

<div>Form 5500</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Department of Labor Employee Benefits Security Administration</div> <div>Pension Benefit Guaranty Corporation</div>	<div>Annual Return/Report of Employee Benefit Plan</div> <div>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).</div> <div>Complete all entries in accordance with the instructions to the Form 5500.</div>	<div>OMB Nos. 1210-0110 1210-0089</div> <div>2009</div> <div>This Form is Open to Public Inspection</div>
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Part I	Annual Report Identification Information
For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009	
A	This return/report is for: <div><div>☐ a multiemployer plan;</div><div>☒ a single-employer plan;</div><div>☐ a multiple-employer plan; or</div><div>☐ a DFE (specify) ____</div></div>
B	This return/report is: <div><div>☐ the first return/report;</div><div>☐ the final return/report;</div><div>☐ an amended return/report;</div><div>☐ a short plan year return/report (less than 12 months).</div></div>
C	If the plan is a collectively-bargained plan, check here. ☐
D	Check box if filing under: <div><div>☒ Form 5558;</div><div>☐ automatic extension;</div><div>☐ the DFVC program;</div><div>☐ special extension (enter description)</div></div>

Part II	Basic Plan Information—enter all requested information	
1a	Name of plan THRIFT PLAN FOR EMPLOYEES OF MCDERMOTT INCORPORATED & PARTICIPATING SUBSIDIARY & AFFILIATED COMPANIES	1b Three-digit plan number (PN) ▶ 003
		1c Effective date of plan 04/01/1978
2a	Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) MCDERMOTT INVESTMENTS LLC FORMERLY KNOWN AS MCDERMOTT INC 777 N ELDRIDGE PKWY HOUSTON, TX 77079-4425	2b Employer Identification Number (EIN) 74-1032246 2c Sponsor's telephone number 281-870-5574 2d Business code (see instructions) 237990

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2010	ROCHELLE WALD
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") THRIFT PLAN COMMITTEE - MCDERMOTT INCORPORATED 777 N ELDRIDGE PKWY HOUSTON, TX 77079-4425	3b Administrator's EIN 72-0831725 3c Administrator's telephone number 281-870-5574
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	10352
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	7781
b Retired or separated participants receiving benefits.....	6b	95
c Other retired or separated participants entitled to future benefits.....	6c	3005
d Subtotal. Add lines 6a , 6b , and 6c	6d	10881
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	22
f Total. Add lines 6d and 6e	6f	10903
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	238
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	331

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 2E 2F 2H 2J 2K 3F 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)
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<div>SCHEDULE C</div> <div>(Form 5500)</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Department of Labor Employee Benefits Security Administration</div> <div>Pension Benefit Guaranty Corporation</div>	<div>Service Provider Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div>	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

<div>A Name of plan</div> <div>THRIFT PLAN FOR EMPLOYEES OF MCDERMOTT INCORPORATED & PARTICIPATING SUBSIDIARY & AFFILIATED COMPANIES</div>	<div>B Three-digit plan number (PN)</div> <div>▶ 003</div>
<div>C Plan sponsor's name as shown on line 2a of Form 5500</div> <div>MCDERMOTT INVESTMENTS LLC FORMERLY KNOWN AS MCDERMOTT INC</div>	<div>D Employer Identification Number (EIN)</div> <div>74-1032246</div>

Part I

Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☐ Yes ☒ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

VANGUARD FIDUCIARY TRUST COMPANY

23-2186884

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
13	NONE	43500	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

