed based on his annual base salary earned from his date of hire through December 31, 2014.
- (3) Each equity grant is disclosed at the grant date fair value of the award.
- (4) This award represents a one-time award of restricted stock units to compensate Mr. Spence for the forfeiture of incentives from his prior employer.
- (5) Mr. Spence did not receive a perquisite allowance in 2014, since he did not join McDermott until August 25, 2014.

Table of Contents**SCOTT V. CUMMINS**

SENIOR VICE PRESIDENT, COMMERCIAL

Age: 52

Tenure with McDermott: 29 years

Mr. Cummins has served as our Senior Vice President, Commercial, since January 2015. Previously he served as: our Executive Vice President Offshore from March 2014 to January 2015; our Senior Vice President and General Manager, Asia Pacific & Middle East from January 2014 to February 2014; our Senior Vice President and General Manager, Asia Pacific, from May 2013 to January 2014; Senior Vice President and General Manager, Asia Pacific, McDermott International Management, Inc. (MIMI) from February 2012 to May 2013; Senior Vice President and General Manager, Asia Pacific from November 2011 to February 2012; Vice President and General Manager, Asia Pacific, from July 2010 to November 2011; and Vice President and General Manager, Asia Pacific, of our subsidiary J. Ray McDermott, S.A. (JRM) from April 2008 to July 2010. Mr. Cummins joined McDermott in June 1986, and his earlier positions with McDermott include positions in sales and marketing, business development, marine, fabrication and project operations roles.

2014 COMPENSATION**Annual Base Salary**

Base Salary Earned ⁽¹⁾	\$ 456,250
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Annual Incentive Compensation

Executive Incentive Compensation Plan Award ⁽²⁾	\$ 126,000
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Long-Term Incentive Compensation⁽³⁾

Restricted Stock Units	\$ 599,995
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Performance Shares	\$ 399,997
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Pension Plan⁽⁴⁾

Annual Change in Present Value of Pension Benefit	\$ 80,900
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Other Compensation

Deferred Compensation Plan Contribution	\$ 31,488
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Thrift Match	\$ N/A
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Service-Based Thrift Contribution	\$ N/A
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Tax Payments ⁽⁵⁾	\$ 121,963
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Expatriate Benefits ⁽⁶⁾	\$ 411,405
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Perquisites	\$ 20,000
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Other ⁽⁷⁾	\$ 43,083
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EQUITY AWARDED IN 2014

March 6, 2014	Restricted Stock Units	76,530	units
March 6, 2014	Performance Shares	51,020	shares

- (1) The amount reported includes an additional \$6,250 received as a result of the timing of monthly salary payments in connection with Mr. Cummins' relocation from Singapore to the United Kingdom and the resulting change in payrolls.
- (2) This amount represents Mr. Cummins' annual incentive award earned in 2014 but paid in 2015 pursuant to the terms of the EICP.
- (3) Each equity grant is disclosed at the grant date fair value of the award.
- (4) Mr. Cummins is no longer accruing benefits under the pension plan reflected above.
- (5) The amount reported includes \$89,826 in Singapore taxes and \$191,240 in United Kingdom taxes paid by McDermott on Mr. Cummins' behalf, net of \$159,103 McDermott withheld from Mr. Cummins' compensation pursuant to McDermott's tax equalization program.
- (6) Expatriate benefits for Mr. Cummins consist of an expatriate premium, commodities and service allowance, housing and utilities allowance, limited vacation airfare, education allowance for dependent children and a car lease.
- (7) The amount reported represents an amount paid to Mr. Cummins in connection with his relocation from Singapore to the United Kingdom.

Table of Contents**TONY DUNCAN****SENIOR VICE PRESIDENT, PROJECT SUPPORT**

Age: 54

Tenure with McDermott: 2 years

Mr. Duncan has served as our Senior Vice President, Project Support, since January 2015. Previously, he served as: our Executive Vice President Subsea from March 2014 to January 2015; our Vice President and General Manager, Subsea, from April 2013 to March 2014, with responsibility for the Atlantic segment of McDermott's business from January 2014 to March 2014; Vice President, Supply Chain Management of Subsea 7, S.A., a global subsea engineering, construction and services company, from March 2011 to March 2013; Regional Vice President Gulf of Mexico of Acergy, S.A., an international subsea engineering construction and services company, which merged with Subsea 7, Inc. in January 2011, from February 2006 to March 2011; and Vice President, SURF Gulf of Mexico of Technip, S.A., from September 2001 to February 2006.

2014 COMPENSATION**Annual Base Salary**

Base Salary Earned	\$ 400,000
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Annual Incentive Compensation

Executive Incentive Compensation Plan Award ⁽¹⁾	\$ 112,000
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Long-Term Incentive Compensation⁽²⁾

Restricted Stock Units	\$ 599,995
Performance Shares	\$ 399,997

Other Compensation

Deferred Compensation Plan Contribution	\$ 16,250
Thrift Match	\$ 5,200
Service-Based Thrift Contribution	\$ 7,800
Tax Payments ⁽³⁾	\$ 394,463
Expatriate Benefits ⁽⁴⁾	\$ 335,028
Perquisites	\$ 20,000
Other ⁽⁵⁾	\$ 3,448

EQUITY AWARDED IN 2014

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March 6, 2014	Restricted Stock Units	76,530	units
March 6, 2014	Performance Shares	51,020	shares

- (1) This amount represents Mr. Duncan's annual incentive award earned in 2014 but paid in 2015 pursuant to the terms of the EICP.
- (2) Each equity grant is disclosed at the grant date fair value of the award.
- (3) The amount reported includes \$502,384 in United Kingdom taxes paid by McDermott on Mr. Duncan's behalf, net of (i) \$148,721 that McDermott withheld from Mr. Duncan's compensation in 2014 and (ii) \$40,800 that McDermott paid to Mr. Duncan in 2014 as a tax equalization payment related to 2013 withholding, in each case pursuant to McDermott's tax equalization program.
- (4) Expatriate benefits for Mr. Duncan consist of an expatriate premium, hardship premium, commodities and service allowance, housing and utilities allowance, limited vacation airfare and an education allowance for Mr. Duncan's dependent children.
- (5) The amount reported represents an amount paid to Mr. Duncan in connection with his relocation from the United States to the United Kingdom.

Table of Contents**LIANE K. HINRICHS**

SENIOR VICE PRESIDENT,

GENERAL COUNSEL AND CORPORATE SECRETARY

Age: 57

Tenure with McDermott: 16 years

Ms. Hinrichs has been our Senior Vice President, General Counsel and Corporate Secretary since October 2008. Previously, she served as our: Vice President, General Counsel and Corporate Secretary from January 2007 to September 2008; Corporate Secretary and Associate General Counsel, Corporate Compliance and Transactions from January 2006 to December 2006; Associate General Counsel, Corporate Compliance and Transactions, and Deputy Corporate Secretary from June 2004 to December 2005; Assistant General Counsel, Corporate Secretary and Transactions from October 2001 to May 2004; and Senior Counsel from May 1999 to September 2001. Prior to joining McDermott in 1999, she was a partner in a New Orleans law firm.

2014 COMPENSATION**Annual Base Salary**

Base Salary Earned	\$ 477,750
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Discretionary Bonus⁽¹⁾

Discretionary Bonus	\$ 50,000
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Annual Incentive Compensation

Executive Incentive Compensation Plan Award ⁽²⁾	\$ 167,213
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Long-Term Incentive Compensation⁽³⁾

Restricted Stock Units	\$ 599,995
------------------------	------------

Performance Shares	\$ 399,997
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Pension Plan⁽⁴⁾

Annual Change in Present Value of Pension Benefit	\$ 104,829
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Other Compensation

Deferred Compensation Plan Contribution	\$ 38,682
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Thrift Match	\$ 6,992
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Service-Based Thrift Contribution	\$ 7,800
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Tax Payments	\$ 0
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Perquisites	\$ 20,000
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EQUITY AWARDED IN 2014

March 6, 2014	Restricted Stock Units	76,530	units
March 6, 2014	Performance Shares	51,020	shares

- (1) This amount represents a discretionary bonus award Ms. Hinrichs received in recognition of her contributions to and results achieved in connection with McDermott's refinancing transactions in the first half of 2014.
- (2) This amount represents Ms. Hinrichs' annual incentive award earned in 2014 but paid in 2015 pursuant to the terms of the EICP.
- (3) Each equity grant is disclosed at the grant date fair value of the award.
- (4) Ms. Hinrichs is no longer accruing benefits under the pension plans reflected above.

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COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis, or CD&A, provides information relevant to understanding the 2014 compensation of our executive officers and former executive officers identified in the Summary Compensation Table, whom we refer to as our NEOs. Continuing NEOs, as used in the CD&A, includes only the Named Executive Officers who remained employed with McDermott through the date of this Proxy Statement. The following discussion also contains statements regarding future individual and company performance targets and goals. These targets and goals are disclosed in the limited context of our compensation programs and should not be understood to be statements of management's expectations or estimates of results or other guidance. We caution investors not to apply these statements in other contexts.

Executive Summary

McDermott's compensation programs are designed to attract, develop, retain and motivate qualified employees to create, expand and execute sound business opportunities for our company. The Compensation Committee is committed to targeting reasonable and competitive total direct compensation for our NEOs, with a significant portion of that compensation being performance-based.

2014 Compensation Program. As in prior years, the Compensation Committee continued to believe that a significant portion of a 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 the Company for long-term growth.

Overall Program. 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.

Mix of Total Direct Compensation Elements

Compensation Element	Mr. Dickson	Continuing NEOs as a Group (Average)⁽¹⁾
Annual Base	15%	21%
Annual Incentive	15%	16%
Long-Term Incentive	70%	63%

(1)References in this CD&A to percentages, where applicable, generally exclude the one-time award of restricted stock units made to Mr. Spence to compensate him for the forfeiture of incentives from his prior employer.

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Performance-based Compensation. Performance-based compensation for 2014 reflected a balance between the goals of driving operational performance necessary for a business in turnaround, retaining key employees and rewarding exceptional individual performance. With these goals in mind, the metrics utilized under our annual incentive plan and LTI plans in 2014 were modified from the performance metrics used in recent years.

For the 2014 annual incentive compensation program, the Compensation Committee established target compensation with a target award opportunity comprised 50% financial performance goals, 25% corporate performance goals and 25% individual performance goals, as discussed in more detail in this CD&A. In recognition of the Company's ongoing turnaround efforts in 2014, when approving the EICP program in March 2014, the Compensation Committee established a minimum EICP bonus pool funding of 0.5x of aggregate participants' target awards with consideration of the fact that certain of the financial performance goals were in excess of our forecast.

For 2014 long-term incentives, the Compensation Committee continued to utilize performance shares, but revised the performance metric to utilize aggregate consolidated operating income over a three-year performance period, rather than return on invested capital, which had been used in recent years. The Compensation Committee believes that the achievement of operating income is an appropriate reflection of project execution, which is a necessary element of improved operational performance. For LTI awards made in 2015, the Compensation Committee increased the proportion of performance shares awarded such that they represented 50% of the Continuing NEOs' target LTI awards.

By using these performance metrics for the 2014 compensation program, the Compensation Committee intended that our compensation practices would contribute to the creation of stockholder value, without encouraging executives to take unnecessary and excessive risks to earn compensation.

Other Compensation. In addition to the performance-based compensation and in consideration of our ongoing turnaround, the Compensation Committee also provided annual base salaries that, on average, represented 21% of Continuing NEO target total direct compensation and awarded 60% of the NEOs' target long-term incentive award through restricted stock units. The restricted stock units are generally scheduled to vest in one-third increments on the first, second and third anniversary of the grant date. The Compensation Committee awarded a greater percentage of restricted stock units than in the recent past, as a result of the need to provide stability and support the retention of key employees during the ongoing turnaround.

2014 Significant Events. Following the operational and financial results in the second half of 2013, McDermott's Board of Directors and management embarked upon significant strategic and operational actions to effect the turnaround of the business.

Board of Director Changes. In October 2013, Mr. Gary P. Luquette was appointed to McDermott's Board of Directors, and was appointed as non-executive Chairman of the Board in May 2014. The Board also implemented changes to the composition of its Committees, including the Chairman of each of the Audit, Finance and Governance Committees.

Executive Changes. The following executive management changes occurred during late 2013 and 2014:

During the fourth quarter of 2013, Mr. David Dickson was appointed as McDermott's President and Chief Executive Officer and became a member of the Board of Directors.

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In January 2014, Mr. Stewart L. Mitchell, our former Senior Vice President and General Manager, Middle East & Atlantic, resigned.

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In March 2014, Mr. Stephen L. Allen was appointed as McDermott's Senior Vice President, Human Resources, following the resignation of Mr. Gary L. Carlson, McDermott's prior Senior Vice President and Chief Administration Officer.

In April 2014, Messrs. Scott V. Cummins and Tony Duncan were appointed as Executive Vice President Offshore and Executive Vice President Subsea, respectively, and, in January 2015, were appointed as Senior Vice President, Commercial, and Senior Vice President, Project Support, respectively, in connection with further refinements to McDermott's organizational structure.

In April 2014, new regional vice presidents were appointed in connection with changes to McDermott's organizational structure.

In August 2014, Mr. Stuart A. Spence was appointed as McDermott's Executive Vice President and Chief Financial Officer, following the resignation of Mr. Perry L. Elders, McDermott's prior Senior Vice President and Chief Financial Officer.

Strategic and Operational Accomplishments. The following strategic and operational accomplishments were achieved in 2014:

Financings: In the second quarter of 2014, we completed new financing arrangements expected to provide the liquidity to support McDermott's stabilization and the financial flexibility necessary to execute business improvement initiatives and long-term growth. These financing arrangements included a \$400 million, three-year letter of credit facility, a \$300 million five-year term loan, the issuance of \$500 million of seven-year senior secured notes and the issuance of \$287.5 million of tangible equity units.

New Organizational Structure: In April 2014, we implemented a new organization and regional management structure, focused on strengthening the balance sheet and instilling financial discipline, aligning with customers and building strong customer relationships, improving cost structure, increasing competitiveness and building a performance-oriented and highly accountable culture. McDermott has made, and expects to continue to make, further refinements to this organizational structure in 2015.

Improved Project Execution: During 2014, we completed certain legacy loss-making projects and returned certain ongoing legacy loss-making projects to profitability.

Enhanced Recruiting: We have increased recruitment of experienced industry veterans to augment our commercial/business development, bidding and project execution functions, as well as corporate support functions, including finance, legal and human resources.

Asset Rationalization: We have rationalized our assets, including through the sale of the *KPI*, *DB16* and Harbor Island facility and closure of the Morgan City fabrication yard.

Capital Expenditure Projects: We have delivered on budget and on schedule capital expenditure projects in 2014, including completion of the *CSV 108* and progress on the construction of the *DLV 2000*, which is expected to join McDermott's fleet in 2016.

Positioning for Future Growth: We have positioned McDermott for future growth, including through:

exploration and evaluation of potential joint venture initiatives, including a venture between GE and McDermott's oil & gas consulting which was launched in early 2015;

entry into a lease agreement and option for lease agreement for property to develop spoolbases in Gulfport, Mississippi and Hartlepool, United Kingdom, respectively, to support the reeled pipelay capabilities of our vessels, the *NO 102* and *NO 105*;

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exercise of the option to purchase our partner's 50% ownership interest in the entities owning the *NO 102*; and

Commencement of the McDermott Profitability Initiative, designed to improve our profitability and flexibility, and implement changes to our overall cost structure and unabsorbed fixed costs, while maintaining our revenue and capacity potential.

2014 Financial Performance. Reflecting the ongoing turnaround, McDermott's 2014 financial performance resulted in the following:

Consolidated revenue of \$2.3 billion;

Consolidated operating income of \$8.6 million, representing a significant improvement over the substantial 2013 operating loss;

Cash flows from operations of \$7.0 million, an improvement over cash flows from operations of (\$256.6) million in 2013;

Backlog of \$3.6 billion at December 31, 2014; and

Achievement of above target performance on three of the four financial metrics under our annual incentive plan—operating income, free cash flow and order intake operating margin.

Realizable Value of Performance-Based Awards.

