WESTERN ALLIANCE BANCORPORATION
Form 3
May 03, 2016

FORM 3

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

OMB APPROVAL

OMB Number:	3235-0104
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Peckham John
(Last) (First) (Middle)

C/O WESTERN ALLIANCE BANCORPORATION,Â ONE E. WASHINGTON STREET, STE 1400
(Street)

PHOENIX,Â AZÂ 85004
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
04/26/2016

3. Issuer Name **and** Ticker or Trading Symbol
WESTERN ALLIANCE BANCORPORATION [WAL]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP, Technology & Operations

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	22,539	D	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security	4. Conversion or Exercise	5. Ownership Form of	6. Nature of Indirect Beneficial Ownership (Instr. 5)

		(Instr. 4)			
Date Exercisable	Expiration Date	Title	Amount or Number of Shares	Price of Derivative Security	Derivative Security: Direct (D) or Indirect (I) (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Peckham John C/O WESTERN ALLIANCE BANCORPORATION ONE E. WASHINGTON STREET, STE 1400 PHOENIX,Â AZÂ 85004	Â	Â	Â EVP, Technology & Operations	Â

Signatures

/s/ Dale Gibbons (Attorney-in-fact)	05/03/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ding-Bottom:0pt;width:1%;white-space:nowrap;">

Adjustments:

Interest Expense (including interest capitalized)

18.9

18.7

44.5

3.3

Tax expense (benefit)

10.3

1.5

4.8

3.5

Depreciation, drydock and amortization (excluding attributable to Nonguarantors)

26.1

25.4

21.9

29.0

Other items:

Equity (income) loss

2.2

3.4

3.3

(1.1

)

(Gain) loss on assets disposal

0.1

(4.8

)

(35.1

)

(6.4

)

Restructuring expense

6.0

4.7

1.3

6.1

Others

1.1

5.9

6.7

5.6

Total adjustments

$

64.7

$

54.8

$

47.4

$

40.0

Calculated EBITDA - Period

$

72.9

$

24.5

$

40.0

$

(6.5

)

Calculated EBITDA - Cumulative/TTM[1]

$

130.9

$

58.0

$

33.5

$

(6.5

)

[(1)] TTM starts from January 2014

The LC Facility also requires us to maintain a ratio of fair market value of vessel collateral to the sum of (1) the outstanding principal amount of the Term Loan, (2) the aggregate amount of undrawn financial letters of credit outstanding under the LC Facility, (3) all drawn but unreimbursed letters of credit under the LC Facility, and (4) mark-to-market foreign exchange exposure that is not cash secured of at least 1.2:1.0. As of December 31, 2014, the actual ratio was 2.6 to 1.0.

The LC Facility also specifies maximum capital expenditures over the term of the facility and requires us to maintain at least $200.0 million of minimum available cash at the end of each quarter. We have remained in compliance with the covenants under the LC Facility through December 31, 2014.

45

The LC Facility provides for a commitment fee of 0.50% per year on the unused portion of the LC Facility and letter of credit fees at an annual rate of 2.25% for performance letters of credit and 4.50% for financial letters of credit, as well as customary issuance fees and other fees and expenses.

Term Loan

The Term Loan is secured on a first-lien, second-out basis (with the LC Facility having relative priority over the Term Loan) by pledges of the capital stock of all the Guarantors and mortgages on, or other security interests in, substantially all tangible and intangible assets of our company and the Guarantors, subject to specific exceptions. As of December 31, 2014, we had $298.5 million in borrowings outstanding under the Term Loan, of which $3.0 million was classified as current notes payable.

The Term Loan requires mandatory prepayments from: (1) the proceeds from the sale of assets, as well as insurance proceeds, in each case subject to certain exceptions, to the extent such proceeds are not reinvested in our business within 365 days of receipt; (2) net cash proceeds from the incurrence of indebtedness not otherwise permitted under the New Credit Agreement; and (3) 50% of amounts deemed to be “excess cash flow,” subject to specified adjustments. The Term Loan also requires quarterly amortization payments equal to $750,000. The Term Loan also provides for a prepayment premium if we prepay or re-price the Term Loan prior to April 16, 2015.