<div>SCHEDULE D</div> <div>(Form 5500)</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Department of Labor Employee Benefits Security Administration</div>		<div>DFE/Participating Plan Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div>		<div>OMB No. 1210-0110</div> <div>2009</div> <div>This Form is Open to Public Inspection.</div>	
For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009					
A Name of plan THRIFT PLAN FOR EMPLOYEES OF MCDERMOTT INCORPORATED & PARTICIPATING SUBSIDIARY & AFFILIATED COMPANIES				B Three-digit plan number (PN) ▶ 003	
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 MCDERMOTT INVESTMENTS LLC FORMERLY KNOWN AS MCDERMOTT INC				D Employer Identification Number (EIN) 74-1032246	
Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)					
a Name of MTIA, CCT, PSA, or 103-12 IE: INTEREST INCOME FUND					
b Name of sponsor of entity listed in (a): THRIFT TRUST FOR EMP OF MCD & SUBS					
c EIN-PN 27-1026540-007		d Entity code M		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 291953214	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009		
A Name of plan THRIFT PLAN FOR EMPLOYEES OF MCDERMOTT INCORPORATED & PARTICIPATING SUBSIDIARY & AFFILIATED COMPANIES	B Three-digit plan number (PN)	003
C Plan sponsor's name as shown on line 2a of Form 5500 MCDERMOTT INVESTMENTS LLC FORMERLY KNOWN AS MCDERMOTT INC	D Employer Identification Number (EIN) 74-1032246	

Part I	Asset and Liability Statement
---------------	--------------------------------------

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	1072095	1073116
(2) Participant contributions	1b(2)	1822990	1917600
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	90121	247915
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	8643615	9734272
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)	277500911	291953214
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	353857530	481512260
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	54440578	138920539
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	697427840	925358916

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	697427840	925358916
---	-----------	-----------	-----------

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	9549144	
(B) Participants	2a(1)(B)	48750699	
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)	13972681	
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		72272524

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)	550625	
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		550625

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	12328	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	9933845	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		9946173

(3) Rents	2b(3)		
-----------------	--------------	--	--

(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	12448992	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	6345619	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		6103373

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	75474676	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		75474676
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		19184017
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		86730923
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		270262311

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	42287735	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		42287735
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)	43500	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		43500
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		42331235

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		227931076
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: LJ MOSBY, P.C.

(2) EIN: 84-1656069

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		10000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)

5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2009 This Form is Open to Public Inspection.
---	--	--

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan <u>THRIFT PLAN FOR EMPLOYEES OF MCDERMOTT INCORPORATED & PARTICIPATING SUBSIDIARY & AFFILIATED COMPANIES</u>	B Three-digit plan number (PN) ▶ <u>003</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>MCDERMOTT INVESTMENTS LLC FORMERLY KNOWN AS MCDERMOTT INC</u>	D Employer Identification Number (EIN) <u>74-1032246</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): _____ Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	<u>544</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☐ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
--	-----------------------------------	-----------------------------------	-------------------------------	--

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2009
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

**THRIFT PLAN FOR EMPLOYEES OF
MCDERMOTT INCORPORATED AND PARTICIPATING
SUBSIDIARY AND AFFILIATED COMPANIES
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
December 31, 2009 and 2008**

**THRIFT PLAN FOR EMPLOYEES OF MCDERMOTT
INCORPORATED AND PARTICIPATING
SUBSIDIARY AND AFFILIATED COMPANIES**

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

December 31, 2009 and 2008

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LJ Mosby, P.C.
11511 Katy Freeway
Suite 590
Houston, TX 77079
281-596-0444

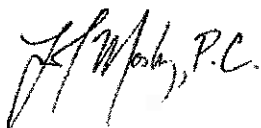
Report of Independent Auditors

To the Participants and Plan Committee of the
Thrift Plan for Employees of McDermott Incorporated
and Participating Subsidiary and Affiliated Companies

We were engaged to audit the accompanying financial statements and supplemental schedule of the Thrift Plan for Employees of McDermott Incorporated and Participating Subsidiary and Affiliated Companies (the "Plan") as of December 31, 2009 and 2008, and for the years ended December 31, 2009 and 2008, as listed in the accompanying index. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Vanguard Fiduciary Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2009 and 2008, and for the years ended December 31, 2009 and 2008, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, has been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



Houston, Texas
October 13, 2010

**THRIFT PLAN FOR EMPLOYEES OF MCDERMOTT
INCORPORATED AND PARTICIPATING
SUBSIDIARY AND AFFILIATED COMPANIES**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

		December 31,	
		<u>2009</u>	<u>2008</u>
Assets:			
Investments at Fair Value (Notes 2, 4 and 5)	\$	922,368,200	\$ 694,532,755
Receivables:			
Participant Contributions		1,917,600	1,822,990
Employer Contributions		<u>1,073,116</u>	<u>1,072,095</u>
Total Assets at Fair Value		925,358,916	697,427,840
Adjustment from Fair Value to Contract Value for Fully Benefit-Responsive Investment Contracts		<u>(7,241,461)</u>	<u>2,528,467</u>
Net Assets Available for Benefits	\$	<u>918,117,455</u>	\$ <u>699,956,307</u>

The accompanying notes are an integral part of the financial statements.