In accordance with our Compensation Committee's philosophy and program, performance-based awards 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, as discussed in further detail in this CD&A.

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 value 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.

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Executive Compensation Policies and Practices. Below we highlight certain of our executive compensation and governance policies and practices, including both those which we utilize to drive performance and those which we prohibit because we do not believe they would serve our stockholders' long-term interests:

Our Policies and Practices Include

- ⌋ *Performance-Based Pay* We structure our compensation program to align the interests of officers, including our NEOs, with the interests of our stockholders, and therefore, a significant portion of target total direct compensation is tied to performance. Performance-based compensation in 2014 consisted of annual incentive compensation and the portion of the NEOs' target value long-term incentive compensation that was attributable to performance shares.
- ⌋ *Tally Sheets* We review tally sheets, reflecting historical compensation amounts, for our NEOs prior to making annual executive compensation decisions.
- ⌋ *Double Trigger Change-in-Control Agreements* Our change-in-control agreements contain a double trigger, that is, they provide benefits only upon an involuntary termination or constructive termination of the executive officer within one year following a change in control.
- ⌋ *Meaningful Stock Ownership Guidelines* All of our NEOs and directors are subject to stock ownership guidelines that require the retention of a dollar value of qualifying McDermott securities based on a multiple of their respective base salaries or annual retainers. Each of the NEOs and directors is in compliance with his or her respective stock ownership requirement, or is within the five-year period provided to attain compliance.
- ⌋ *Modest Perquisite Allowance* In 2014, we provided a modest perquisite allowance to certain officers, including the NEOs (with the exception of Mr. Spence, who joined McDermott in August 2014).
- ⌋ *Annual Review of Share Utilization* We evaluate share utilization levels annually by reviewing overhang levels (the dilutive impact of equity compensation on our stockholders) and annual run rates (the aggregate stock awarded as a percentage of total outstanding shares).
- ⌋ *Risk Assessment* Our compensation consultant assists the Compensation Committee in conducting an annual risk assessment of our compensation programs.
- ⌋ *Clawback Policy* We have a clawback policy that allows McDermott to recover, under certain circumstances, compensation paid to executive officers.

Our Policies and Practices Prohibit

- x *Repricing of underwater stock options.*

- x *Excise tax gross-ups under our change-in-control agreements.*

- x *Derivatives trading or hedging transactions.*

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How We Make Compensation Decisions

Compensation Committee. The Compensation Committee has primary responsibility for determining and approving, on an annual basis, the compensation of our CEO and other executive officers. The Compensation Committee receives information and advice from its compensation consultant as well as from our human resources department and management to assist in compensation determinations.

Compensation Consultant. Pay Governance LLC, or Pay Governance, has been engaged by our Compensation Committee to serve as its consultant on executive compensation and benefits matters since November 2010. Pay Governance provides advice and analysis to the Compensation Committee on the design, structure and level of executive and director compensation, and, when requested by the Compensation Committee, attends meetings of the Compensation Committee and participates in executive sessions without members of management present. Pay Governance reports directly to the Compensation Committee, and the Compensation Committee reviews, on an annual basis, Pay Governance's performance and provides Pay Governance with direct feedback on its performance. When requested by the Governance Committee, Pay Governance attends meetings of the Governance Committee with respect to nonemployee director compensation.

During 2014, Pay Governance did not perform any services for McDermott other than as described above. In January 2015, our Compensation Committee assessed whether the work performed by Pay Governance during 2014 raised any conflict of interest, and determined that Pay Governance's work performed for the Compensation Committee raised no conflict of interest.

Role of CEO and Management. While the Compensation Committee has the responsibility to approve and monitor all compensation for our executive officers, management plays an important role in determining executive compensation. Management, at the request of the Compensation Committee, recommends financial goals and works with Pay Governance to analyze competitive market data and to recommend compensation levels for our executive officers other than our CEO. Our CEO likewise assists the Compensation Committee by providing his evaluation of the performance of our other executive officers and recommending compensation for those officers, including via adjustments to their annual incentive compensation, based on individual performance.

Compensation Philosophy

McDermott's compensation programs are designed to attract, develop, retain and motivate qualified employees to achieve business needs and create, expand and execute sound business opportunities for our company. The Compensation Committee is committed to targeting reasonable and competitive total direct compensation for our NEOs, with a significant portion of that compensation being performance-based. Our compensation programs are designed to address business needs, and provide competitive opportunities, but achievement of most of those opportunities depends on the attainment of performance goals and/or stock price performance. The Compensation Committee (assisted by Pay Governance and with the participation of management) has designed and administered compensation programs aligned with this philosophy. These programs generally seek to provide compensation that:

incentivizes and rewards short- and long-term performance, continuity of service and individual contributions; and

promotes the hiring and retention of well-qualified executives, while aligning the interests of our executives with those of our stockholders.

Impact of 2014 Say-on-Pay Vote on Executive Compensation

At our 2014 Annual Meeting of Stockholders, over 86% of the votes cast were voted in favor of the advisory vote to approve NEO compensation. The Compensation Committee considered this result,

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and believes this affirms our stockholders' support of the Compensation Committee's decisions and our existing executive compensation programs. The Compensation Committee will continue to consider the outcome of our say-on-pay votes when making future compensation decisions for the NEOs. The Compensation Committee expects to continue to hold the advisory vote to approve NEO compensation every year.

Defining Market Range Compensation Benchmarking

To identify median compensation for each element of total direct compensation, the Compensation Committee relies on benchmarking. This involves reviewing the compensation of our NEOs relative to the compensation paid to similarly situated executives at companies we consider our peers. As a result, the annual base salary, target annual incentive compensation and target LTI compensation for each of the NEOs is benchmarked. However, the specific performance metrics and performance levels used within elements of annual and long-term compensation are designed for the principal purpose of supporting our strategic and financial goals and driving the creation of stockholder value, and, as a result, are not generally benchmarked.

Proxy Peer Group. It is the Compensation Committee's practice to periodically review and consider the individual companies used for benchmarking purposes. The Compensation Committee believes that identification of peers using a broad industry sector code is inadequate and does not establish similarity of operations and business models, nor identify historical competitors for managerial talent factors the Compensation Committee considers in the selection of companies for benchmarking purposes. Therefore, the Compensation Committee considers the revenues and market capitalization of the component companies. Based upon this framework and with the assistance of Pay Governance, in November 2013, the Compensation Committee removed certain of the largest and smallest component companies from the prior peer group used for executive compensation decisions and added two additional companies that are similar in operations and size to McDermott and the remaining companies in the peer group. We refer to this revised peer group as the Proxy Peer Group. The Compensation Committee intends to continue to periodically review and consider the individual companies used for benchmarking purposes. The component companies of the Proxy Peer Group are as follows:

Cameron International Corporation	Jacobs Engineering Group, Inc.
Chicago Bridge & Iron Company N.V.	KBR, Inc.
Dresser-Rand Group, Inc.	Noble Corporation plc
Exterran Holdings, Inc.	Oceaneering International, Inc.
FMC Technologies, Inc.	Oil States International, Inc.
Foster Wheeler AG	Superior Energy Services, Inc.
Helix Energy Solutions Group, Inc.	Tidewater Inc.

Market data from the Proxy Peer Group was reflective of 2012 compensation, as reported in the 2013 proxy statements of the companies in the Proxy Peer Group, and was not size-adjusted, although the Compensation Committee was aware of these differences when making individual pay decisions.

In this CD&A, references to market or our market are references to the compensation of similarly situated executives at companies within the Proxy Peer Group with respect to each NEO and the applicable element of compensation.

Survey Peer Group. Pay Governance also utilized market data based on a set of 96 companies in similar industries which participate in Towers Watson surveys (the Survey Peer Group). The Survey Peer Group is intended to provide a reference point for pay levels within similar industries, and

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is used as a secondary reference for the NEOs and a primary reference for other officers. Aside from screening companies on the basis of their industry classifications, no further refinements or judgments were applied in the identification of companies within the sample. The component companies of the Survey Peer Group are listed on page 47 of this CD&A. Market data from the Survey Peer Group represents 2013 compensation as reported to the survey and, when possible, was size adjusted. Corporate positions were evaluated based on average revenues of \$3.6 billion, and business unit positions were evaluated based on their respective revenue levels.

What We Pay and Why: Elements of Total Direct Compensation

Target Total Direct Compensation. The Compensation Committee seeks to provide reasonable and competitive compensation. As a result, it targets the elements of total direct compensation, or TDC, for our NEOs generally within approximately 15% of the median compensation of our market for comparable positions. Throughout this CD&A, we refer to compensation that is within approximately 15% of market median as market range compensation.

The Compensation Committee may set TDC or individual elements of total direct compensation above or below the market range to account for a NEO's performance and experience, internal pay equity and other factors or situations that are not typically captured by looking at standard market data and practices and which the Compensation Committee deems relevant to the appropriateness and/or competitiveness of a NEO's compensation.

When making decisions regarding individual compensation elements, the Compensation Committee also considers the effect on the NEO's target total direct compensation and target total cash-based compensation (annual base salary and annual incentives), as applicable. The Compensation Committee's goal is to establish target compensation for each element that, when combined, create a target total direct compensation award for each NEO that is reasonable and competitive and supports our compensation philosophy and objectives. The chart below shows the target total direct compensation by element for each Continuing NEO.

Continuing NEO	Annual Base Salary	Annual Incentive ⁽¹⁾		Long-Term Incentive ⁽²⁾	Target Total Direct Compensation as Percent of Market ⁽³⁾
		(% of Salary)			
D. Dickson	\$850,000	100%		\$4,000,000	97%
S. Spence	\$475,000	70%		\$1,000,000	80%
S. Cummins	\$450,000	70%		\$1,000,000	91%
T. Duncan	\$425,000	70%		\$1,000,000	88%
L. Hinrichs	\$477,750	70%		\$1,000,000	94%
Average Mix of Compensation Elements	21%	16%		63%	N/A

(1) When making decisions as to the elements of a NEO's total direct compensation, the Compensation Committee considers the dollar value of annual incentive compensation but typically awards this element as a percentage of annual base salary.

(2) The values provided in this column are the target values of LTI approved by the Compensation Committee.

(3) Market is defined as median target for each compensation element based on the Proxy Peer Group. 100% represents median compensation.

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The average allocation of the elements of total direct compensation for our Continuing NEOs in 2014 was as follows:

Annual Base Salary. We pay base salaries to provide a fixed level of compensation that helps attract and retain executives. Base salary levels recognize an executive officer's experience, skill and performance, with the goal of being market competitive based on the officer's role and responsibilities within the organization. Adjustments may be made based on individual performance, inflation, pay relative to market and internal pay equity considerations.

Annual Incentive. The Compensation Committee administers our annual incentive compensation program under our Executive Incentive Compensation Plan. The EICP is a cash incentive plan designed to motivate and reward our NEOs and other key employees for their contributions to business goals and other factors that we believe drive our earnings and promote creation of stockholder value. In consideration of our company's recent financial performance, in 2014 the EICP was redesigned with a focus on multi-dimensional metrics that the Compensation Committee believes drive behaviors and reward results that are necessary for a sustainable and growth-oriented business. In 2014, the EICP program reflected award opportunities that were generally 50% based on attainment of financial performance goals, 25% based on attainment of corporate performance goals and 25% based on attainment of individual performance goals, as discussed below. In recognition of our ongoing turnaround efforts to stabilize the business and reposition McDermott for long-term growth, when approving the EICP program in March 2014, the Compensation Committee established minimum EICP bonus pool funding of 0.5x of aggregate participants' target awards with consideration of the fact that certain of the financial performance goals were in excess of our forecast.

Financial Performance Goals. The financial performance goals generally represented 50% of a participant's total award opportunity. The Compensation Committee established the 2014 financial performance goals based on management's internal projections of 2014 financial results. These goals included four components: consolidated operating income, consolidated free cash flow (defined as consolidated cash from operations less consolidated capital expenditures), order intake and operating margins on order intake. Each of these four components represented 25% of the total portion of a participant's award attributable to financial performance goals, and determined the threshold (50%), target (100%) and maximum (200%) payment a participant would have been eligible to earn under the financial performance component of the EICP in 2014; provided, however, that, for the 25% of the financial performance goals pertaining to operating income, the Compensation Committee determined that no payments would be made for performance below the target performance level.

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Financial				
Weight	Performance Goal	Reason Metric Selected	Performance Level	Funding Multiple
25%	Operating Income	Reflects execution performance	Target	1.0x
25%	Free Cash Flow	Prioritizes liquidity needs of the Company	Maximum	2.0x
			Threshold	0.5x
			Target	1.0x
			Maximum	2.0x
25%	Order Intake	Forward-looking leading indicator to drive future performance	Threshold	0.5x
			Target	1.0x
			Maximum	2.0x
25%	Order Intake	Ensures pricing discipline on order intake	Threshold	0.5x
			Target	1.0x
	Operating Margin		Maximum	2.0x

Based on 2014 financial performance, specifically the attainment of operating income, free cash flow and order intake margin goals above target, McDermott achieved performance under the EICP that would have resulted in 1.015x bonus pool funding with respect to the financial performance goals. However, 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), the Compensation Committee determined, through the exercise of its discretion, that the EICP funding should be reduced by over 50% to 0.5x.

Corporate Performance Goals. The corporate performance goals, which represented 25% of a participant's total award, were generally based 40% on the participant's support of and cooperation with other organizational entities, 20% on the participant's achievement of health, safety and environmental metrics, 20% on an ethics and compliance component and 20% on the participant's employee development and succession planning, as determined by the Compensation Committee for Mr. Dickson, and by Mr. Dickson for each other participant, including the NEOs, subject to approval by the Compensation Committee.

Individual Performance Goals. The remaining 25% of a participant's total award was determined with reference to the achievement of the participant's individual performance goals, established by the Compensation Committee for Mr. Dickson, and established by Mr. Dickson for each other participant, including the Continuing NEOs, subject to approval by the Compensation Committee. The individual goals considered in connection with the Continuing NEOs 2014 EICP compensation are set forth in the table below:

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David Dickson	<p>Complete financing arrangements, develop further capital opportunities, deliver 2014 financial performance consistent with forecast and augment business reporting processes</p> <p>Development and implementation of new organization and regional management structure; introduce and enhance processes and systems for Talent Management and Succession Planning; introduce a mobility policy that facilitates talent development and supports operations</p> <p>Evaluate and set McDermott's strategy and vision for both near-term and long-term objectives</p> <p>Develop a more strategic approach for communications addressing employees, customers, vendors and investors</p> <p>Introduce a key account management process that better positions and develops stronger relationships with customers</p> <p>Develop increased focus on health, safety and environmental function, with focus placed on behavioral leading indicators</p>
Stuart Spence	<p>Reduction of costs on capital projects, fixed operating costs and tax</p> <p>Improve business reporting in coordination with operational leadership and increase forecast visibility with respect to financial results</p> <p>Enhance human resources of the finance department, including attracting, developing and retaining top talent and developing a CFO succession plan</p>
Scott Cummins	<p>Complete talent development of regional vice president</p> <p>Achieve specified 2014 Offshore business results</p> <p>Establish and enhance relationships with key customers</p> <p>Establish value added and effective approach for newly created Project Assurance function</p> <p>Reduce overall direct operating expenses</p> <p>Develop achievement plans for certain projects and deliver results in accordance with such plans</p>
Tony Duncan	<p>Ensure that the Offshore Resources function is established and fully functional</p> <p>Implement and support the initiative for a new front-end conceptual engineering group</p> <p>Reduce overall direct operating expenses</p> <p>Achieve specified 2014 Subsea business results, including forecast order intake</p> <p>Support project discussions to increase project returns</p> <p>Support achievement of meetings with key customers worldwide</p>

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Increase exposure to corporate functions, including investor relations

Deliver Inpex Ichthys project as per forecast for 2014

Liane Hinrichs

Restructure and provide talent and succession planning for the legal, compliance and risk management departments

Provide legal support for McDermott's financing arrangements

Development of training materials for new geographies addressing country specific risk and oversight of training of targeted audiences

Update McDermott's contract / bid tender guidelines

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Once a participant's 2014 annual bonus was preliminarily determined, it was then (1) for Mr. Dickson, subject to adjustment by the Compensation Committee, and (2) for the remaining participants in the EICP, including the other Continuing NEOs, subject to adjustment by Mr. Dickson, with any such adjustment subject to the approval of the Compensation Committee. In no event could any Continuing NEO's annual bonus exceed two times his or her target EICP award opportunity. The Compensation Committee had the discretion to reduce the amount of any payout, even if performance goals were achieved.