The Term Loan requires compliance with various customary affirmative and negative covenants. We must also maintain a ratio of “ownership adjusted fair market value” of marine vessels to the sum of (1) the outstanding principal amount of the Term Loan and (2) the aggregate principal amount of unreimbursed drawings and advances under the LC Facility of at least 1.75:1.0. As of December 31, 2014, the actual ratio was 4.6 to 1.0.

The Term Loan was incurred with 25 basis points of original issue discount and bears interest at a floating rate, which can be, at our option, either: (1) a LIBOR rate for a specified interest period (subject to a LIBOR “floor” of 1.00%) plus an applicable margin of 4.25%; or (2) an alternate base rate (subject to a base rate “floor” of 2.00%) plus an applicable margin of 3.25%.

Senior Notes

During April 2014 we issued $500.0 million in aggregate principal amount of 8.000% senior secured notes due 2021 (the “Notes”) in a private placement in accordance with Rule 144A and Regulation S under the Securities Act of 1933, as amended. Interest on the Notes is payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2014, at an annual rate of 8%. The Notes are scheduled to mature on May 1, 2021. As of December 31, 2014, there was $500.0 million principal amount of Senior Notes outstanding.

The Notes are unconditionally guaranteed on a senior secured basis by the Guarantors, and the Notes are secured on a second-lien basis by pledges of capital stock of certain of our subsidiaries and mortgages and other security interests covering (1) specified marine vessels owned by certain of the Guarantors and (2) substantially all the other tangible and intangible assets of our company and the Guarantors, subject to exceptions for certain assets.

At any time, or from time to time, on or after May 1, 2017, at our option, we may redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount of the Notes to be redeemed) set forth below, together with accrued and unpaid interest to the redemption date, if redeemed during the 12-month period beginning May 1 of the years indicated:

Year	Percentage	
2017	104	%
2018	102	%
2019 and thereafter	100	%

The indenture governing the Notes contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to: (1) incur or guarantee additional indebtedness or issue preferred stock; (2) make investments or certain other restricted payments; (3) pay dividends or distributions on capital stock or purchase or redeem subordinated indebtedness; (4) sell assets; (5) create restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us; (6) create certain liens; (7) sell all or substantially all of our assets or merge or consolidate with or into other companies; (8) enter into transactions with affiliates; and (9) create unrestricted subsidiaries. Many of those covenants would become suspended if the Notes were to attain an investment grade rating from both Moody’s Investors Service, Inc. and Standard and Poor’s Ratings Services and no default has occurred.

Tangible Equity Units

During April 2014, we issued 11,500,000 6.25% tangible equity units (“Units”), each with a stated amount of $25.00. Each Unit consists of (1) a prepaid common stock purchase contract and (2) a senior amortizing note due April 1, 2017 (each an “Amortizing Note”) that has an initial principal amount of $4.1266 per Amortizing Note, bears interest at a rate of 7.75% per annum and has a final scheduled installment payment date of April 1, 2017.

The prepaid common stock purchase contracts were accounted for as additional paid-in capital totaling $240.0 million. As of December 31, 2014, the Amortizing Notes were recorded as long-term debt totaling $40.5 million, of which $15.3 million was classified as current notes payable.

Each prepaid common stock purchase contract will automatically settle on April 1, 2017, unless settled earlier: (1) at the holder’s option, upon which we will deliver shares of our common stock, based on the applicable settlement rate and applicable market value of our stock as determined under the purchase contract; or (2) at our option, upon which we will deliver shares of our common stock, based upon the stated maximum settlement rate of 3.5562 shares per Unit, subject to adjustment. Potential dilutive common shares that may be issued for the settlement of the common stock purchase contracts totaled 40.9 million at December 31, 2014, based on the maximum number of shares issuable per Unit. The potential minimum number of shares issuable is 33.4 million, which represents 2.9030 per Unit. The maximum and minimum settlement rates for the Units are subject to adjustment for certain dilutive events.