**THRIFT PLAN FOR EMPLOYEES OF MCDERMOTT
INCORPORATED AND PARTICIPATING
SUBSIDIARY AND AFFILIATED COMPANIES**

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year Ended December 31,	
	<u>2009</u>	<u>2008</u>
Additions to net assets attributed to:		
Investment Income:		
Interest	\$ 9,964,714	\$ 12,566,038
Dividends	9,946,173	10,852,809
Net appreciation (depreciation) in fair value of investments	<u>168,308,972</u>	<u>(419,432,807)</u>
	<u>188,219,859</u>	<u>(396,013,960)</u>
Contributions:		
Participants'	48,750,699	49,910,436
Employers' stock	13,972,681	12,844,999
Employers' cash	<u>9,549,144</u>	<u>8,374,495</u>
	<u>72,272,524</u>	<u>71,129,930</u>
Total additions (deductions)	<u>260,492,383</u>	<u>(324,884,030)</u>
Deductions from net assets attributed to:		
Benefits paid to participants or beneficiaries	42,287,735	62,762,768
Administrative expenses	<u>43,500</u>	<u>44,357</u>
Total deductions	<u>42,331,235</u>	<u>62,807,125</u>
Net increase (decrease) prior to transfer from other Plan	218,161,148	(387,691,155)
Transfer from other Plan (Note 1)	<u>-</u>	<u>19,210,104</u>
Net increase (decrease)	<u>218,161,148</u>	<u>(368,481,051)</u>
Net assets available for benefits:		
Beginning of year	<u>699,956,307</u>	<u>1,068,437,358</u>
End of year	\$ <u>918,117,455</u>	\$ <u>699,956,307</u>

The accompanying notes are an integral part of the financial statements.

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NOTE 1 – DESCRIPTION OF PLAN

The following description of the Thrift Plan for Employees of McDermott Incorporated and Participating Subsidiary and Affiliated Companies (the “Plan”) provides only general information. Participants should refer to the Summary Plan Description for more detailed information or to the official plan documents for complete information.

General

The Plan is a defined contribution plan administered by the Thrift Plan Committee as appointed by the Board of Directors of McDermott Incorporated (the “Company”). Recordkeeping and investment management of the funds (as determined by the Thrift Plan Committee) is the responsibility of The Vanguard Group, Inc. (“Vanguard”) and Vanguard Fiduciary Trust Company (the “Trustee”), a wholly owned subsidiary of Vanguard. Effective May 27, 2008, a Master Trust was also established with the Trustee. The Master Trust holds the commingled assets of the Marine Mechanical Corporation Hourly Employees’ Savings Plan trust and the Plan trust that are invested in the McDermott Interest Income Fund. The Plan covers substantially all employees of the Company and participating subsidiary and affiliated companies (collectively referred to as the Employer), except non-resident alien employees who do not earn income in the United States and most employees under collective bargaining agreements. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”). The Plan administrators have evaluated subsequent events through the date of issuance of this report, for their impact on amounts recorded, and related disclosures, and incorporated the related effects as appropriate.

In December 2009, our parent, McDermott International, Inc. (“MII”), announced plans to separate its operations, the majority of which are included in Babcock & Wilcox Investment Company, a subsidiary of the Company, into an independent publicly traded company to be named The Babcock & Wilcox Company. See Note 6 for the impact of this spin-off transaction on the Plan.

Effective March 31, 2008, the Marine Mechanical Corporation Employee Savings Plan was merged into the Thrift Plan and assets of \$19,210,104 were subsequently transferred into the Plan.