Long-Term Incentives. The Compensation Committee believes that the interests of our stockholders are best served when a significant percentage of executive compensation is comprised of equity that appreciates in value contingent on increases in the value of our common stock and other performance measures that reflect improvements in McDermott's business fundamentals. Therefore, LTI compensation represents the single largest element of our NEOs' total direct compensation. In 2014, the Compensation Committee allocated LTI compensation to executive officers, including the NEOs, as follows:

Performance Shares	Restricted Stock Units
40%	60%

The Compensation Committee determined that weighting LTI compensation composed of 60% restricted stock units in 2014 was appropriate to further incentivize retention of key employees, including the NEOs, during our turnaround. Additionally, in recent years, the Compensation Committee has awarded stock options as a component of long-term incentives. In 2014, however, the Compensation Committee eliminated the use of stock options, in consideration of the existing executive long-term incentive portfolio holdings and the declining use of stock options in the market.

Performance Shares. Performance shares are intended to align the NEOs' interests with those of our stockholders, with a focus on long-term results. The performance shares awarded in 2014 are structured to be paid out, if at all, in shares of McDermott common stock at the end of a three-year performance period, to the extent applicable performance goals are met. The number of performance shares earned is based on our aggregate consolidated operating income over the three-year performance period. Based on this performance, up to 150% of a participant's target award may be earned. Aggregate consolidated operating income was used as the performance metric for the performance shares granted in 2014, as the Compensation Committee believed that this metric measured the performance necessary to drive long-term results during our turnaround.

Restricted Stock Units. Restricted stock units, or RSUs, are intended to promote the retention of employees, including the NEOs. The RSUs granted in 2014 generally vest in one-third increments on the first, second and third anniversaries of the grant date. The RSUs may be paid out in shares of McDermott common stock, cash equal to the fair market value of the shares otherwise deliverable, or any combination thereof, at the sole discretion of the Compensation Committee.

Table of Contents**2014 NEO Compensation**

For 2014 NEO compensation, the Compensation Committee provided, for NEOs other than Mr. Duncan and Mr. Spence, who joined McDermott in August 2014:

No increases in annual base salaries.

No increases in annual target bonus.

Modifications to the value of long-term incentives awarded, as compared to 2013, based on internal pay equity considerations.

Mr. Duncan received an increase in annual base salary, annual target bonus and long-term incentives to further align his compensation with market range and in recognition of his appointment as Executive Vice President Subsea and as a member of our executive leadership team.

The compensation of each NEO is discussed in more detail below.

David Dickson. Mr. Dickson has served as McDermott's President and Chief Executive Officer since December 2013. In determining Mr. Dickson's compensation for 2014, the Compensation Committee considered market data from the Proxy Peer Group as the primary reference and from the Survey Peer Group as a secondary reference. Mr. Dickson's total target direct compensation for 2014 is summarized below:

	Annual Incentive		
	Annual Base Salary	(% of Salary)	Long-Term Incentive
Approved Compensation	\$850,000	100%	\$4,000,000
Percentage of Market⁽¹⁾	93%	83%	104%
Percentage of Target TDC	15%	15%	70%

(1) Market is defined as median target for each compensation element based on the Proxy Peer Group. 100% represents median compensation.

Mr. Dickson's annual base salary remained unchanged in 2014. Pursuant to the terms of the letter agreement entered into by and between McDermott and Mr. Dickson in connection with his hiring in 2013, the Compensation Committee approved Mr. Dickson's 2014 participation in the EICP with a target bonus equal to his annual base salary, and long-term incentives with a target value of \$4,000,000.

As a result of McDermott's 2014 financial performance and the reduction of EICP pool funding as recommended by executive management and approved in the discretion of the Compensation Committee, Mr. Dickson was eligible to earn 0.5x of his target EICP award subject to adjustment by the Compensation Committee, based on his achievement

of corporate and individual performance goals. Based on the Governance Committee's assessment of Mr. Dickson's achievement of corporate and individual performance goals, the Compensation Committee adjusted Mr. Dickson's 2014 EICP award, resulting in a final EICP award of \$552,000.

Stuart Spence. Mr. Spence has served as McDermott's Executive Vice President and Chief Financial Officer since August 2014. In determining the compensation to be provided to Mr. Spence in 2014, the Compensation Committee considered input from Pay Governance based on updated market data for his position from the Proxy Peer Group reflecting proxy filings made in 2014, as well as the value of Mr. Spence's unvested compensation from his former employer that he forfeited at the time of joining McDermott. Mr. Spence's total target direct compensation for 2014 is summarized below:

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	Annual Incentive		
	Annual Base Salary	(% of Salary)	Long-Term Incentive⁽¹⁾
Approved Compensation	\$475,000	70%	\$1,000,000
Percentage of Market⁽²⁾	97%	76%	76%
Percentage of Target TDC	26%	19%	55%

(1) The value provided does not include the one-time award of restricted stock units made to compensate Mr. Spence for the forfeiture of incentives from his prior employer.

(2) Market is defined as median target for each compensation element based on the Proxy Peer Group. 100% represents median compensation.

For 2014, the Compensation Committee approved an annual base salary for Mr. Spence of \$475,000, and an annual incentive with a target award of 70% of his annual base salary earned in 2014. The Compensation Committee approved a long-term incentive award with a target value of \$1,000,000, comprised of 40% performance shares and 60% RSUs, as well as a one-time award of RSUs with a grant date value of \$1.3 million, which was intended to compensate Mr. Spence for the forfeiture of incentives from his former employer. This one-time award of RSUs will generally vest in one-third increments on the first, second and third anniversaries of the grant date. The RSUs may be paid out in shares of McDermott common stock, cash equal to the fair market value of the shares otherwise deliverable, or any combination thereof, in the sole discretion of the Compensation Committee.

As a result of McDermott's 2014 financial performance and the reduction of EICP pool funding as recommended by executive management and approved in the discretion of the Compensation Committee, Mr. Spence was eligible to earn 0.5x of his target EICP award subject to adjustment by the Compensation Committee, based on his achievement of corporate and individual performance goals. Based on Mr. Dickson's assessment of Mr. Spence's achievement of corporate and individual performance goals, Mr. Dickson recommended an adjustment to Mr. Spence's 2014 EICP award, which the Compensation Committee approved, resulting in a final EICP award of \$70,656. Mr. Spence's 2014 EICP award was computed based on his annual base salary earned from his August 25, 2014 date of hire through December 31, 2014.

Scott V. Cummins. Mr. Cummins served as our Executive Vice President Offshore from March 2014 to January 2015, and currently serves as our Senior Vice President, Commercial. In determining Mr. Cummins' compensation for 2014, the Compensation Committee considered market data from the Proxy Peer Group as the primary reference and from the Survey Peer Group as a secondary reference. Each element of Mr. Cummins' total target direct compensation remained unchanged in 2014. Mr. Cummins' total target direct compensation for 2014 is summarized below:

	Annual Incentive		
	Annual Base Salary	(% of Salary)	Long-Term Incentive
Approved Compensation	\$450,000	70%	\$1,000,000
Percentage of Market⁽¹⁾	100%	76%	92%

Percentage of Target TDC	25%	18%	57%
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(1) Market is defined as median target for each compensation element based on the Proxy Peer Group. 100% represents median compensation.

As a result of McDermott's 2014 financial performance and the reduction of EICP pool funding as recommended by executive management and approved in the discretion of the Compensation Committee, Mr. Cummins was eligible to earn 0.5x of his target EICP award subject to adjustment by the Compensation Committee, based on his achievement of corporate and individual performance

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goals. Based on Mr. Dickson's assessment of Mr. Cummins' achievement of corporate and individual performance goals, Mr. Dickson recommended an adjustment to Mr. Cummins' 2014 EICP award, which the Compensation Committee approved, resulting in a final EICP award of \$126,000.

Tony Duncan. Mr. Duncan served as our Executive Vice President Subsea from March 2014 to January 2015, and currently serves as our Senior Vice President, Project Support. In determining Mr. Duncan's compensation for 2014, the Compensation Committee considered market data from the Proxy Peer Group as the primary reference and from the Survey Peer Group as a secondary reference. In 2014, Mr. Duncan received increases in each element of his total direct compensation to bring each element of total direct compensation closer to market range and to reflect his appointment as McDermott's Executive Vice President Subsea and to the Executive Leadership Team in March 2014. Mr. Duncan's total target direct compensation for 2014 is summarized below:

	Annual Incentive		
	Annual Base Salary	(% of Salary)	Long-Term Incentive
Approved Compensation	\$425,000	70%	\$1,000,000
Percentage of Market⁽¹⁾	95%	76%	92%
Percentage of Target TDC	25%	16%	59%

(1) Market is defined as median target for each compensation element based on the Proxy Peer Group. 100% represents median compensation.

As a result of McDermott's 2014 financial performance and the reduction of EICP pool funding as recommended by executive management and approved in the discretion of the Compensation Committee, Mr. Duncan was eligible to earn 0.5x of his target EICP award subject to adjustment by the Compensation Committee, based on his achievement of corporate and individual performance goals. Based on Mr. Dickson's assessment of Mr. Duncan's achievement of corporate and individual performance goals, Mr. Dickson recommended an adjustment to Mr. Duncan's 2014 EICP award, which the Compensation Committee approved, resulting in a final EICP award of \$112,000.

Liane K. Hinrichs. Ms. Hinrichs has served as McDermott's Senior Vice President, General Counsel and Corporate Secretary since October 2008. In determining Ms. Hinrichs' compensation for 2014, the Compensation Committee considered market data from the Proxy Peer Group as the primary reference and from the Survey Peer Group as a secondary reference. Ms. Hinrichs' annual base salary and annual incentive target award remained unchanged in 2014. The Compensation Committee approved long-term incentives for Ms. Hinrichs with a target value of \$1,000,000, which represented a decrease of 9% from the target value of long-term incentives awarded to Ms. Hinrichs in 2013, due to internal pay equity considerations. Ms. Hinrichs' total target direct compensation for 2014 is summarized below:

	Annual Incentive		
	Annual Base Salary	(% of Salary)	Long-Term Incentive

Approved Compensation	\$477,750	70%	\$1,000,000
Percentage of Market⁽¹⁾	115%	101%	82%
Percentage of Target TDC	26%	19%	55%

(1) Market is defined as median target for each compensation element based on the 2014 Proxy Peer Group. 100% represents median compensation.

As a result of McDermott's 2014 financial performance and the reduction of EICP pool funding as recommended by executive management and approved in the discretion of the Compensation Committee, Ms. Hinrichs was eligible to earn 0.5x of her target EICP award subject to adjustment by

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the Compensation Committee, based on her achievement of corporate and individual performance goals. Based on Mr. Dickson's assessment of Ms. Hinrichs' achievement of corporate and individual performance goals, and Mr. Dickson's recommendation for Ms. Hinrichs' EICP award, which the Compensation Committee approved, Ms. Hinrichs was provided a final EICP award of \$167,213.

Perry L. Elders. Mr. Elders served as McDermott's Senior Vice President and Chief Financial Officer from July 2010 to August 2014. In determining Mr. Elders' compensation for 2014, the Compensation Committee considered market data from the Proxy Peer Group as the primary reference and from the Survey Peer Group as a secondary reference. Mr. Elders' annual base salary and annual incentive target award remained unchanged in 2014. The Compensation Committee approved long-term incentives for Mr. Elders with a target value of \$1,000,000, which represented a decrease of 9% from the target value of long-term incentives awarded to Mr. Elders in 2013, due to internal pay equity considerations. Mr. Elders' total target direct compensation for 2014 is summarized below:

	Annual Incentive		
	Annual Base Salary	(% of Salary)	Long-Term Incentive
Approved Compensation	\$515,000	70%	\$1,000,000
Percentage of Market⁽¹⁾	105%	76%	76%
Percentage of Target TDC	28%	19%	53%

(1) Market is defined as median target for each compensation element based on the Proxy Peer Group. 100% represents median compensation.

In connection with Mr. Elders' resignation in August 2014, we entered into a separation agreement with Mr. Elders providing for various compensation-related benefits in exchange for, among other things, his agreement to comply with several restrictive covenants. Under that separation agreement, Mr. Elders received: (1) a lump-sum cash severance payment in the amount of \$640,000; (2) each then outstanding restricted stock unit award granted to him pursuant to the 2009 LTIP which would, absent his resignation from employment, have remained outstanding and continued to vest through March 15, 2016 would, subject to certain conditions, continue to vest and be settled on the first to occur of (a) the date such award would otherwise be settled in accordance with the terms of the LTIP and the applicable grant agreement, as if his employment had continued, and (b) March 15, 2015; (3) payment of an amount to fund three months of continuing health insurance coverage under the Consolidated Omnibus Reconciliation Act; and (4) reimbursement of certain expenses. All other outstanding unvested equity and performance-based awards previously granted to Mr. Elders were forfeited at the time of his resignation. Vested stock options held by Mr. Elders continue to be exercisable for the remainder of their respective terms. Mr. Elders' benefits under our Director and Executive Deferred Compensation Plan were fully vested as of the date of his resignation, and those benefits are to be paid in accordance with the terms of that plan.

2014 Other Compensation Elements

Discretionary Bonus Awards. The Compensation Committee approved discretionary bonus awards for Mr. Elders and Ms. Hinrichs in the amount of \$50,000 each, in recognition of their respective contributions to and results achieved in connection with our refinancing transactions during the first half of 2014.

Perquisites. In 2014, our Compensation Committee adopted a perquisite allowance for certain officers, including our NEOs, in the amount of \$20,000, consistent with recent years. Mr. Spence did not receive a perquisite allowance in 2014, since he did not join McDermott until in August 2014. The perquisite allowance was provided in cash and may be used for any purpose determined by the

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recipient, including to cover company-required physicals, and is in lieu of any reimbursements made by McDermott to those executive officers receiving the perquisite allowance for any individual perquisite, with the exception of any company-required spousal travel for (1) the Chief Executive Officer, and (2) the remaining NEOs, as approved by the Chief Executive Officer. There were no reimbursements to any NEO for company-required spousal travel in 2014.

Additionally, and consistent with our past practice, we may provide a gross-up for any imputed income related to such company-required spousal travel, but only when the presence of the spouse is related to the underlying business purpose of the trip. We also may provide our NEOs with a tax gross-up on any relocation-related expense reimbursements that may be subject to tax.

Expatriate Benefits. McDermott provides benefits to our expatriate employees, which benefits are designed to relocate and support employees who are sent on an assignment outside of their home country. Expatriate benefits generally include an expatriate premium equal to 15% of the employee's base salary, a hardship premium in certain countries, a housing allowance (or company provided housing in certain locations), certain cash allowances recognizing differences in living conditions in the host location, a vacation allowance based on the cost of an economy plane ticket to the employee's home location, an education allowance for the employee's dependent children and a tax equalization program.

Under McDermott's tax equalization program, we ensure that expatriates are subject to substantially the same income tax liability as they would have paid in the United States. Each expatriate employee is responsible for a theoretical U.S. income tax liability based on an estimate of the executive officer's anticipated U.S. income tax liability, and McDermott is responsible for any home country and assignment country taxes in excess of that amount. We deduct hypothetical income taxes from the expatriate's compensation during the tax year and pay any assignment country taxes on their behalf. Messrs. Cummins and Duncan each participated in expatriate benefits in 2014, as Mr. Cummins is an Australian citizen and was based both in Singapore and London during 2014, and Mr. Duncan is a dual United States and United Kingdom citizen and was based in London during 2014.

Defined Contribution Plans. We provide retirement benefits for most of our U.S. based employees, including our U.S. based NEOs, through sponsorship of the McDermott Thrift Plan, a qualified defined contribution 401(k) plan, which we refer to as our Thrift Plan. We provide retirement benefits for our non-U.S. expatriate employees, including Mr. Cummins, through sponsorship of a global defined contribution plan, which we refer to as the McDermott Global Defined Contribution Plan.