North Ocean Financing

NO 105

On September 30, 2010, MII, as guarantor, and North Ocean 105 AS, in which we have a 75% ownership interest, as borrower, entered into a financing agreement to finance a portion of the construction costs of the NO 105. The agreement provides for borrowings of up to $69.4 million, bearing interest at 2.76% per year, and requires principal repayment in 17 consecutive semi-annual installments, which commenced on October 1, 2012. Borrowings under the agreement are secured by, among other things, a pledge of all of the equity of North Ocean 105 AS, a mortgage on the NO 105, and a lien on substantially all of the other assets of North Ocean 105 AS. MII unconditionally guaranteed all amounts to be borrowed under the agreement. As of December 31, 2014 and December 31, 2013, there was $49.0 million and $57.2 million, respectively, in borrowings outstanding under this agreement, of which (as of each date) approximately $8.2 million was classified as current notes payable.

NO 102

In December 2009, JRMSA entered into a vessel-owning joint venture transaction with Oceanteam ASA and, as a result, we have included notes payable of these entities on our consolidated balance sheets. JRMSA had guaranteed approximately 50% of this debt based on its ownership percentages in the vessel-owning companies. The outstanding debt bore interest at a rate equal to the three-month LIBOR (which was subject to reset every three months) plus a margin of 3.315%. JRMSA exercised its option to purchase Oceanteam ASA’s 50% ownership interest in the vessel-owing companies in December 2014 for $32.9 million. As of December 31, 2013, we reported consolidated notes payable of $31.4 million on our consolidated balance sheet, all of which was classified as current notes payable and paid in full in early 2014.

Unsecured Bilateral Letters of Credit and Bank Guarantees

In 2012, McDermott Middle East, Inc. and MII executed a general reimbursement agreement in favor of a bank located in the UAE relating to issuances of bank guarantees in support of contracting activities in the Middle East and

India. As of December 31, 2014 and December 31, 2013, bank guarantees issued under these arrangements totaled $56.2 million and $55.8 million, respectively. In 2007 and in 2012, JRMSA and MII executed general unsecured reimbursement agreements in favor of three institutions that were lenders under the Former Credit Agreement relating to issuances of letters of credit in support of contracting activities, primarily in Asia and the Middle East. Letters of credit issued under two of these arrangements have either been replaced by letters of credit under the LC Facility or cash collateralized. The letters of credit issued under these arrangements totaled $39.8 million as of December 31, 2013. There were no letters of credit issued under these arrangements as of December 31, 2014.

On April 20, 2012, McDermott and one of its wholly owned subsidiaries, McDermott Australia Pty. Ltd. (“McDermott Australia”), entered into a secured Letter of Credit Reimbursement Agreement (the “Reimbursement Agreement”) with Australia and New Zealand Banking Group Limited (“ANZ”). In accordance with the terms of the Reimbursement Agreement, ANZ issued letters of credit in the aggregate amount of approximately $109.0 million to support McDermott Australia’s performance obligations under contractual arrangements relating to a field development project. The obligations of McDermott and McDermott Australia under the Reimbursement Agreement are secured by McDermott Australia’s interest in the contractual arrangements and certain related assets.

47

During the year ended December 31, 2014, we replaced these letters of credit with letters of credit and cash collateralized letters of credit under the LC Facility.

Surety Bonds

In 2012 and 2011, MII executed general agreements of indemnity in favor of surety underwriters based in Mexico relating to surety bonds issued in support of contracting activities of J. Ray McDermott de Mèxico, S.A. de C.V. and McDermott, Inc., both subsidiaries of MII. As of December 31, 2014 and December 31, 2013, bonds issued under these arrangements totaled $52.5 million and $43.5 million, respectively. In October 2013, MII executed general agreements of indemnity in favor of surety underwriters relating to surety bonds in support of vessels operating in Brazil. The project requiring these bonds was completed during the year ended December 31, 2014, allowing us to cancel the outstanding bonds. Accordingly, as of December 31, 2014, there were no bonds issued under these arrangements. As of December 31, 2013, the bonds issued under these arrangements totaled $106.3 million.