Contributions

Under the Plan, participants can elect to contribute, on a pre-tax or after-tax basis, up to 6% of their compensation in 1% increments as basic contributions and an additional 19 % of their compensation in 1% increments as supplemental contributions. Basic and supplemental participant-directed contributions may be invested in increments of 1% up to 100% of contributions into any or all of the options offered by the Plan. These investment options include the McDermott Interest Income Fund and various funds offered by Vanguard. The Vanguard funds include domestic and international stock funds, a bond fund and a series of target retirement funds. Target retirement funds invest in stocks, bonds and short-term reserves. The target retirement funds gradually and automatically shift to more conservative investments over time based on the time remaining to the target retirement date. New employees are automatically enrolled in the Plan at the 3% employee contribution level with an option to elect out of contributing to the Plan at any time. Included in participants’ contributions in the Statement of Changes in Net Assets Available for Benefits are rollover contributions of \$1,992,947 and \$5,605,300 for the years ended December 31, 2009 and 2008, respectively.

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Matching Employer contributions are made in amounts equal to one-half of the participants' basic contributions. Employees covered by certain collective bargaining agreements are not eligible to receive matching employer contributions. Matching Employer contributions are made by the Company in shares of MII common stock and are held in the McDermott Stock Fund. The Plan was amended in 2003 to provide for unmatched Employer cash contributions equal to 3% of compensation (as defined in the Plan) for employees of J. Ray McDermott, S.A. and its subsidiaries ("J. Ray") who are eligible to participate in the Plan, regardless of whether they make voluntary contributions to the Plan. These contributions are invested in the same manner as the participants' contributions. For J. Ray participants not making voluntary contributions, the unmatched Employer contributions are invested, at the participant's direction, in the investment options offered by the Plan. Effective April 1, 2006, the Plan was amended for certain salaried employees of the Company and two of its subsidiaries, Babcock & Wilcox Power Generation Group, Inc. ("B&W PGG") and BWX Technologies, Inc. ("BWXT"). This amendment provides for Employer cash contributions to be made to the Plan for employees hired on or since April 1, 2001 regardless of whether they make voluntary contributions to the Plan. For these employees, the cash contributions to the Plan are determined commensurate with years of service and are invested in the same manner as the participant's contributions. Effective April 1, 2007, the Plan was further amended for certain salaried employees of the Company, B&W PGG and BWXT. This amendment allows for employees with five to ten years of service as of April 1, 2006 to receive service-based Employer cash contributions under the Plan in lieu of continuing to earn benefits under their respective retirement plans.

Participants in the Plan are entitled to transfer, in 1% increments and in unlimited number, subject to any restrictions set forth in the prospectus of the investment options, their accumulated participant and Employer contributions and related fund earnings to other investment options, subject to the following restrictions: (a) contributions and related fund earnings cannot be transferred from any fund into the McDermott Stock Fund, and (b) participants cannot transfer into and out of the same fund effective on the same valuation date. Effective March 31, 2007, the Plan was amended for the preceding restriction noted in (a) in accordance with the diversification requirements of the Pension Protection Act of 2006. Transfers to the McDermott Stock Fund are restricted to Employer contributions plus gains and losses that were originally invested in the McDermott Stock Fund and transferred out of that fund.

Although it has not expressed any intent to do so, the Employer has the right under the Plan to reduce or discontinue its contributions at any time.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of the (a) Employer's contribution and (b) Plan earnings. The benefits to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in Employer contributions occurs at retirement, death, disability, involuntary termination for reasons other than cause or after three years of service regardless of years of participation in the Plan.

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Forfeitures

Forfeited nonvested accounts are invested in the McDermott Interest Income Fund, which is the designated forfeiture fund and may be used to reduce future Employer contributions under the Plan and to defray reasonable administrative expenses of the Plan. As of December 31, 2009 and 2008, there were unapplied forfeitures of \$305,383 and \$190,424, respectively. In the year ended December 31, 2009, the Company applied forfeitures of \$495,328 to reduce the Employer contribution due.