Retirement and Excess Plans. We do not provide defined benefit pension plans to any of our NEOs, with the exception of Mr. Cummins and Ms. Hinrichs, who were participants in our now closed and frozen retirement and excess plans. Mr. Cummins was eligible for participation under the J. Ray McDermott, S.A. Third Country National Employees Pension Plan (the TCN Plan), which provides retirement benefits for certain of our current and former foreign employees. The TCN Plan was closed to new participants in 2011, and benefit accruals under the TCN Plan were frozen effective December 31, 2011. Ms. Hinrichs was eligible for participation under the McDermott (U.S.) Retirement Plan (the U.S. Retirement Plan) before it was closed to new participants in 2006. Benefit accruals under the U.S. Retirement Plan were frozen altogether in 2010. Ms. Hinrichs is also a participant in our unfunded, nonqualified excess retirement plan (the U.S. Excess Plan), which covers a small group of highly compensated employees whose ultimate benefits under the U.S. Retirement Plan are reduced by Internal Revenue Code limits on the amount of benefits which may be provided under qualified plans and the amount of compensation which may be taken into account in computing benefits under qualified plans. As is the case with the U.S. Retirement Plan, benefits under the U.S. Excess Plan have been frozen since 2010.

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See the Pension Benefits table under Compensation of Executive Officers below for more information regarding the TCN Plan, the U.S. Retirement Plan and the U.S. Excess Plan.

Deferred Compensation Plan. The Deferred Compensation Plan, or the DCP, is a defined contribution supplemental executive retirement plan established by our Board and the Compensation Committee to help maintain the competitiveness of our post-employment compensation as compared to our market. The DCP is an unfunded, nonqualified plan that provides each participant in the plan with benefits based on the participant's notional account balance at the time of retirement or termination. Under the DCP, on an annual basis, the Compensation Committee has the discretion to credit a specified participant's notional account with an amount equal to a percentage of the participant's prior-year base salary and annual bonus paid in the prior year. We refer to such credit as a Company Contribution. In 2014, each of the NEOs, with the exception of Mr. Spence, were participants in the DCP and their respective accounts in the DCP received a Company Contribution in an amount equal to 5% of their respective prior-year base salaries paid in the prior year. Additionally, Messrs. Dickson and Duncan each received a discretionary company contribution under the DCP equal in value to 5% of his respective prior-year target base salary he would have earned for the period January 1, 2013 through his respective date of hire. Mr. Spence was not a participant in the DCP in 2014.

The Compensation Committee has designated deemed mutual fund investments to serve as indices for the purpose of determining notional investment gains and losses to each participant's account for any Company Contribution or participant-elected deferrals. Each participant allocates any Company Contributions and deferrals among the various deemed investments. DCP benefits are based on the participant's vested notional account balance at the time of retirement or termination. Please see the Nonqualified Deferred Compensation table and accompanying narrative below for more information about the DCP and Company Contributions to our NEOs' DCP accounts.

Employment Agreements. Except for change-in-control agreements described below, we do not currently have any employment agreements with any of our Continuing NEOs relating to ongoing employment, with the exception of Messrs. Cummins and Duncan. Each of Mr. Cummins and Mr. Duncan has an employment agreement related to his status as an expatriate employee, which sets forth the expatriate benefits as discussed above under Expatriate Benefits. These employment agreements do not provide for any specified term of employment, and the terms of the agreements are generally consistent with those of employment agreements entered into with various other McDermott expatriate employees.

Change-in-Control Agreements. We believe change-in-control agreements for executive officers are common within our industry, and our Board and the Compensation Committee believe that providing these agreements to our NEOs protects stockholders' interests by helping to assure management continuity and focus through and beyond a change in control. Accordingly, the Compensation Committee has offered change-in-control agreements to key senior executives since 2005. Our change-in-control agreements contain what is commonly referred to as a double trigger, that is, they provide benefits only upon an involuntary termination or constructive termination of the executive officer within one year following a change in control. The change-in-control agreements for our Continuing NEOs generally provide a cash severance payment of two (or 2.5 for Mr. Dickson) times the sum of the NEO's annual base salary and target EICP and a pro-rated bonus payment under the EICP. In addition, upon a change in control, each such officer would become fully vested in any outstanding and unvested equity-based awards and his or her respective account balance in the DCP.

The change-in-control agreements: (1) do not provide for excise tax gross-ups; (2) require the applicable officer's execution of a release prior to payment of certain benefits; and (3) provide for the potential reduction in payments to an applicable officer in order to avoid excise taxes. Additionally, the

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change-in-control agreements with Messrs. Cummins and Duncan are scheduled to expire on March 15, 2016. See the Potential Payments Upon Termination or Change in Control table under Compensation of Executive Officers below and the accompanying disclosures for more information regarding the change-in-control agreements with our Continuing NEOs, as well as other plans and arrangements that have different trigger mechanisms that relate to a change in control.

Other Compensation Policies and Practices

Sizing Long-Term Incentive Compensation and Timing of Equity Grants. The Compensation Committee generally determines the size of equity-based grants as a dollar value, rather than granting a targeted number of shares, with each target value generally set within market range. To determine the number of restricted stock units and performance shares granted, the target value of long-term incentive compensation is divided by the fair market value of the applicable component of equity.

The fair market values of one performance share and one restricted stock unit were computed based on the full fair market value of McDermott's common stock by reference to the closing price of our common stock on the New York Stock Exchange on the date of grant.

To avoid timing equity grants ahead of the release of material nonpublic information, the Compensation Committee generally grants equity awards effective as of the first day of the next open trading window following the meeting at which the grants are approved, which is generally the third NYSE trading day following the filing of our annual report on Form 10-K or quarterly report on Form 10-Q with the SEC. This practice was followed for all long-term incentive compensation grants to NEOs in 2014, with the exception of the performance share and restricted stock unit awards granted to Mr. Spence on the date he commenced employment with McDermott.

Stock Ownership Guidelines. To assist with the alignment of the interests of directors, executive officers and stockholders, we believe our directors and officers should have a significant financial stake in McDermott. To further that goal, we have adopted stock ownership guidelines requiring generally that our nonemployee directors and our officers at the level of vice president or above maintain a minimum ownership interest in McDermott. The ownership requirements are as follows:

Level	Base Salary or Annual Retainer Multiple
CEO	5x
Executive Officer directly reporting to CEO	3x
Other Elected Vice Presidents	2x
Nonemployee Directors	5x

Directors and officers have five years from the effective date of the stock ownership guidelines (as amended in August 2010), their initial election as a director/officer, or a change in position which increases the expected ownership level, whichever is later, to comply with the guidelines. Shares of McDermott common stock, restricted shares of McDermott common stock, restricted stock units (whether or not vested), performance shares (whether or not vested, but to the extent not vested, at target performance level), shares of McDermott common stock held in an employee's Thrift Plan account and shares of McDermott common stock held in any trust in which an employee has a pecuniary interest (to the extent the employee has investment control over such shares) are all counted towards compliance with

the stock ownership guidelines. Further, each director and officer subject to the stock ownership guidelines has the ability to certify his or her ownership at any time after reaching compliance with the required ownership level, following which such director or officer is not required to accumulate any additional McDermott securities, so long as he or she retains the number of

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securities held on the certification date, regardless of any subsequent changes in the market price of shares of McDermott common stock. All NEOs currently meet or exceed their ownership requirement or are within the five-year period to achieve compliance.

Derivatives Trading and Hedging. McDermott's Insider Trading Policy prohibits all directors, officers and employees, including our NEOs, from engaging in short sales or trading in puts, calls or other options on McDermott's common stock. Additionally, directors, officers and employees are prohibited from engaging in hedging transactions and from holding McDermott shares in a margin account or pledging McDermott shares as collateral for a loan.

Clawback Policy. Our Compensation Committee has adopted a clawback policy, which provides that, if the consolidated financial statements of McDermott are materially restated within three years of their initial filing, and the Compensation Committee determines, in its reasonable discretion, that any current or former executive officer has engaged in intentional misconduct, and such misconduct caused or partially caused the need for such restatement, the Compensation Committee may, within 12 months after such a material restatement, require that the executive forfeit and/or return to McDermott all or a portion of the compensation vested, awarded or received under any bonus award, equity award or other award during the period subject to restatement and the 12-month period following the initial filing of the financial statements that were restated. The forfeiture and/or return of compensation under the policy would be limited to any portion that the executive officer would not have received if the consolidated financial statements had been reported properly at the time of their initial filing. The clawback policy would not apply to restatements occurring as a result of a change in control, as defined in the DCP, and the policy does not limit the ability of McDermott to pursue forfeiture or reclamation of amounts under applicable law.

Forfeiture Provisions. Additionally, consistent with our recent practice, our grant agreements for awards made in 2014 contain a forfeiture provision. In 2014, this provision provided that, in the event that, while the grantee is employed by McDermott or performing services on behalf of McDermott under any consulting agreement, the grantee is convicted of a felony or a misdemeanor involving fraud, dishonesty or moral turpitude, or the grantee engages in conduct that adversely affects or, in the sole judgment of the Compensation Committee, may reasonably be expected to adversely affect, the business reputation or economic interests of our company, then all rights and benefits awarded under the respective agreements are immediately forfeited, terminated and withdrawn.

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SURVEY PEER GROUP

Anadarko Petroleum Corporation
Apache Corporation
A.O. Smith Corporation
Ball Corporation
Barnes Group, Inc.
Beam, Inc.
Bemis Company, Inc.
BG US Services
BP p.l.c.
Brady Corporation
Building Materials Corporation of America (dba GAF Materials)
Castle Oil Corporation
Caterpillar Inc.
Chevron Corporation
CH2M Hill Companies, Ltd.
Connell Limited Partnership
ConocoPhillips
Deere & Company
Devon Energy Corporation
Donaldson Company, Inc.
Eaton Corporation
EnCana Oil & Gas USA
EQT Corporation
Exterran Holdings, Inc.
Exxon Mobil Corporation
The Goodyear Tire & Rubber Company
Graco Inc.
Greif, Inc.
HD Supply, Inc.
Hercules Offshore, Inc.
Hess Corporation
HNTB Corporation
Holly Frontier Corporation
Hunt Consolidated, Inc.
Husky Injection Molding Systems Ltd.
Illinois Tool Works Inc.
Ingersoll Rand plc
ION Geophysical Corporation
Irving Oil Commercial G.P.
ITT Corporation
Jacobs Engineering Group, Inc.
KBR, Inc.
Koch Industries, Inc.
Lafarge North America Inc.

L.B. Foster Company
Lehigh Hanson Materials Limited
Lend Lease Corporation Limited
Magellan Midstream Partners, L.P.
The Manitowoc Company, Inc.
Marathon Oil Corporation
Matthews International Corporation
MDU Resources Group, Inc.
MeadWestvaco Corporation
Milacron LLC
Mine Safety Appliances Company
Noble Energy, Inc.
Occidental Petroleum Corporation
Oiltanking North America
Owens Corning
Owens-Illinois, Inc.
Pall Corporation
Parker Hannifin Corporation
Parsons Corporation
PCL Constructors Inc.
Phillips 66 Company
Polymer Group, Inc.
PolyOne Corporation
PulteGroup, Inc.
Rockwell Automation, Inc.
Rowan Companies plc
Saudi Arabian Oil Co.
Schlumberger Limited
Sealed Air Corporation
ShawCor Ltd.
Shell Oil Company
Snap-On Incorporated
Sonoco Products Co.
Spectra Energy Corp
SPX Corporation
Statoil ASA
Suburban Propane
Terex Corporation
Tesoro Corporation
Tetra Tech, Inc.
Textron Inc.
Thermadyne Industries, Inc.
Thomas & Betts Corporation
3M Company
The Timken Company
The Toro Company
Transocean Ltd.
Trinity Industries, Inc.
URS Corporation
USG Corporation
Valero Energy Corporation

Xylem Inc.

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COMPENSATION COMMITTEE REPORT

We have reviewed and discussed the Compensation Discussion and Analysis with McDermott's management and, based on our review and discussions, we recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE

Mary L. Shafer-Malicki, Chairman

Roger A. Brown

Gary P. Luquette

Table of ContentsCOMPENSATION OF EXECUTIVE OFFICERS

The following table summarizes the prior three years' compensation of our Chief Executive Officer, our Chief Financial Officer, our three highest paid executive officers who did not serve as our CEO and CFO during 2014 and were employed by McDermott as of December 31, 2014, and our former Senior Vice President and Chief Financial Officer (who served until August 25, 2014). No compensation information is provided for Messrs. Dickson or Cummins for 2012, as they were not previously included as named executive officers in our proxy statement for our annual meeting of stockholders in 2013. No compensation information is provided for Messrs. Spence or Duncan for 2012 and 2013, as they were not included as named executive officers in our proxy statement for our annual meeting of stockholders in 2013 or 2014.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ⁽¹⁾	Bonus ⁽²⁾	Stock Awards ⁽³⁾	Option Awards ⁽³⁾	Incentive Plan Compensation ⁽⁴⁾	Change in Pension Value and Nonqualified Non-Equity Deferred Compensation ⁽⁵⁾	All Other Compensation ⁽⁶⁾	Total
Mr. Dickson President and Chief Executive Officer	2014	\$ 850,000	\$ 0	\$ 3,999,976	\$ 0	\$ 552,000	N/A	\$ 74,200	\$ 5,476,176
	2013	\$ 144,618	\$ 480,000	\$ 3,799,998	\$ 0	\$ 0	N/A	\$ 4,339	\$ 4,428,955
Mr. Spence Executive Vice President and Chief Financial Officer	2014	\$ 168,229	\$ 0	\$ 2,299,994	\$ 0	\$ 70,656	N/A	\$ 7,570	\$ 2,546,449
Mr. Elders Former Senior Vice	2014	\$ 332,604	\$ 50,000	\$ 999,992	\$ 0	\$ 0	N/A	\$ 746,304	\$ 2,128,900
	2013	\$ 511,250	\$ 0	\$ 824,966	\$ 274,995	\$ 0	N/A	\$ 59,987	\$ 1,671,198
	2012	\$ 493,750	\$ 0	\$ 1,012,436	\$ 337,499	\$ 207,383	N/A	\$ 78,970	\$ 2,130,038

President and
Chief
Financial Officer

Mr. Cummins ⁽⁷⁾	2014	\$ 456,250	\$	0	\$ 999,992	\$	0	\$ 126,000	\$ 80,900	\$ 627,939	\$ 2,210,181
	2013	\$ 440,000	\$	0	\$ 1,249,980	\$ 249,998	\$	0	\$	\$ 516,034	\$ 2,456,012

Senior Vice
President,
Commercial

Mr. Duncan	2014	\$ 400,000	\$	0	\$ 999,992	\$	0	\$ 112,000	N/A	\$ 782,189	\$ 2,294,181
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Senior Vice
President,
Project Support

Ms. Hinrichs	2014	\$ 477,750	\$ 50,000	\$ 999,992	\$	0	\$ 167,213	\$ 104,829	\$ 73,474	\$ 1,768,429
	2013	\$ 472,063	\$	0	\$ 1,324,966	\$ 274,995	\$	0	\$ 56,998	\$ 2,129,022

Senior Vice President, General Counsel and Corporate Secretary	2012	\$ 448,750	\$	0	\$ 749,955	\$ 249,992	\$ 301,573	\$ 103,766	\$ 71,995	\$ 1,926,031
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- (1) The amounts reported in this column for 2014 for Messrs. Spence and Elders represent partial-year service. The amount reported for Mr. Cummins includes an additional \$6,250 in base salary received as a result of the timing of monthly salary payments in connection with his relocation from Singapore to the United Kingdom and the resulting change in payrolls.
- (2) The amounts reported in this column for 2014 represent discretionary bonus awards for Mr. Elders and Ms. Hinrichs in recognition of their respective contributions to and results achieved in connection with McDermott's refinancing transactions in the first half of 2014. The amount reported in this column for 2013 represents a cash signing bonus for Mr. Dickson, which was intended to compensate him for benefits from his former employer that he would have received if he had not changed employment.
- (3) The amounts reported in this column represent the aggregate grant date fair value of stock awards or option awards, as applicable, granted to each NEO and computed in accordance with FASB ASC Topic 718. See the Grants of Plan-Based Awards table for more information regarding the stock awards we granted in 2014.
- (4) The amounts reported in this column are attributable to the annual incentive awards earned in fiscal year 2014 but paid in 2015, and earned in 2012 but paid in 2013.
- (5) The amounts reported in this column represent the changes in actuarial present values of the accumulated benefits under defined benefit plans, determined by comparing the prior completed fiscal year end amount to the covered fiscal year end amount. No value is reported for 2013 for each

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of Mr. Cummins and Ms. Hinrichs, as the change in actuarial present value of their accumulated benefits from fiscal year end 2012 to fiscal year end 2013 was (\$80,000) and (\$53,630), respectively. The actuarial present values decreased in that period as a result of a change in assumptions used in computing the present values in each year, namely an increase in the discount rate from 4% to 4.8%.