Cash, Cash Equivalents and Investments

In the aggregate, our cash, cash equivalents, restricted cash and investments increased by $700.9 million to $856.8 million at December 31, 2014 from $155.9 million at December 31, 2013, primarily due to the financing transactions in 2014 discussed above.

At February 27, 2015, our cash, cash equivalents and restricted cash and investments totaled approximately $792.0 million.

At December 31, 2014, we had restricted cash and cash equivalents totaling $187.6 million compared to $23.7 million as of December 31, 2013. The amount as of December 31, 2014 includes $154.2 million of cash collateral for letters of credit which generally may be replaced with letters of credit under the LC Facility.

At December 31, 2014, we had investments with a fair value of $3.9 million, $1.7 million of which were classified as short-term and were included in other current assets in the consolidated balance sheet. Our investment portfolio consists primarily of investments in mutual funds and commercial paper. Our investments are classified as available-for-sale and are carried at fair value with unrealized gains and losses, net of tax, reported as a component of other comprehensive income (loss). During the year ended December 31, 2013, we recognized an other than temporary impairment of $1.6 million on the asset-backed securities and collateralized mortgage obligations. Our net unrealized gain (loss) on investments was a gain of $0.2 million as of December 31, 2014 and December 31, 2013. As of December 31, 2013, the major components of our investments in an unrealized loss position were asset-backed and mortgage-backed obligations. In February 2014, we sold all of our asset-backed and mortgage-backed obligations for approximately the same amount as the aggregate carrying value for those obligations.

Our current assets, less current liabilities, excluding cash, cash equivalents, restricted cash and short-term investments, declined by $24.3 million to a negative $207.4 million at December 31, 2014 from a negative $183.1 million at December 31, 2013, primarily due to decreases in accounts receivable.

Cash Flow Activities

Operating activities. Our net cash provided by operating activities was $7.0 million in the year ended December 31, 2014, compared to net cash used in operating activities of $256.6 million in the year ended December 31, 2013. This change was primarily due to the lower operating loss in the year ended December 31, 2014 as compared to the operating loss in the year ended December 31, 2013.

Our net cash used in operating activities was $256.6 million in the year ended December 31, 2013, compared to net cash provided by operating activities of $209.8 million in the year ended December 31, 2012. This change was primarily due to the operating loss in the year ended December 31, 2013 as compared to the operating income in the year ended December 31, 2012.

At the request of one of our customers, we are in the process of terminating some of our local representative and other relationships in our Middle East segment. This process is expected to result in the acceleration of various payments, which we otherwise would have made in future periods, to the first half of 2015.

Investing activities. Our net cash used in investing activities was $409.0 million in the year ended December 31, 2014, compared to net cash used in investing activities of $231.2 million in the year ended December 31, 2013. The change in net cash used in investing activities was primarily due to higher capital expenditures and an increase in restricted cash and cash equivalents attributable to the proceeds from the financing transactions in 2014 discussed above.

Our net cash used in investing activities was $231.2 million in the year ended December 31, 2013, compared to net cash used in investing activities of $188.9 million in the year ended December 31, 2012. The change in net cash used in investing activities was primarily due to lower net sales and maturities of available-for-sale securities.

Financing activities. Our net cash provided by financing activities was $950.6 million in the year ended December 31, 2014, compared to net cash used in financing activities of $33.8 million in 2013. The change was primarily attributable to the financing transactions discussed above.

Our net cash used in financing activities was $33.8 million in the year ended December 31, 2013, compared to net cash used in financing activities of $13.8 million in 2012, primarily due to increased debt repayments in 2013 and increased debt issuance costs.

Capital Expenditures

As part of our strategic growth program, our management regularly evaluates our marine vessel fleet and our fabrication yard construction capacity to ensure our fleet and construction capabilities are adequately aligned with our overall growth strategy. These assessments may result in capital expenditures to upgrade, acquire or operate vessels or upgrade fabrication yards that would enhance or grow our technical capabilities, or may involve engaging in discussions to dispose of certain marine vessels or fabrication yards.