(6) The amounts reported in this column for 2014 are attributable to the following:

All Other Compensation

	Deferred							
	Compensation Plan		Service-Based			Expatriate Benefits^(D)	Other^(E)	Tax Payments^(F)
	Contribution^(A)	Thrift Match^(B)	Thrift Contribution^(B)	Perquisite Allowance^(C)				
Mr. Dickson	\$42,500	\$3,900	\$7,800	\$20,000	N/A	\$0	\$0	
Mr. Spence		\$2,523	\$5,047		N/A	\$0	\$0	
Mr. Elders	\$35,932	\$7,800	\$7,800	\$20,000	N/A	\$674,772	\$0	
Mr. Cummins	\$31,488	N/A	N/A	\$20,000	\$411,405	\$43,083	\$121,963	
Mr. Duncan	\$16,250	\$5,200	\$7,800	\$20,000	\$335,028	\$3,448	\$394,463	
Ms. Hinrichs	\$38,682	\$6,992	\$7,800	\$20,000	N/A	\$0	\$0	

(A) The amounts reported in this column are attributable to contributions made by McDermott under the Deferred Compensation Plan.

(B) The amounts reported in these columns are attributable to contributions made under our defined contribution plan, which we refer to as our Thrift Plan. Mr. Cummins is not a participant in the Thrift Plan.

(C) The amounts reported in this column are attributable to a lump-sum perquisite allowance in the amount of \$20,000 received by certain officers of McDermott in 2014, including each of the NEOs with the exception of Mr. Spence. With the exception of an executive physical required by McDermott, the perquisite allowance was permitted to be used for any purpose determined by the recipient.

(D) The amounts reported in this column for 2014 are attributable to the following:

Expatriate Premium	Commodities & Service Allowance	Housing & Utilities	Vacation & Airfare	Education Allowance	Car Lease
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	Allowance					
Mr. Cummins	\$68,438	\$90,684	\$184,642	\$12,162	\$38,960	\$16,519
Mr. Duncan	\$60,000	\$48,636	\$197,040	\$5,116	\$24,236	\$0

Any amounts for Mr. Cummins paid in Singapore dollars (SGD) were converted to U.S. dollars (USD) using either (i) an average exchange rate for January – June 2014 of 1.26372 SGD per USD or (ii) an exchange rate for July 2014 when the payment was made of \$1.2580 SGD per USD, in each case depending on when the amounts were paid. Any amounts for Mr. Cummins paid in Pounds Sterling (GBP) were converted to USD using an average exchange rate for July – December 2014 of 0.6103 GBP per USD. All amounts for Mr. Duncan were paid in USD.

- (E) The amount reported in this column for Mr. Elders represented a lump-sum cash severance payment of \$640,000, payment for vacation earned but not taken by Mr. Elders in 2014 and payment of an amount to fund three months of continuing health insurance coverage under the Consolidated Omnibus Reconciliation Act. The amounts reported in this column for Messrs. Cummins and Duncan represent amounts paid to Messrs. Cummins and Duncan in connection with their respective relocations to the United Kingdom.
- (F) The amounts reported in this column represent tax payments made by McDermott on behalf of each of Messrs. Cummins and Duncan, net of amounts McDermott withheld from each of Messrs. Cummins and Duncan in 2014 pursuant to McDermott’s tax equalization program for expatriate employees. For Mr. Cummins, the amount includes \$89,827 in Singapore taxes and \$191,240 in United Kingdom taxes paid by McDermott on Mr. Cummins’ behalf, net of \$159,103 McDermott withheld from Mr. Cummins compensation pursuant to McDermott’s tax equalization program. The amount of Singapore tax paid was converted from SGD to USD using the July 2014 monthly exchange rate of 1.2580 SGD per USD, and the amount of United Kingdom taxes paid was converted from GBP to USD using the average July – December 2014 exchange rate of 0.6103 GBP per USD. For Mr. Duncan, the amount includes \$502,384 in United Kingdom taxes paid by McDermott on Mr. Duncan’s behalf, net of (i) \$148,721 that McDermott withheld from Mr. Duncan’s compensation in 2014 and (ii) \$40,800 that McDermott paid to Mr. Duncan in 2014 as a tax equalization payment related to 2013 withholding, in each case pursuant to McDermott’s tax equalization program. The amount of United Kingdom taxes paid was converted from GBP to USD on a monthly basis using the average exchange rate for the month in which such amounts was paid.
- (7) The amounts reported for Mr. Cummins with respect to 2013 compensation have been revised for consistency with disclosures of the 2014 amounts under the Salary, Perquisite Allowance and Tax Payments columns above. The revised amounts reflect alternative disclosure of withholding and tax payments made pursuant to McDermott’s tax equalization program for expatriate employees. In 2013, the amounts withheld from Mr. Cummins pursuant to McDermott’s tax equalization program exceeded the amount of taxes paid by McDermott on Mr. Cummins’ behalf. See Compensation Discussion and Analysis – 2014 Other Compensation Elements – Expatriate Benefits for a discussion of that program.

Table of Contents**GRANTS OF PLAN-BASED AWARDS**

The following Grants of Plan-Based Awards table provides additional information about stock awards and equity and non-equity incentive plan awards we granted to our NEOs during the year ended December 31, 2014.

	Grant Date	Committee Action Date	Estimated Possible Payouts			Estimated Future Payouts			All Other Stock Awards: All Number of Shares or Units ⁽³⁾	Other Securities or Options ⁽⁴⁾	Exercise Price of Awards	Grant Date Fair Value of Stock Awards
			Threshold	Target	Maximum	Threshold (#)	Target (#)	Maximum (#)				
Wickson	03/05/14	03/05/14	\$ 425,000	\$ 850,000	\$ 1,700,000							
es	03/06/14	03/05/14				102,041	204,081	306,122				\$ 1,599
	03/06/14	03/05/14							306,120			\$ 2,399
Spence	08/25/14	08/21/14	\$ 58,301	\$ 116,603	\$ 233,205							
es	08/25/14	08/21/14				27,027	54,054	81,081				\$ 400
	08/25/14	08/21/14							81,081			\$ 599
(5)	08/25/14	08/21/14							175,675			\$ 1,299
Holders	03/05/14	03/05/14	\$ 180,250	\$ 360,500	\$ 721,000							
es	03/06/14	03/05/14				25,510	51,020	76,530				\$ 399
	03/06/14	03/05/14							76,530			\$ 599
Summins	03/05/14	03/05/14	\$ 157,500	\$ 315,000	\$ 630,000							
es	03/06/14	03/05/14				25,510	51,020	76,530				\$ 399
	03/06/14	03/05/14							76,530			\$ 599
uncan	03/05/14	03/05/14	\$ 140,120	\$ 280,240	\$ 560,479							
es	03/06/14	03/05/14				25,510	51,020	76,530				\$ 399
	03/06/14	03/05/14							76,530			\$ 599
inrichs	03/05/14	03/05/14	\$ 167,213	\$ 334,425	\$ 668,850							
es	03/06/14	03/05/14				25,510	51,020	76,530				\$ 399
	03/06/14	03/05/14							76,530			\$ 599

(1) This column reflects the threshold, target and maximum payout opportunities under the Executive Incentive Compensation Plan, or EICP.

On March 5, 2014, our Compensation Committee established target EICP awards expressed as a percentage of the NEO's 2014 annual base salary earned, as follows: Mr. Dickson 100%, Mr. Elders 70%, Mr. Cummins 70%, Mr. Duncan 70% and Ms. Hinrichs 70%. On August 21, 2014, our Compensation Committee established the target EICP award for Mr. Spence, expressed as a percentage of Mr. Spence's 2014 annual base salary earned, of 70%. The target amounts shown for Messrs. Dickson, Elders and Cummins and Ms. Hinrichs were computed by multiplying their annual base salaries by their target award percentage. The target amount shown for Mr. Spence was computed according to the following formula: $\text{Target \%} * (2014 \text{ base salary} * 128/365)$, to reflect his partial year base salary earned after joining McDermott on August 25, 2014. The target amount shown for Mr. Duncan was computed according to the following formula: $\text{Target \%} * [(2013 \text{ base salary} * 90/365) + (2014 \text{ base salary} * 275/365)]$, to reflect his increase in annual base salary effective April 1, 2014. For all of the NEOs, the threshold amounts are equal to 50% of the respective target amounts and the maximum amounts are equal to 200% of the respective target amounts. See Compensation Discussion and Analysis What We Pay and Why: Elements of Total Direct Compensation Annual Incentive and Compensation Discussion and Analysis 2014 NEO Compensation for a detailed description of the EICP and discussions regarding the determinations made with respect to the 2014 EICP awards.

(2) This column reflects the target, threshold and maximum payout opportunities of grants of performance shares under the applicable LTI plan. Each grant represents the right to receive one share of McDermott common stock for each vested performance share. The amount of performance shares that vest, if any, will be based on McDermott's aggregate consolidated operating income for a three-year measurement period (January 1, 2014 December 31, 2016). If the threshold performance goal is achieved, a number of performance shares between 50% and 150% of the target award may be earned, depending on the three-year aggregate operating income achieved.

(3) This column reflects grants of restricted stock units under the applicable LTI plan. The restricted stock units are generally scheduled to vest in one-third increments on the first, second and third anniversaries of the date of grant. Each restricted stock unit represents the right to receive one share of McDermott common stock, cash equal to the fair market value of the share otherwise deliverable, or any combination thereof, in the sole discretion of the Compensation Committee.

(4) This column reflects the full grant date fair values of the equity awards computed in accordance with FASB ASC Topic 718. Grant date fair values are determined using the closing price of our common stock on the date of grant for restricted stock units and performance shares. For more information regarding the compensation expense related to 2014 awards, and a discussion of valuation assumptions utilized in performance share and option pricing, see Note 8 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2014.

(5) This grant of restricted stock units represents a one-time award of restricted stock units made to Mr. Spence to compensate him for the forfeiture of incentives from his prior employer. The restricted stock units are generally scheduled to vest in one-third increments on the first, second and third anniversaries of the date of grant. Each restricted stock unit represents the right to receive one share of McDermott common stock, cash equal to the fair market value of the share otherwise deliverable, or any combination thereof, in the sole discretion of the Compensation Committee.

Table of Contents**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following Outstanding Equity Awards at Fiscal Year-End table summarizes the equity awards we have made to our NEOs which were outstanding as of December 31, 2014.

Name	Grant Date	Option Awards ⁽¹⁾				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of
		Number of Securities Underlying Unexercised Options	Exercise Price	Option Expiration Date	Number of Securities Underlying Unexercised Options	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ⁽²⁾	Equity Incentive Plan Awards: Number of Shares, Other Rights That Have Not Vested ⁽²⁾	
Mr. Dickson									
RSA ⁽⁴⁾	10/31/13				325,318	\$ 946,675			
RSUs ⁽⁵⁾	03/06/14				306,120	\$ 890,809			
PShares	03/06/14						102,041	\$ 296,938	
Mr. Spence									
RSUs ⁽⁵⁾	08/25/14				81,081	\$ 235,946			
RSUs ⁽⁶⁾	08/25/14				175,675	\$ 511,214			
PShares	08/25/14						27,027	\$ 78,649	
Mr. Elders									
NQSO	05/13/10	60,292	\$ 13.37	05/13/17					
NQSO	03/04/11	24,531	\$ 25.64	03/04/18					
NQSO	03/05/12	32,374	\$ 14.44	03/05/19					
NQSO	03/05/13	18,900	\$ 10.50	03/05/20					
RSUs ⁽⁵⁾	03/05/12				7,546	\$ 21,959			
RSUs ⁽⁷⁾	03/05/13				12,685	\$ 36,913			
RSUs ⁽⁵⁾	03/06/14				49,423	\$ 143,821			
Mr. Cummins									
NQSO	05/12/05	11,629	\$ 3.47	05/12/15					

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NQSO	03/05/09	10,658		\$ 5.64	03/05/16		
NQSO	03/04/10	14,781		\$ 13.09	03/04/17		
NQSO	03/04/11	8,586		\$ 25.64	03/04/18		
NQSO	03/05/12	11,990	5,995	\$ 14.44	03/05/19		
NQSO	03/05/13	17,182	34,364	\$ 10.50	03/05/20		
RSU ⁽⁵⁾	03/05/12					2,885	\$ 8,395
RSU ⁽⁷⁾	03/05/13					17,856	\$ 51,961
RSU ⁽⁸⁾	03/05/13					47,619	\$ 138,571
RSU ⁽⁵⁾	03/06/14					76,530	\$ 222,702
PShares	03/04/11						2,472 \$ 7,194
PShares	03/05/12						5,423 \$ 15,779
PShares	03/05/13						15,817 \$ 46,027
PShares	03/06/14						25,510 \$ 74,234

Mr. Duncan

NQSO	05/13/13	6,157	12,314	\$ 9.23	05/13/20		
RSU ⁽⁷⁾	05/13/13					6,093	\$ 17,731
RSU ⁽⁵⁾	05/13/13					50,558	\$ 147,124
RSU ⁽⁹⁾	08/08/13					43,604	\$ 126,888
RSU ⁽⁵⁾	03/06/14					76,530	\$ 222,702
PShares	05/13/13						6,076 \$ 17,681
PShares	03/06/14						25,510 \$ 74,234

Ms. Hinrichs

NQSO	03/05/09	27,203		\$ 5.64	03/05/16		
NQSO	03/04/10	45,313		\$ 13.09	03/04/17		
NQSO	03/04/11	22,080		\$ 25.64	03/04/18		
NQSO	03/05/12	23,980	11,990	\$ 14.44	03/05/19		
NQSO	03/05/13	18,900	37,800	\$ 10.50	03/05/20		
RSU ⁽⁵⁾	03/05/12					5,771	\$ 16,794
RSU ⁽⁷⁾	03/05/13					19,641	\$ 57,155
RSU ⁽⁸⁾	03/05/13					47,619	\$ 138,571
RSU ⁽⁵⁾	03/06/14					76,530	\$ 222,702
PShares	03/04/11						6,359 \$ 18,503
PShares	03/05/12						10,845 \$ 31,559
PShares	03/05/13						17,398 \$ 50,629
PShares	03/06/14						25,510 \$ 74,234

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- (1) The awards in this column represent grants of stock options, which generally become exercisable in accordance with the following vesting schedule: 1/3 per year on first, second and third anniversaries of grant date.
- (2) Market values in these columns are based on the closing price of our common stock as reported on the New York Stock Exchange as of December 31, 2014 (\$2.91).
- (3) The awards in this column represent grants of performance shares, which, for the awards made in 2011, 2012 and 2013, generally may vest on the third, fourth and/or fifth anniversaries of the grant date, and for the awards made in 2014, generally may vest on the third anniversary of the grant date, based on the attainment of stated performance levels. The number and value of performance shares listed with a grant date in 2011 is based on achieving threshold performance as of the December 31, 2014 measurement date. The number and value of performance shares reported with a grant date in 2012 is based on achieving threshold performance as of the December 31, 2014 measurement date. The number and value of performance shares reported with a grant date in 2013 is based on achieving threshold performance as of the December 31, 2015 measurement date. The number and value of performance shares reported with a grant date in 2014 is based on achieving threshold performance as of the December 31, 2016 measurement date.
- (4) The award to Mr. Dickson represents a grant of restricted stock, the outstanding portion of which generally vests as follows: 108,439 shares on June 15, 2015, 108,440 shares on June 15, 2016 and 108,439 shares on June 15, 2017.
- (5) These awards represent grants of restricted stock units, which generally vest 1/3 per year on the first, second and third anniversaries of grant date.
- (6) This award represents a one-time award of restricted stock units made to Mr. Spence to compensate him for the forfeiture of incentives from his prior employer. The restricted stock units generally vest 1/3 per year on the first, second and third anniversaries of the grant date.
- (7) These awards represent grants of restricted stock units, which generally vest 1/4 per year on the first, second, third and fourth anniversaries of grant date.
- (8) These awards represent grants of retention restricted stock units, which generally vest 100% on the second anniversary of the date of grant.
- (9) This award represents a grant of retention restricted stock units, which generally vests 100% on the third anniversary of the date of grant.

Table of Contents**OPTION EXERCISES AND STOCK VESTED**

The following Option Exercises and Stock Vested table provides information about the value realized by our NEOs on exercises of option awards and vesting of stock awards during the year ended December 31, 2014.

Name	Option Awards		Stock Awards ⁽¹⁾	
	Shares		Shares	
	Acquired	Value Realized	Acquired	Value Realized
	on Exercise(#)	on Exercise	on Vesting(#)	on Vesting
Mr. Dickson	0	N/A	212,164	\$1,690,947.08
Mr. Spence	0	N/A	0	N/A
Mr. Elders	0	N/A	19,837	\$ 146,043.69
Mr. Cummins	0	N/A	9,974	\$ 73,587.97
Mr. Duncan	0	N/A	27,310	\$ 196,358.90
Ms. Hinrichs	0	N/A	15,656	\$ 115,618.38

(1) The number of shares acquired on vesting reflected in this table represents the aggregate number of shares that vested during 2014 in connection with awards of restricted stock units, and, for Mr. Dickson, in connection with an award of restricted stock. The value realized on vesting was calculated based on the fair market value of the underlying shares on the vesting date. The following table sets forth the number of shares withheld by McDermott to satisfy the minimum statutory withholding tax due upon vesting of such restricted stock units and restricted stock:

Name	Shares Withheld by McDermott on Vesting of Stock Awards (#)
Mr. Dickson	71,050
Mr. Spence	N/A
Mr. Elders	4,933
Mr. Cummins	3,489
Mr. Duncan	10,199
Ms. Hinrichs	4,452

Table of Contents**PENSION BENEFITS**

The following Pension Benefits table shows the present value of accumulated benefits payable to each of our NEOs under the defined benefit pension plans that we sponsor. All benefits under the defined benefit pension plans that we sponsor are frozen.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2014
Mr. Dickson	N/A	N/A	N/A	N/A
Mr. Spence	N/A	N/A	N/A	N/A
Mr. Elders	N/A	N/A	N/A	N/A
Mr. Cummins	TCN Plan ⁽¹⁾	23.92	\$645,900	\$0
Mr. Duncan	N/A	N/A	N/A	N/A
Ms. Hinrichs	U.S. Retirement Plan ⁽²⁾	11.167	\$474,366	\$0
	U.S. Excess Plan ⁽²⁾	11.167	\$198,579	\$0

(1) The present value of accumulated benefits reflected above for the TCN Plan is based on a 3.8% discount rate and the SAPS All lives base mortality table with improvements in the near future in line with the CMI_2011 model with a long term rate of future mortality improvements for both men and women of 1%.

(2) The present value of accumulated benefits reflected above for the U.S. Retirement Plan and the U.S. Excess Plan is based on a 4.0% discount rate and the RP2000 mortality table for annuitants projected with generational mortality improvement scale.

U.S. Retirement Plan. We refer to our qualified defined benefit pension plan as the U.S. Retirement Plan. Ms. Hinrichs is the only NEO who participates in the U.S. Retirement Plan, which plan has been frozen since 2006 and under which she is accruing no additional benefits. The U.S. Retirement Plan is funded by a trust, and includes provisions related to eligibility, participation and benefit formulas for applicable employees.

Under the U.S. Retirement Plan, normal retirement is the later of (1) age 65 or (2) the fifth anniversary of the date an employee becomes a participant. The normal form of payment is a single-life annuity or a 50% joint and survivor annuity, depending on the employee's marital status when payments are scheduled to begin. Early retirement eligibility and benefits under the Retirement Plan depend on the employee's date of hire and age. For employees hired on or after April 1, 1998 (including Ms. Hinrichs), an employee is eligible for early retirement after completing at least 15 years of credited service and attaining the age of 55. Early retirement benefits are based on the same formula as normal retirement, but the pension benefit is generally reduced 0.4% for each month that benefits commence before age 62. Ms. Hinrichs is eligible for early retirement under the U.S. Retirement Plan.

Ms. Hinrichs' benefits under the U.S. Retirement Plan are calculated as follows: 1.2% of final average monthly compensation as of June 30, 2010 up to the Social Security limit times credited service up to 35 years, plus 1.65% of final average monthly compensation as of June 30, 2010 in excess of the Social Security limit times credited service

up to 35 years. Final average monthly compensation excludes bonuses and commissions.

U.S. Excess Plan. We refer to our nonqualified pension plan as the U.S. Excess Plan. Ms. Hinrichs is the only NEO who participates in the U.S. Excess Plan, which plan has been frozen since 2006 and under which she is accruing no additional benefits. To the extent benefits payable under the U.S. Retirement Plan are limited by Section 415(b) or 401(a)(17) of the U.S. Internal Revenue Code, pension benefits will be paid under the terms of the U.S. Excess Plan. Because

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benefits entitlement under the U.S. Excess Plan and the U.S. Retirement Plan are linked, benefits under the U.S. Excess Plan have been frozen since 2006, when benefit accruals under the U.S. Retirement Plan were frozen.

TCN Pension Plan. We refer to our defined benefit pension plan for certain non-U.S. employees as the TCN Pension Plan. Mr. Cummins is the only NEO who participates in the TCN Pension Plan, which is now frozen. Mr. Cummins no longer accrues additional benefits under the plan. The TCN Pension Plan is funded by a trust, and includes provisions related to eligibility, participation and benefit formulas for employees who were employed by certain of our non-U.S. subsidiaries.

Under the TCN Pension Plan, normal retirement age is 65. The normal form of payment is a single-life annuity or a 66% joint and survivor annuity, depending on the employee's marital status when the payments are scheduled to begin. Early retirement eligibility and benefits under the TCN Pension Plan are generally available for employees who have completed at least 10 years of service and attained the age of 55. Early retirement benefits are based on the same formula as normal retirement, but the pension benefit is generally reduced 0.5% for each month that benefits commence before age 60.

Normal retirement benefits under the TCN Pension Plan are calculated as follows: Number of years of credit service times 1/100th of the average of the highest three successive annual base salaries during the last 10 years of credited service preceding December 31, 2011, the normal retirement date, date of death or severance from service date, whichever occurs first.

For more information on our retirement plans, see Compensation Discussion and Analysis Retirement Plans.

Table of Contents**NONQUALIFIED DEFERRED COMPENSATION**

The following Nonqualified Deferred Compensation table summarizes our NEOs' compensation under the McDermott International, Inc. Director and Executive Deferred Compensation Plan (the "Deferred Compensation Plan"). The compensation shown in this table is entirely attributable to the Deferred Compensation Plan.

The Deferred Compensation Plan is an unfunded, defined contribution retirement plan for directors and officers of McDermott and its subsidiaries selected to participate by our Compensation Committee. Benefits under the Deferred Compensation Plan are based on: (1) the participant's deferral account, which is comprised of the notional account balance reflecting any executive contributions of deferred compensation; and (2) the participant's vested percentage in his or her company account, which is comprised of the notional account balance reflecting any Company Contributions. A participant is at all times 100% vested in his or her deferral account. A participant generally vests in his or her company account 20% each year, subject to accelerated vesting for death, disability and termination without cause or termination within 24 months following a change in control. Mr. Spence was not a participant in the Deferred Compensation Plan in 2014.

Name	Executive Contributions in 2014⁽¹⁾	Company Contributions in 2014⁽²⁾	Aggregate Earnings in 2014⁽³⁾	Aggregate Withdrawals/ Distributions	Aggregate Balance at 12/31/14⁽⁴⁾	Percentage Vested at 12/31/14⁽⁵⁾
Mr. Dickson	\$0	\$42,500	\$1,358	\$0	\$43,858	0%
Mr. Spence						
Mr. Elders	\$0	\$35,932	\$867	\$0	\$166,330	100%
Mr. Cummins	\$0	\$31,488	\$10,445	\$0	\$96,789	60%
Mr. Duncan	\$0	\$16,250	\$990	\$0	\$17,240	0%
Ms. Hinrichs	\$0	\$38,682	\$0	\$0	\$233,351	100%

(1) In November 2010, our Compensation Committee approved the deferral of eligible executives' compensation beginning January 1, 2011. Under the terms of our Deferred Compensation Plan, an eligible executive may defer up to 50% of his or her annual salary and/or up to 100% of any bonus earned in any year.

(2) We make annual contributions to specified participants' notional accounts equal to a percentage of the participant's prior-year compensation. Under the terms of the Deferred Compensation Plan, the contribution percentage does not need to be the same for each participant. Additionally, our Compensation Committee may make a discretionary contribution to a participant's account at any time. With the exception of Messrs. Dickson and Duncan, for 2014, our contributions on behalf of NEOs who were participants equaled 5% of their respective Compensation (as defined in the Deferred Compensation Plan) received in 2013. Messrs. Dickson and Duncan each received a contribution from us in an amount equal to 5% of his respective prior-year base salary earned. In addition, Messrs. Dickson and Duncan each received a discretionary contribution from us equal in value to 5% of the respective 2013 base salary he would have earned from the period January 1, 2013 through his respective hire dates. All of our 2014 contributions are included in the Summary Compensation Table above as "All Other Compensation."

- (3) The amounts reported in this column represent notional accrued gains or losses during 2014 on each NEO's account. The accounts are participant-directed, in that each participant personally directs the investment of contributions made on his or her behalf. As a result, any accrued gains or losses are attributable to the performance of the NEO's notional mutual fund investments. No amount of the earnings shown is reported as compensation in the Summary Compensation Table.
- (4) The amounts reported in this column consist of contributions made by McDermott and notional accrued gains or losses as of December 31, 2014. The balances shown include contributions from previous years which have been reported as compensation to the NEOs in the Summary Compensation Table for those years to the extent a NEO was included in the Summary Compensation Table during those years. The amounts of such contributions previously included in the Summary Compensation Table and years reported are as follows: Mr. Elders received contributions from McDermott of \$24,687 in 2013, \$43,970 in 2012 and \$39,950 in 2011; Mr. Cummins received a contribution from McDermott of \$18,750 in 2013; and Ms. Hinrichs received contributions from McDermott of \$22,437 in 2013, \$37,662 in 2012 and \$43,511 in 2011.
- (5) Under the terms of his separation agreement, Mr. Elders was 100% vested in his Deferred Compensation Plan balance at December 31, 2014.

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POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following tables show potential payments to certain of our NEOs under existing contracts, agreements, plans or arrangements, whether written or unwritten, for various scenarios under which a payment would be due (assuming each is applicable) involving a change in control or termination of employment of each of our NEOs, assuming a December 31, 2014 termination date and, where applicable, using the closing price of our common stock of \$2.91 as of December 31, 2014 (as reported on the NYSE). These tables do not reflect amounts that would be payable to the NEOs pursuant to benefits or awards that are already vested.

The amounts reported in the below tables for stock options, restricted stock, restricted stock units and performance shares represent the value of unvested and accelerated shares or units, as applicable, calculated by:

for stock options: multiplying the number of accelerated options by the difference between the exercise price and \$2.91 (the closing price of our common stock on December 31, 2014, as reported on the NYSE); and

for restricted stock, restricted stock units and performance shares: multiplying the number of accelerated shares or units by \$2.91 (the closing price of our common stock on December 31, 2014, as reported on the NYSE).

Mr. Elders resigned from his position as Senior Vice President and Chief Financial Officer in August 2014. In connection with his resignation, we entered into a separation agreement with Mr. Elders providing for various compensation-related benefits in exchange for, among other things, his agreement to comply with several restrictive covenants. Under that separation agreement, Mr. Elders received: (1) a lump-sum cash severance payment in the amount of \$640,000; (2) each then outstanding restricted stock unit award granted to him pursuant to the 2009 LTIP which would, absent his resignation from employment, have remained outstanding and continued to vest through March 15, 2016 would, subject to certain conditions, continue to vest and be settled on the first to occur of (a) the date such award would otherwise be settled in accordance with the terms of the LTIP and the applicable grant agreement, as if his employment had continued, and (b) March 15, 2015; (3) payment of an amount to fund three months of continuing health insurance coverage under the Consolidated Omnibus Reconciliation Act; and (4) reimbursement of certain expenses. All other outstanding unvested equity and performance-based awards previously granted to Mr. Elders were forfeited at the time of his resignation. Vested stock options held by Mr. Elders continue to be exercisable for the remainder of their respective terms. Mr. Elders' benefits under our Director and Executive Deferred Compensation Plan were fully vested as of the date of his resignation, and those benefits are to be paid in accordance with the terms of that plan.

Table of Contents**Estimated Value of Benefits to Be Received Upon Termination Due to Death or Disability**

The following table shows the value of payments and other benefits due the listed NEOs, assuming their death or disability as of December 31, 2014.

	Mr. Dickson	Mr. Spence	Mr. Cummins	Mr. Duncan	Ms. Hinrichs
Severance Payments					
EICP					
Deferred Compensation Plan ⁽¹⁾	\$ 43,858		\$38,716	\$17,240	\$ 0
Stock Options ⁽²⁾					
(unvested and accelerated)			\$ 0	\$ 0	\$ 0
Restricted Stock Awards ⁽³⁾	\$946,675				
Restricted Stock Units ⁽⁴⁾					
(unvested and accelerated)	\$890,809	\$747,160	\$421,630	\$514,444	\$435,223
Performance Shares ⁽⁵⁾					
(unvested)	\$593,876	\$157,297	\$331,807	\$201,247	\$399,723
Total	\$2,475,218	\$904,457	\$792,153	\$732,931	\$834,946

(1) The amounts reported represent 100% of Messrs. Dickson's and Duncan's, and 40% of Mr. Cummins', respective DCP balance as of December 31, 2014 that would become vested on death or disability. Mr. Spence was not a participant in the DCP as of December 31, 2014. Because Ms. Hinrichs is 100% vested in her DCP balance, no additional amount would become vested on her death or disability.

(2) Under the terms of the outstanding stock option awards held by each of the listed NEOs as of December 31, 2014, all unvested option awards would become vested and exercisable on death or disability. Due to the exercise price of the stock options outstanding and the closing price of our common stock on December 31, 2014, the aggregate value of stock options that would become vested and exercisable on death or disability for each applicable NEO would be \$0.

(3) Under the terms of the restricted stock award agreement between McDermott and Mr. Dickson, all unvested restricted stock would become vested upon Mr. Dickson's death or disability.

(4) Under the terms of the outstanding restricted stock unit awards held by each of the listed NEOs as of December 31, 2014, all unvested restricted stock unit awards would become vested and exercisable on his or her death or disability.

- (5) Under the terms of the outstanding 2011 and 2012 performance share awards held by each of the listed NEOs as of December 31, 2014, 100% of the initial performance shares granted would vest on the third, fourth and fifth anniversary of the grant date on his or her death or disability. The number of performance shares that would vest is the number of performance shares that would have vested based on actual performance had the NEO remained employed with McDermott until the third, fourth and fifth anniversaries of the grant date. Under the terms of the outstanding 2013 and 2014 performance share awards held by each of the listed NEOs as of December 31, 2014, 100% of the initial performance shares granted would vest on the third anniversary of the grant date on his or her death or disability. The number of performance shares that would vest is the number of performance shares that would have vested based on actual performance had the NEO remained employed with McDermott until the third anniversary of the grant date. Accordingly, each applicable listed NEO may vest in a number of performance shares ranging from 0% to 200% of the initial performance shares granted, depending on McDermott's performance during the applicable measurement periods.