Capital expenditures for the years ended December 31, 2014, 2013 and 2012 were $321.2 million, $284.0 million and $286.3 million, respectively. Capital expenditures for the year ended December 31, 2014 were primarily attributable to the construction of the CSV 108, Deepwater Lay Vessel 2000 (“DLV 2000”) and the continued development of our Altamira, Mexico fabrication facility, as well as costs associated with upgrading the capabilities of other marine vessels. Capital expenditures for years ended December 31, 2013 and 2012 were primarily attributable to construction of the NO 105 and CSV 108 vessels, upgrading the capabilities of the DB 50 and NO 102 vessels and certain upgrades and equipment expenditures associated with other vessels in our marine fleet. The construction of the CSV 108 was substantially complete at December 31, 2014, and the vessel was put to service in February 2015. Remaining obligations on the CSV 108 and DLV 2000 amounted to $253.8 million, all due to be paid in 2015.

On December 5, 2012, we modified our existing vessel operating agreement for the NO 102, with our joint venture partner, Oceanteam Shipping ASA, to allow us greater flexibility to operate and modify this vessel to meet the demands of the offshore market and our customers. In addition, this modification effectively converted our partner’s economic benefits (our costs) into a fixed commercial arrangement, while retaining our option to purchase our partner’s interest in the NO 102 in 2014. In December 2014, we exercised our option to purchase Oceanteam’s interest in the NO 102 vessel-owning entities at a net cost of approximately $32.9 million.

OFF-BALANCE SHEET ARRANGEMENTS

None.

CONTRACTUAL OBLIGATIONS

Our cash requirements as of December 31, 2014 under current contractual obligations were as follows:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years

	(In thousands)				
Long-term debt principal	$891,547	$27,026	$48,832	$307,519	$508,170
Operating leases	$209,856	$25,051	$33,686	$23,746	$127,373
CSV 108 and DLV 2000	$253,769	$253,769	$—	$—	$—
Vessel charters	$1,748	$1,748	$—	$—	$—

We have interest payments on our long-term debt obligations as follows:

Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
(In thousands)				
$345,935	$ 59,391	$119,736	$106,636	$ 60,172

These obligations are based on the debt outstanding at December 31, 2014 and the stated interest rates.

49

Our contingent commitments under letters of credit, bank guarantees and surety bonds currently outstanding expire as follows:

Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
(In thousands)				
$393,330	$ 83,190	$139,169	$54,948	$ 116,023

We have recorded a $49.2 million liability as of December 31, 2014 for unrecognized tax positions and the payment of related interest and penalties. Due to the uncertainties related to these tax matters, we are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority will occur.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, our results of operations are exposed to certain market risks, primarily associated with fluctuations in currency exchange rates and interest rate risk. Our exposure to market risk from changes in interest rates relates primarily to our cash equivalents and our investment portfolio, which primarily consists of investments in commercial paper and other highly liquid money market instruments denominated in U.S. dollars. We are averse to principal loss and seek to ensure the safety and preservation of our invested funds by limiting default risk, market risk and reinvestment risk. All of our investments in debt securities are classified as available-for-sale.

We also have exposure to changes in interest rates relating to interest on borrowings and letter of credit fees under the New Credit Agreement (see Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources"). As of December 31, 2014, we had no material future earnings or cash flow exposures from changes in interest rates on our other outstanding debt obligations, as substantially all of those obligations had fixed interest rates.

We have operations in many locations around the world, and, as a result, our financial results could be significantly affected by factors such as changes in currency exchange rates or weak economic conditions in foreign markets. In order to manage the risks associated with currency exchange rate fluctuations, we attempt to hedge those risks with foreign currency derivative instruments. Historically, we have hedged those risks with foreign currency forward contracts. In certain cases, contracts with our customers may contain provisions under which payments from our customers are denominated in U.S. Dollars and in a foreign currency. The payments denominated in a foreign currency are designed to compensate us for costs that we expect to incur in such foreign currency. In these cases, we may use derivative instruments to reduce the risks associated with currency exchange rate fluctuations arising from differences in timing of our foreign currency cash inflows and outflows. Our operational cash flows and cash balances, though predominately held in U.S. dollars, may consist of different currencies at various points in time in order to execute our project contracts globally. Non-U.S. denominated asset and liability balances are subject to currency fluctuations when measured period to period for financial reporting purposes in U.S. dollars.