The amounts reported assume a total of 100% of the initial performance shares granted will vest during the applicable measurement periods, valued at the closing price of McDermott stock as reported on the NYSE on December 31, 2014, although the actual value of such performance shares that may vest could be \$0 for each NEO and up to \$890,814 for Mr. Dickson, \$235,946 for Mr. Spence, \$589,380 for Mr. Cummins, \$328,260 for Mr. Duncan and \$725,213 for Ms. Hinrichs, in each case, as applicable, representing a total of 200% of the initial performance shares granted for the 2011, 2012 and 2013 awards, and a total of 150% of the initial performance shares granted for the 2014 awards. Additionally, the value of McDermott common stock could be greater or less than the amount used to value the performance shares for this table.

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Estimated Value of Benefits to Be Received Upon Change in Control

We have change-in-control agreements with various officers, including each of our NEOs. Generally, under these agreements, if a NEO is terminated within one year following a change in control either: (1) by our company for any reason other than cause or death or disability; or (2) by the NEO for good reason, McDermott is required to pay the NEO a severance payment based on the NEO's salary and a severance payment based on the NEO's target EICP percentage. In addition to these payments, the NEO would be entitled to various accrued benefits earned through the date of termination, such as earned but unpaid salary, earned but unused vacation and reimbursements.

Under these agreements, a change in control generally occurs on the occurrence of any of the following:

a person becomes the beneficial owner of 30% or more of the combined voting power of McDermott's then outstanding voting stock unless such acquisition is made directly from McDermott in a transaction approved by a majority of McDermott's incumbent directors;

individuals who are incumbent directors cease for any reason to constitute a majority of McDermott's board;

completion of a merger or consolidation of McDermott with another company or an acquisition by McDermott or its subsidiaries, unless immediately following such merger, consolidation or acquisition: (1) all or substantially all of the individuals or entities that were the beneficial owners of outstanding McDermott voting securities immediately before such merger, consolidation or acquisition beneficially own at least 50% of the then outstanding shares of voting stock of the parent corporation resulting from the merger, consolidation or acquisition in the same relative proportions as their ownership immediately before such merger, consolidation or acquisition; (2) if such merger, consolidation or acquisition involves the issuance or payment by McDermott of consideration to another entity or its stockholders, the total fair market value of such consideration plus the principal amount of the consolidated long-term debt of the entity or business being acquired, does not exceed 50% of the sum of the fair market value of the outstanding McDermott voting stock plus the principal amount of our consolidated long-term debt; (3) no person beneficially owns 30% or more of the then outstanding shares of the voting stock of the parent company resulting from such merger, consolidation or acquisition; and (4) a majority of the members of the board of directors of the parent corporation resulting from such merger, consolidation or acquisition were incumbent directors of McDermott immediately before such merger, consolidation or acquisition;

completion of the sale or disposition of 50% or more of the assets of McDermott and its subsidiaries on a consolidated basis, unless immediately following such sale or disposition: (1) the individuals and entities that were beneficial owners of outstanding McDermott voting stock immediately before such sale or disposition beneficially own at least 50% of the then outstanding shares of voting stock of McDermott and of the entity that acquires the largest portion of such assets, and (2) a majority of the members of the McDermott Board (if it continues to exist) and the board of directors of the entity that acquires the largest portion of such assets were incumbent directors of McDermott immediately before the completion of such sale or disposition; or

any other set of circumstances is deemed by the Board in its sole discretion to constitute a change in control. The change-in-control agreements do not provide for excise tax gross-ups. They do, however, provide for the potential reduction in payments to the applicable officer in order to avoid excise taxes.

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The following table shows the estimated value of payments and other benefits due the listed NEOs, assuming a change in control and termination as of December 31, 2014.

	Mr. Dickson	Mr. Spence	Mr. Cummins	Mr. Duncan	Ms. Hinrichs
Salary-Based Severance Payment ⁽¹⁾	\$4,250,000	\$1,183,206	\$1,530,000	\$1,445,000	\$1,624,350
EICP-Based Severance Payment ⁽²⁾	\$ 850,000	\$ 332,500	\$ 315,000	\$ 297,500	\$ 334,425
Deferred Compensation Plan ⁽³⁾	\$ 43,858		\$ 38,716	\$ 17,240	\$ 0
Stock Options ⁽⁴⁾ (unvested and accelerated)			\$ 0	\$ 0	\$ 0
Restricted Stock Awards ⁽⁴⁾ (unvested and accelerated)	\$ 946,675				
Restricted Stock Units ⁽⁴⁾ (unvested and accelerated)	\$ 890,809	\$ 747,160	\$ 421,630	\$ 514,444	\$ 435,223
Performance Shares ⁽⁴⁾ (unvested and accelerated)	\$ 593,876	\$ 157,297	\$ 331,807	\$ 201,247	\$ 399,723
Total	\$7,575,218	\$2,420,163	\$2,637,153	\$2,475,431	\$2,793,721

(1) The salary-based severance payment made to each listed NEO, with the exception of Mr. Dickson, in connection with a change in control would be a cash payment equal to 200% of the sum of his or her annual base salary prior to termination and his or her EICP target award applicable to the year in which the termination occurs. The severance payment made to Mr. Dickson in connection with a change in control would be a cash payment equal to 250% of the sum of his annual base salary prior to termination and his EICP target award applicable to the year in which the termination occurs.

For a hypothetical termination as of December 31, 2014, the salary-based severance payment under a change in control would have been calculated based on the following base salary and target EICP awards. The amount reported for Mr. Spence reflects his partial year base salary earned after joining McDermott on August 25, 2014. See Grants of Plan-Based Awards above for more information on the calculation of target EICP awards.

NEO	Annual Base Salary	Target EICP Award
Mr. Dickson	\$850,000	\$850,000
Mr. Spence	\$475,000	\$116,603
Mr. Cummins	\$450,000	\$315,000
Mr. Duncan	\$425,000	\$297,500
Ms. Hinrichs	\$477,750	\$334,425

(2)

Each listed NEO could receive up to two EICP-based severance payments in connection with a change in control depending on the timing of the termination relative to the payment of an EICP award, as follows:

If an EICP award for the year prior to termination is paid to other EICP participants after the date of the NEO's termination, the NEO would be entitled to a cash payment equal to the product of the NEO's target EICP percentage (or, if greater, the actual amount of the bonus determined under the EICP for the year prior to termination) and the NEO's annual base salary for the applicable period. No such payment would have been due a NEO on a December 31, 2014 termination, because the 2013 EICP awards had already been paid.

The NEO would be entitled to a prorated EICP payment based upon the NEO's target EICP percentage for the year in which the termination occurs and the number of days in which the NEO was employed with us during that year. Based on a hypothetical December 31, 2014 termination, each NEO would have been entitled to an EICP payment equal to 100% of his or her 2014 target EICP percentage times annual base salary, calculated based on the following base salary and target EICP percentage:

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NEO	Annual Base Salary	Target EICP Percentage
Mr. Dickson	\$850,000	100%
Mr. Spence	\$475,000	70%
Mr. Cummins	\$450,000	70%
Mr. Duncan	\$425,000	70%
Ms. Hinrichs	\$477,750	70%

- (3) The amounts reported represent 100% of Messrs. Dickson's and Duncan's and 40% of Mr. Cummins' respective Deferred Compensation Plan balance as of December 31, 2014 that would become vested in connection with a termination of employment following a change in control. Mr. Spence was not a participant in the Deferred Compensation Plan as of December 31, 2014. Because Ms. Hinrichs is 100% vested in her Deferred Compensation Plan balance, no additional amount would become vested in connection with a termination of employment following a change in control. Under the Deferred Compensation Plan, a change in control generally occurs if:

a person (other than a McDermott employee benefit plan or a corporation owned by McDermott stockholders in substantially the same proportion as the ownership of McDermott voting shares) is or becomes the beneficial owner of 30% or more of the combined voting power of McDermott's then outstanding voting stock;

during any period of two consecutive years, individuals who at the beginning of such period constitute McDermott's Board of Directors, and any new director whose election or nomination by McDermott's Board was approved by at least two-thirds of the directors of McDermott's Board then still in office who either were directors at the beginning of the period or whose election or nomination was previously approved, cease to constitute a majority of McDermott's Board;

a merger or consolidation of McDermott with any other corporation or entity has been completed, other than a merger or consolidation which results in the outstanding McDermott voting securities immediately prior to such merger or consolidation continuing to represent at least 50% of the combined voting power of the voting securities of McDermott or the surviving entity outstanding immediately after such merger or consolidation;

McDermott's stockholders approve (1) a plan of complete liquidation of McDermott; or (2) an agreement for the sale or disposition by McDermott of all or substantially all of McDermott's assets; or

within one year following the completion of a merger or consolidation transaction involving McDermott, (1) individuals who, at the time of execution and delivery of definitive agreements completing such transaction constituted the Board, cease for any reason (excluding death, disability or voluntary resignation) to constitute a majority of the Board; or (2) either individual, who at the first execution and delivery of definitive agreements completing the transaction, served as Chief Executive Officer or Chief Financial Officer does not, for any reason (excluding death, disability or voluntary resignation), serve as the Chief

Executive Officer or Chief Financial Officer, as applicable, of McDermott, or if McDermott does not continue as a registrant with a class of equity securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended, as the Chief Executive Officer or Chief Financial Officer, as applicable, of a corporation or other entity that is (A) a registrant with a class of equity securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended, and (B) the surviving entity in such transaction or a parent entity of the surviving entity or McDermott following the completion of such transaction; provided, however, that a change in control would not be deemed to have occurred pursuant to this clause in the case of a merger or consolidation which results in the voting securities of McDermott outstanding immediately prior to the completion of the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 55% of the combined voting power of the voting securities of the McDermott or the surviving entity outstanding immediately after such merger or consolidation.

- (4) Under the terms of the stock option, restricted stock and restricted stock unit awards outstanding, all unvested stock options would become vested and exercisable and all unvested restricted stock and restricted stock units would become vested on a change in control, regardless of whether there is a subsequent termination of employment. Due to the exercise price of the stock options outstanding for our NEOs and the closing price of our common stock on the NYSE on December 31, 2014, the aggregate value of stock options that would become vested and exercisable on a change in control, regardless of whether there is a subsequent termination of employment, would be \$0. Under the terms of the performance share awards outstanding, the greater of (1) 100% of the initial performance shares granted, or (2) the vested percentage of initial

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performance shares determined in accordance with the grant agreement would become vested on a change in control, regardless of whether there is a subsequent termination of employment. Under the 2009 LTIP, a change in control generally occurs under the same circumstances described above with respect to our Deferred Compensation Plan. Under the 2014 LTIP, a change in control generally occurs under the same circumstances described in the first three bullets in note (3) above with respect to our Deferred Compensation Plan, as well as on the occurrence of the below circumstances:

McDermott's stockholders approve a plan of complete liquidation of McDermott;

the consummation of a sale or disposition by McDermott of all or substantially all of McDermott's assets other than to an entity that is under common control with McDermott or to an entity for which at least fifty percent (50%) of the combined voting power of its voting securities outstanding immediately after such sale or disposition are owned or controlled by the stockholders of McDermott immediately prior to such sale or disposition; or

within one year following the completion of a merger or consolidation transaction involving McDermott, (1) individuals who, at the time of execution and delivery of definitive agreements relating to such transaction constituted the Board, cease for any reason (excluding death, disability or voluntary resignation) to constitute a majority of the Board; or (2) the individual, who at the first execution and delivery of definitive agreements relating to the transaction, served as Chief Executive Officer does not, for any reason (excluding death, disability or voluntary resignation), serve as the Chief Executive Officer of McDermott, or if McDermott does not continue as a registrant with a class of equity securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended, as the Chief Executive Officer of a corporation or other entity that is (A) a registrant with a class of equity securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended, and (B) the surviving entity in such transaction or a parent entity of the surviving entity or McDermott following the completion of such transaction; provided, however, that a change in control would not be deemed to have occurred pursuant to this clause in the case of a merger or consolidation which results in the voting securities of McDermott outstanding immediately prior to the completion of the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 55% of the combined voting power of the voting securities of the McDermott or the surviving entity outstanding immediately after such merger or consolidation.

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ADVISORY VOTE TO APPROVE NEO COMPENSATION

(ITEM 2)

As required by Section 14A(a)(1) of the Exchange Act, we are providing our stockholders with an advisory vote to approve NEO compensation.

The Compensation Committee has overall responsibility for our compensation plans, policies and programs with respect to the NEOs. Additional information regarding the Compensation Committee and its role is described under Compensation Discussion and Analysis and the related tables and narrative disclosures. Our compensation programs are based on our belief that our ability to attract, develop, retain and motivate qualified employees to develop, expand and execute sound business opportunities is essential to the success of our company. To that end, the Compensation Committee, with the assistance of its compensation consultant, designs and administers compensation programs with the participation of our management. These programs generally seek to provide compensation that:

incentivizes and rewards short- and long-term performance, continuity of service and individual contributions; and

promotes retention of well-qualified executives, while aligning the interests of our executives with those of our stockholders.

We believe our compensation programs motivate and encourage the retention of the NEOs, while allowing for appropriate levels of business risk through some of the following features:

Reasonable Compensation Programs Using the elements of total direct compensation, the Compensation Committee seeks to provide compensation opportunities for employees targeted at or near the median compensation of comparable positions in our market. As a result, we believe the total direct compensation of executive officer employees provides a reasonable and appropriate mix of cash and equity, annual and longer-term incentives and performance metrics.

Emphasis on Long-Term Incentive Compensation Over Annual Incentive Compensation Long-term incentive compensation typically makes up a larger percentage of an executive officer's total direct compensation than annual incentive compensation. Incentive compensation helps drive performance and align the interests of our employees with those of stockholders. In addition, tying a significant portion of an employee's total direct compensation to long-term incentives (which typically vest over a period of three or more years) helps to promote longer-term perspectives regarding our company's performance.

Clawback Policy The Compensation Committee has adopted a policy that allows McDermott to recover, under certain circumstances, compensation paid to executive officers.

Long-Term Incentive Compensation Subject to Forfeiture The Compensation Committee may terminate any outstanding stock award if the recipient, while employed by McDermott or performing services on behalf of McDermott under any consulting agreement: (1) is convicted of a misdemeanor involving fraud, dishonesty or moral turpitude or a felony; or (2) engages in conduct that adversely affects or, in the sole judgment of the Compensation Committee, may reasonably be expected to adversely affect, the business reputation or economic interests of our company.

Annual Incentive Compensation Subject to Linear and Capped Payouts The Compensation Committee establishes financial performance goals which are generally used to plot a linear payout formula for annual incentive compensation, eliminating payout cliffs between the established performance goals. The maximum payout for the annual incentive compensation is capped at 200% of target.

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Use of Multiple Performance Metrics Utilizing diversified performance measures helps prevent compensation opportunities from being overly weighted toward the performance result of a single measure. In 2014, McDermott utilized operating income as the performance metric for our long-term incentive plan, and operating income, free cash flow, order intake and order intake operating margin as the performance metrics for our annual incentive plan. These metrics are further diversified from metrics used in prior years, which we believe further reduces risks related to incentive compensation.

Stock Ownership Guidelines Our executive officers and directors are subject to stock ownership guidelines, which also help promote longer-term perspectives and align the interests of our executive officers and directors with those of our stockholders. All directors and executive officers currently meet or exceed their ownership requirement or are within the five-year period allowed to achieve compliance.

Reflecting these compensation objectives, 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 EICP designed to align with near-term operational priorities, composed entirely of performance-based compensation; and

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

Realizable Value of Performance-Based Awards.

In accordance with our Compensation Committee's philosophy and program, performance based awards 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.

For the reasons discussed in the Compensation Discussion and Analysis above, the Board of Directors unanimously recommends that stockholders vote FOR the following resolution:

RESOLVED, that the compensation paid to the NEOs, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and accompanying narrative discussion in McDermott's proxy statement relating to its 2015 annual meeting of stockholders, is hereby APPROVED.