Our operational cash flows and cash balances, though predominately held in U.S. dollars, may consist of different currencies at various points in time in order to execute our project contracts globally. Non-U.S. denominated asset and liability balances are subject to currency fluctuations when measured period to period for financial reporting purposes in U.S. dollars.

Interest Rate Sensitivity

The following tables provide information about our financial instruments that are sensitive to changes in interest rates. The tables present principal cash flows and related weighted-average interest rates by expected maturity dates.

At December 31, 2014:	Principal Amount by Expected Maturity (in thousands)							
	Years Ending December 31,							Fair Value at December 31, 2014
	2015	2016	2017	2018	2019	Thereafter	Total	
Investments	$1,699	—	—	—	—	$2,216	$3,915	$ 3,915
Average Interest Rate	0.21 %							
Long-term Debt — fixed rate	$24,026	$25,274	$17,558	$8,616	$ 9,403	$508,170	$593,047	$ 448,993
Average Interest Rate	7.58 %	7.64 %	7.72 %	7.79 %	7.87 %	7.97 %		
Long-term Debt — floating rate	$3,000	$3,000	$3,000	$3,000	$286,500	$—	$298,500	$ 288,987
Average Interest Rate	5.25 %	5.86 %	6.53 %	6.72 %	6.86 %			

At December 31, 2013:	Principal Amount by Expected Maturity (in thousands)							
	Years Ended or Ending December 31,							Fair Value at December 31, 2013
	2014	2015	2016	2017	2018	Thereafter	Total	
Investments	—	—	—	—	—	$14,908	$14,908	$ 13,511
Average Interest Rate						1.02 %		
Long-term Debt — fixed rate	$8,170	$8,170	$8,170	$8,170	$8,170	$16,339	$57,189	$ 58,368
Average Interest Rate	2.76 %	2.76 %	2.76 %	2.76 %	2.76 %	2.76 %		
Long-term Debt — floating rate	$31,373	—	—	—	—	—	$31,373	$ 31,637
Average Interest Rate	2.98 %							

51

Currency Exchange Rate Sensitivity

The following table provides information about our foreign currency forward contracts outstanding at December 31, 2014 and presents such information in U.S. dollar equivalents. The table presents notional amounts and related weighted-average exchange rates by expected (contractual) maturity dates and constitutes a forward-looking statement. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contract. The average contractual exchange rates are expressed using market convention, which is dependent on the currencies being bought and sold under the forward contract.

Forward Contracts to Purchase or Sell Foreign Currencies in U.S. Dollars (in thousands)

Foreign Currency	Year Ending December 31, 2015	Fair Value at December 31, 2014	Average Contractual Exchange Rate
Australian Dollar	$205,361	$(16,613)	0.8866
Danish Krone	$72,445	$(2,321)	5.9328
Euros	$94,651	$(2,342)	1.2448
Pound Sterling	$13,364	$(105)	1.5832
Indian Rupee	$7,612	$(239)	63.0591
Mexican Peso	$87,819	$(85)	14.7890
Norwegian Kroner	$117,598	$(4,024)	7.1447
Singapore Dollar	$126,304	$(5,743)	1.2666

Foreign Currency	Year Ending December 31, 2016	Fair Value at December 31, 2014	Average Contractual Exchange Rate
Australian Dollar	$77,104	$(11,157)	0.9349
Danish Krone	$6,654	$(537)	5.6143
Pound Sterling	$861	$(14)	1.6431
Norwegian Kroner	$14,930	$(1,284)	6.8450

Foreign Currency	Year Ending December 31, 2017	Fair Value at December 31, 2014	Average Contractual Exchange Rate
Australian Dollar	$19,632	$(2,448)	0.9062

52

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
To the Board of Directors and Stockholders of McDermott International, Inc.

Houston, Texas

We have audited the accompanying consolidated balance sheets of McDermott International, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, cash flows, and equity for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of McDermott International, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company has elected to change its method of accounting for recognizing actuarial gains and losses for its pension and postretirement benefit plans from an amortization method to immediate recognition. Such change is reflected in the accompanying consolidated balance sheets as of December 31, 2014 and 2013, and the related statements of consolidated income, comprehensive income, cash flows, and equity for each of the three years in the period ended December 31, 2014.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas

March 2, 2015

53

McDERMOTT INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2014	2013	2012
	(In thousands, except share and per share amounts)		
Revenues	$2,300,889	$2,658,932	$3,641,624
Costs and Expenses:			
Cost of operations	2,113,013	2,801,426	3,100,009
Selling, general and administrative expenses	208,564	193,126	218,162
Asset impairments	(9,002)	84,482	—
Gains on asset disposals	(46,201)	(15,200)	(405)
Restructuring expenses	18,113	35,727	—
Total costs and expenses	2,284,487	3,099,561	3,317,766
Equity in Losses of Unconsolidated Affiliates	(7,848)	(16,116)	(16,719)
Operating Income (Loss)	8,554	(456,745)	307,139
Other Income (Expense):			
Interest income (expense) - net	(60,877)	1,353	4,656
Gain (loss) on foreign currency-net	7,234	16,872	20,142
Other income (expense) - net	(232)	(2,339)	(995)
Total other income (expense)	(53,875)	15,886	23,803
Income (loss) from continuing operations before provision for income taxes, discontinued operations and noncontrolling interests	(45,321)	(440,859)	330,942
Provision for Income Taxes	20,073	49,051	129,204
Income (loss) from continuing operations before discontinued operations and noncontrolling interests	(65,394)	(489,910)	201,738
Gain on disposal of discontinued operation	—	—	257
Income from discontinued operation, net of tax	—	—	3,240
Total income from discontinued operations, net of tax	—	—	3,497
Net income (loss)	(65,394)	(489,910)	205,235
Less: net income attributable to noncontrolling interest	10,600	18,958	10,770
Net income (loss) attributable to McDermott International, Inc.	$(75,994)	$(508,868)	$194,465

Basic earnings (loss) per share			
Income (loss) from continuing operations less noncontrolling interest	(0.32)	(2.15)	0.81
Income (loss) from discontinued operations, net of tax			0.01
Net income (loss) attributable to McDermott International, Inc.	(0.32)	(2.15)	0.83
Diluted earnings (loss) per share:			
Income (loss) from continuing operations less noncontrolling interest	(0.32)	(2.15)	0.80
Income (loss) from discontinued operations, net of tax			0.01
Net income (loss) attributable to McDermott International, Inc.	(0.32)	(2.15)	0.82

Shares used in the computation of earnings per share:			
Basic:	237,229,086	236,514,584	235,638,422
Diluted:	237,229,086	236,514,584	237,619,688

See accompanying notes to consolidated financial statements.

54

McDERMOTT INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Net Income (Loss)	$(65,394)	$(489,910)	$205,235
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on investments	3	2,554	2,087
Foreign currency translation	(12,653)	804	9,072
Gain (loss) on derivatives	(37,537)	(57,176)	8,711
Other comprehensive income (loss), net of tax	(50,187)	(53,818)	19,870
Total Comprehensive Income (Loss)	$(115,581)	$(543,728)	$225,105
Less: Comprehensive Income Attributable to Non-controlling Interests	10,511	18,903	10,835
Comprehensive Income (Loss) Attributable to McDermott International, Inc.	$(126,092)	$(562,631)	$214,270

See accompanying notes to consolidated financial statements.