While the resolution is non-binding, the Board of Directors plans to consider the outcome of the vote when making future compensation decisions.

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AUDIT COMMITTEE REPORT

The Board of Directors appoints an Audit Committee to review McDermott International, Inc.'s financial matters. Each member of the Audit Committee meets the independence requirements established by the New York Stock Exchange. The Audit Committee is responsible for the appointment, compensation, retention and oversight of McDermott's independent registered public accounting firm. We are also responsible for recommending to the Board that McDermott's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year.

In making our recommendation that McDermott's financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2014, we have taken the following steps:

We reviewed, and discussed with McDermott's management and Deloitte & Touche LLP (D&T), McDermott's audited consolidated balance sheet at December 31, 2014, and consolidated statements of income, comprehensive income, cash flows and stockholders' equity for the year ended December 31, 2014.

We discussed with D&T, McDermott's independent registered public accounting firm for the year ended December 31, 2014, those matters required to be discussed under the standards of the Public Company Accounting Oversight Board, including information regarding the scope and results of the audit. These communications and discussions are intended to assist us in overseeing the financial reporting and disclosure process.

We received and reviewed the written disclosures and the letter from D&T required by applicable requirements of the Public Company Accounting Oversight Board regarding D&T's communications with the Audit Committee concerning D&T's independence from McDermott, and have discussed with D&T its independence from McDermott. We also considered whether the provision of non-audit services to McDermott is compatible with D&T's independence.

We conducted periodic executive sessions with D&T, with no members of McDermott management present during those discussions. D&T did not identify any material audit issues, questions or discrepancies, other than those previously discussed with management, which were resolved to the satisfaction of all parties.

We conducted periodic executive sessions with McDermott's internal audit department and regularly received reports regarding McDermott's internal control procedures.

We reviewed, and discussed with McDermott's management and D&T, management's report and D&T's report and attestation on internal control over financial reporting, each of which was prepared in accordance with Section 404 of the Sarbanes-Oxley Act.

We determined that there were no former D&T employees, who previously participated in the McDermott audit, engaged in a financial reporting oversight role at McDermott.

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Based on the reviews and actions described above, we recommended to the Board that McDermott's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the Securities and Exchange Commission.

THE AUDIT COMMITTEE

William H. Schumann, III, Chairman

Stephen G. Hanks

David A. Trice

Table of Contents**RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
FOR YEAR ENDING DECEMBER 31, 2015****(ITEM 3)**

Our Board of Directors has ratified the decision of the Audit Committee to appoint Deloitte & Touche LLP (D&T) to serve as the independent registered public accounting firm to audit our financial statements for the year ending December 31, 2015. Although we are not required to seek stockholder approval of this appointment, it has been our practice to do so. No determination has been made as to what action the Audit Committee and the Board of Directors would take if our stockholders fail to ratify the appointment. Even if the appointment is ratified, the Audit Committee retains discretion to appoint a new independent registered public accounting firm at any time if the Audit Committee concludes such a change would be in the best interests of McDermott. Representatives of D&T will be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so and to respond to appropriate questions.

For the years ended December 31, 2014 and 2013, McDermott paid D&T fees, including expenses and taxes, totaling \$4,456,426 and \$3,564,326, which can be categorized as follows:

	2014	2013
Audit		
The Audit fees for the years ended December 31, 2014 and 2013 were for professional services rendered for the audits of the consolidated financial statements of McDermott, the audit of McDermott's internal control over financial reporting, statutory and subsidiary audits, reviews of the quarterly consolidated financial statements of McDermott and assistance with review of documents filed with the SEC.	\$4,159,041	\$3,482,866
Audit-Related		
The Audit-Related fees for the years ended December 31, 2014 and 2013 were for assurance and related services, employee benefit plan audits and advisory services related to Sarbanes-Oxley Section 404 compliance.	\$143,800	\$16,330
Tax		
The Tax fees for the years ended December 31, 2014 and 2013 were for professional services rendered for consultations on various U.S. federal, state and international tax matters, international tax compliance and tax planning, and assistance with tax examinations.	\$153,585	\$65,130
All Other		
During the years ended December 31, 2014 and December 31, 2013, there were no other services.	\$0	\$0
Total	\$4,456,426	\$3,564,326

It is the policy of our Audit Committee to preapprove all audit, review or attest engagements and permissible non-audit services to be performed by our independent registered public accounting firm, subject to, and in compliance with, the *de minimis* exception for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934 and the applicable rules and regulations of the SEC. Our Audit Committee did not rely on the *de minimis* exception for any of the fees disclosed above.

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Recommendation and Vote Required

Our Board of Directors recommends that stockholders vote **FOR** the ratification of the decision of our Audit Committee to appoint Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2015. The proxy holders will vote all proxies received for approval of this proposal unless instructed otherwise. Approval of this proposal requires the affirmative vote of a majority of the outstanding shares of common stock present in person or represented by proxy and entitled to vote and actually voting on this proposal at the Annual Meeting. Because abstentions are not actual votes with respect to this proposal, they have no effect on the outcome of the vote on this proposal.

Table of Contents**SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth the number of shares of our common stock beneficially owned as of March 12, 2015 by each director or nominee as a director, and each NEO and all our directors and executive officers as a group, including shares that those persons have the right to acquire within 60 days on the exercise of stock options.

Name	Shares that may be Acquired on Stock Option Exercise⁽¹⁾	Shares held in Thrift Plan⁽²⁾	Total Shares Beneficially Owned⁽³⁾
John F. Bookout, III	6,105		281,273
Roger A. Brown	37,794		115,642
Scott V. Cummins	98,003		222,212
David Dickson			470,725
Tony Duncan	6,157		49,110
Perry L. Elders ⁽⁴⁾	136,097		187,318
Stephen G. Hanks			57,787
Liane K. Hinrichs	168,366	2,845	393,401
Gary P. Luquette			25,728
William H. Schumann, III			56,025
Mary Shafer-Malicki			47,957
Stuart A. Spence			
David A. Trice			77,332
All directors and executive officers as a group (17 persons)	500,633	2,845	2,181,467

(1) This column includes shares of common stock that the director or NEO has the right to acquire within 60 days on the exercise of stock options. As of March 12, 2015, the share price of our common stock (\$3.18) did not exceed the strike price of any of the stock option awards in this column.

(2) This column includes shares of common stock held in the NEO's McDermott Thrift Plan account.

(3) Shares beneficially owned in all cases constituted less than one percent of the outstanding shares of common stock on March 12, 2015, as determined in accordance with Rule 13d-3(d)(1) under the Securities Exchange Act of 1934. Shares beneficially owned by all directors and executive officers as a group constituted approximately 0.89% of the outstanding shares of common stock on March 12, 2015.

(4) The number of shares reported as beneficially owned by Mr. Elders is as of his August 23, 2014 resignation date.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table furnishes information concerning all persons known by us to beneficially own 5% or more of our outstanding shares of common stock, which is our only class of voting stock outstanding:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class⁽¹⁾
Common Stock	Fairpointe Capital LLC One N. Franklin, Suite 3300 Chicago, IL 60606	23,779,754 ⁽²⁾	9.97%
Common Stock	Artisan Partners Holdings LP 875 East Wisconsin Avenue, Suite 800 Milwaukee, WI 53202	17,825,110 ⁽³⁾	7.47%
Common Stock	BlackRock, Inc. 40 East 52 nd Street New York, NY 10022	16,615,931 ⁽⁴⁾	6.97%
Common Stock	The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	14,798,286 ⁽⁵⁾	6.21%

- (1) Percent is based on outstanding shares of our common stock on March 12, 2015.
- (2) As reported on a Schedule 13G/A filed with the SEC on February 4, 2015. The Schedule 13G/A reports beneficial ownership of 23,779,754 shares, sole voting power over 23,062,988 shares, sole dispositive power over 23,344,454 shares and shared dispositive power over 435,300 shares.
- (3) As reported on a Schedule 13G/A filed with the SEC on January 30, 2015. The Schedule 13G/A reports beneficial ownership of 17,825,110 shares of our common stock, shared voting power over 17,340,648 shares and shared dispositive power over 17,825,110 shares by Artisan Partners Limited Partnership (APLP). The Schedule 13G/A also reports that each of Artisan Investments GP LLC (Artisan Investments), Artisan Partners Holdings LP (Artisan Holdings) and Artisan Partners Asset Management Inc. (APAM) has shared voting power over 17,340,648 shares and shared dispositive power over 17,825,110 shares. The Schedule 13G/A also reports that Artisan Partners Funds, Inc. (Artisan Funds) has shared voting power and shared dispositive power over 13,103,302 shares. Artisan Funds is an Investment Company. APLP is an investment adviser. Artisan Holdings is the sole limited partner of APLP and the sole member of Artisan Investments; Artisan Investments is the general partner of APLP; and APAM is the general partner of Artisan Holdings.
- (4) As reported on a Schedule 13G/A filed with the SEC on February 2, 2015. The Schedule 13G/A reports beneficial ownership of 16,615,931 shares, sole voting power over 15,998,582 shares and sole dispositive power over 16,615,931 shares.
- (5) As reported on a Schedule 13G/A filed with the SEC on February 11, 2015. The Schedule 13G/A reports beneficial ownership of 14,798,286 shares, sole voting power over 350,844 shares, sole dispositive power over 14,465,142 shares and shared dispositive power over 333,144 shares.

Table of Contents**Certain Relationships and Related Transactions**

Pursuant to our Code of Business Conduct, all employees (including our NEOs) who have, or whose immediate family members have, any direct or indirect financial or other participation in any business that competes with, supplies goods or services to, or is a customer, of McDermott, are required to disclose to us and receive written approval from our Corporate Ethics and Compliance department prior to transacting such business. Our employees are expected to make reasoned and impartial decisions in the workplace. As a result, approval of the business is denied if we believe that the employee's interest in such business could influence decisions relative to our business, or have the potential to adversely affect our business or the objective performance of the employee's work. Our Corporate Ethics and Compliance department implements our Code of Business Conduct and related policies and the Governance Committee of our Board is responsible for overseeing our Ethics and Compliance Program, including compliance with our Code of Business Conduct. Our Board members are also responsible for complying with our Code of Business Conduct. Additionally, our Governance Committee is responsible for reviewing the professional occupations and associations of our Board members and reviews transactions between McDermott and other companies with which our Board members are affiliated. To obtain a copy of our Code of Business Conduct, please see the Corporate Governance section above in this proxy statement.

During 2011, the Investment Committee of the McDermott Master Trust (the Trust), the funding vehicle underlying the Retirement Plan, entered into an agreement with BlackRock Institutional Trust Company, N.A. (BlackRock), pursuant to which BlackRock agreed to manage the investment of a portion of the Trust assets. BlackRock is a subsidiary of BlackRock, Inc. and, collectively with certain other subsidiaries of BlackRock, Inc., owned approximately 7.0% of McDermott common stock on December 31, 2014 as reported on BlackRock, Inc.'s Schedule 13G/A filed with the SEC on February 2, 2015. The amount of Trust assets under management with BlackRock may vary from time to time. As of December 31, 2014, the value of the Trust assets under management with BlackRock was approximately \$79.5 million. BlackRock receives a fee for investment management services for the portion of the Trust assets allocated to BlackRock. These fees are calculated quarterly in arrears by averaging the account's prior three month-end market values and applying 25% of the annual fee schedule (6.0 basis points), or 1.5 basis points quarterly.

The Investment Committee of the Trust is a fiduciary of the Retirement Plan appointed by McDermott's subsidiary that maintains the Retirement Plan. The Investment Committee is responsible for the management and control of the Trust assets and is authorized to appoint fund managers under the terms of the Retirement Plan and the Trust. Selection of fund managers is performed with the assistance of a third-party investment consulting firm, in accordance with an investment policy statement approved and adopted by the Investment Committee.

Section 16(a) Beneficial Ownership Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own 10% or more of our voting stock, to file reports of ownership and changes in ownership of our equity securities with the SEC and the New York Stock Exchange. Directors, executive officers and 10% or more holders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies of those forms furnished to us, or written representations that no forms were required, we believe that our directors, executive officers and 10% or more beneficial owners complied with all Section 16(a) filing requirements during the year ended December 31, 2014.

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Stockholders Proposals

Any stockholder who wishes to have a qualified proposal considered for inclusion in our proxy statement for our 2016 Annual Meeting must send notice of the proposal to our Corporate Secretary at our principal executive office no later than November 28, 2015. If you make such a proposal, you must provide your name, address, the number of shares of common stock you hold of record or beneficially, the date or dates on which such common stock was acquired and documentary support for any claim of beneficial ownership.

In addition, any stockholder who intends to submit a proposal for consideration at our 2016 Annual Meeting, but not for inclusion in our proxy materials, or who intends to submit nominees for election as directors at the meeting must notify our Corporate Secretary. Under our By-Laws, such notice must (1) be received at our executive offices no earlier than November 10, 2015 or later than January 9, 2016, and (2) satisfy specified requirements. A copy of the pertinent By-Law provisions can be found on our Web site at www.mcdermott.com at About Us Leadership & Corporate Governance Corporate Governance.

By Order of the Board of Directors,

LIANE K. HINRICHS

Secretary

Dated: March 27, 2015

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MCDERMOTT INTERNATIONAL, INC.
757 N. ELDRIDGE PKWY
HOUSTON, TX 77079

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M., Eastern Time, on May 7, 2015 (May 5, 2015 for participants in McDermott's Thrift Plan). Have your proxy card in hand when you access the Web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M., Eastern Time, on May 7, 2015 (May 5, 2015 for participants in McDermott's Thrift Plan). Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Using a blue or black ink pen, mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M86589-P61681

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

MCDERMOTT INTERNATIONAL, INC.

The Board of Directors recommends you vote FOR the following:

1.

For All **Withhold All** **For All Except**

..

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

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McDermott International, Inc.

Annual Meeting

Friday, May 8, 2015 at 10:00 a.m.

The Westin Houston Hotel

945 Gessner Road

Houston, Texas 77024

Dear Stockholder:

McDermott International, Inc. encourages you to vote the shares electronically through the Internet or the telephone, which are available 24 hours a day, 7 days a week. This eliminates the need to return the proxy card.

Your electronic vote authorizes the named proxies in the same manner as if you marked, signed, dated and returned the proxy card.

If you choose to vote the shares electronically, there is no need for you to mail back the proxy card.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com
IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG PERFORATION,

DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE

M86590-P61681

McDERMOTT INTERNATIONAL, INC.

This proxy is solicited on behalf of the Board of Directors

Annual Meeting of Stockholders - Friday, May 8, 2015 at 10:00 a.m.

The undersigned hereby appoints David Dickson and Liane K. Hinrichs, and each of them individually, as proxies, each with the power to appoint his or her substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this proxy card, all of the shares of Common Stock of MCDERMOTT INTERNATIONAL, INC. (McDermott) that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 10:00 a.m., local time, on Friday, May 8, 2015 at The Westin Houston Hotel, 945 Gessner Road, Houston, Texas 77024, and any adjournment or postponement thereof.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE STOCKHOLDER(S). IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES FOR THE BOARD OF DIRECTORS LISTED ON THE REVERSE SIDE AND FOR EACH OF ITEMS 2 AND 3.

THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF MCDERMOTT S ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2014

AND ITS NOTICE OF 2015 ANNUAL MEETING AND RELATED PROXY STATEMENT.

ATTENTION PARTICIPANTS IN MCDERMOTT S THRIFT PLAN: If these shares of McDermott Common Stock are held through the McDermott Thrift Plan, this proxy covers all shares for which the undersigned has the right to give voting instructions to Vanguard Fiduciary Trust Company (Vanguard), Trustee of the McDermott Thrift Plan. Your proxy must be received no later than 11:59 p.m., Eastern Time, on May 5, 2015. Any shares of McDermott Common Stock held in the McDermott Thrift Plan that are not voted or for which Vanguard does not receive timely voting instructions, will be voted in the same proportion as the shares for which Vanguard receives timely voting instructions from other participants in the McDermott Thrift Plan.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE REPLY CARD ENVELOPE

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