55

McDERMOTT INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
	(In thousands, except share and per share amounts)	
Assets		
Current Assets:		
Cash and cash equivalents	$665,309	$118,702
Restricted cash and cash equivalents	187,585	23,652
Accounts receivable – trade, net	143,370	381,858
Accounts receivable – other	81,088	89,273
Contracts in progress	357,617	425,986
Deferred income taxes	7,514	7,091
Assets held for sale	14,253	1,396
Other current assets	51,378	32,242
Total Current Assets	1,508,114	1,080,200
Property, Plant and Equipment	2,473,563	2,367,686
Less accumulated depreciation	(830,467)	(889,009)
Net Property, Plant and Equipment	1,643,096	1,478,677
Accounts Receivable – Long-Term Retainages	137,468	65,365
Investments in Unconsolidated Affiliates	38,186	50,536
Deferred Income Taxes	17,313	16,766
Assets Held for Sale	—	12,243
Investments	2,216	13,511
Other Assets	97,564	90,073
Total Assets	$3,443,957	$2,807,371
Liabilities and Equity		
Current Liabilities:		
Notes payable and current maturities of long-term debt	$27,026	$39,543
Accounts payable	251,924	398,739
Accrued liabilities	337,209	365,224
Advance billings on contracts	199,865	278,929
Deferred income taxes	19,753	17,892
Income taxes payable	25,165	20,657
Total Current Liabilities	860,942	1,120,984
Long-Term Debt	864,521	49,019
Self-Insurance	17,026	20,531
Pension Liability	18,403	15,681
Non-current Income Taxes	49,229	56,042
Other Liabilities	94,722	104,770

Commitments and Contingencies (Note 12)		
Stockholders' Equity:		
Common stock, par value $1.00 per share, authorized 400,000,000 shares; issued 245,209,850 and 244,271,365 shares at December 31, 2014 and December 31, 2013, respectively	245,210	244,271
Capital in excess of par value (including prepaid common stock purchase contracts)	1,676,815	1,414,457
Accumulated Deficit	(239,572)	(163,578)
Treasury stock, at cost: 7,400,027 and 7,130,294 shares at at December 31, 2014 and December 31, 2013, respectively	(96,441)	(97,926)
Accumulated other comprehensive loss	(97,808)	(47,710)
Stockholders' Equity - McDermott International, Inc.	1,488,204	1,349,514
Noncontrolling interest	50,910	90,830
Total Equity	1,539,114	1,440,344
Total Liabilities and Equity	$3,443,957	$2,807,371

See accompanying notes to consolidated financial statements.

56

McDERMOTT INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2014	2013	2012
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income (Loss)	$(65,394)	$(489,910)	$205,235
(Income) loss from discontinued operations, net of tax	-	-	(3,497)
Income (loss) from continuing operations	(65,394)	(489,910)	201,738
Non-cash items included in net loss:			
Depreciation and amortization	93,185	84,580	86,440
Drydock amortization	19,719	18,467	25,545
Loss on asset impairments	(9,002)	84,482	-
Stock-based compensation charges	18,565	21,100	15,369
Equity in losses of unconsolidated affiliates	7,848	16,116	16,719
Gain on foreign currency-net	(10,310)	(13,247)	(23,116)
Restructuring activity	(2,310)	18,044	-
Gain on asset disposals	(46,201)	(15,200)	(405)
Deferred taxes	891	(5,359)	3,847
Other non-cash items	(3,605)	(6,029)	6,837
Changes in assets and liabilities, net of effects from acquisitions and dispositions:			
Accounts receivable	166,385	30,156	(5,920)
Net contracts in progress and advance billings on contracts	(10,695)	171,397	(351,604)
Accounts payable	(154,439)	(17,493)	84,430
Accrued and other current liabilities	(2,801)	(22,155)	36,922
Pension liability and accrued postretirement and employee benefits	(1,861)	(30,828)	34,847
Income taxes	(4,668)	(54,431)	22,832
Other assets and liabilities	11,653	(46,301)	55,303
TOTAL CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES - CONTINUING OPERATIONS	6,960	(256,611)	209,784
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(321,187)	(283,962)	