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. A single loan can be outstanding at any one time. Loan terms range from 1 to 4 1/2 years or up to 20 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at a fixed rate over the life of the loan. Interest rates on new loans are determined monthly at 1% over a published prime rate. Interest rates on loans outstanding range from 4.25% to 10%. Principal and interest of the loans are repaid in semi-monthly installments via payroll deductions or, in limited situations, by check.

Withdrawals and Distributions

Participants may elect in-service withdrawals of all or part of the value of their after-tax contributions, related vested Employer contributions, and any earnings on those funds. Withdrawals may subject the participant to certain suspension periods during which contributions may not be made. Hardship withdrawals may be requested on pre-tax contributions.

Upon termination of service for any reason and including death, disability, or retirement, a participant may elect to receive the vested value of his or her account as a lump-sum distribution, to roll over the funds to an IRA or other qualified plan, or to receive annual installments over a period of up to 30 years depending on life expectancy rules. Effective June 1, 2007, the Plan was amended to allow for partial distributions to participants upon attainment of age 59 1/2. Partial distributions are allowed to be made once in every six-month period. Payments are paid in cash except MII common stock may be distributed in kind.

Income Tax Status

The Internal Revenue Service ("IRS") has determined and informed the Company by a letter dated July 16, 2008, that the Plan and the related trust are designed in accordance with applicable sections of the Internal Revenue Code. The Plan has been amended since that date to incorporate regulatory changes, but the Plan administrators believe the Plan's design and operations continue to be in accordance with the Internal Revenue Code.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right to amend, terminate or otherwise modify the Plan at any time, subject to the provisions of ERISA, solely at the discretion of the Board of Directors of the Company. In the event of plan termination, participants will immediately become 100% vested in their accounts.

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NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates include those regarding fair value. Actual results could differ from those estimates and those differences could be material.

Risks and Uncertainties

The Plan provides for various investment options. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of the investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

Investment Valuation and Income Recognition

The Plan's investments approximate fair value. Benefit-responsive investment contracts in the Interest Income Fund are valued at fair value based on fair values supplied by contract issuers for the underlying contracts. Shares of registered investment companies are valued at quoted market prices which are based on the market values of underlying investments held. The McDermott Stock Fund is valued at its year-end unit closing price (comprised of year-end market price plus uninvested cash position). Employee loans are valued at cost, which approximates fair value.

Purchases and sales of investments are recorded on the trade dates. Interest income is accrued as earned; dividends are recorded as income on the ex-dividend date. Capital gain distributions are included in dividend income.

Accounting for Investment Contracts

As described in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") "Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined-Contribution Pension Plans" ("ASC 962"), certain investment contracts held by a defined contribution plan are required to be reported at fair value. However contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributed to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transaction under the terms of the plan. The participants in the Plan invest in this type of investment contracts through the McDermott Interest Income Fund election, which invests in a number of Guaranteed Investment Contracts and Synthetic Investment Contracts. Contract value for these investments represents contributions made under the contract, plus earnings, less Plan withdrawals

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and administrative expenses. Fair value for these investments is determined by the contract issuer based on an analysis of discounted cash flows for the contract in consideration of market interest rates at the date of the valuation. As required by the ASC 962, the Statement of Net Assets Available for Benefits presents the fair value of the investment in the collective trust, as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contracts. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis as proscribed by ASC 962.

Net Appreciation (Depreciation)

The Plan presents in the Statement of Changes in Net Assets Available for Benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments (except for fully benefit responsive investments).

Contributions

Employee contributions and matching Employer contributions are funded semi-monthly. Contributions receivable as of December 31 represent contributions withheld from employees and due from the employer that were not funded until shortly after December 31.

Payment of Benefits

Benefits are recorded when paid and are based on the fair value of the respective funds at the effective date of the withdrawal. Benefits are paid in cash except that MII common stock may be distributed in kind if elected by the participant.

Administrative and Investment Expenses

Historically, annual recordkeeping fees were deducted from participant accounts. Beginning in 2007, the annual recordkeeping fees paid by participants were eliminated. Participants with outstanding plan loans are charged a loan origination fee of \$40.00 and an annual loan maintenance fee of \$25.00, each of which is deducted from the participant's account. The cost of annual discrimination testing is paid by the Company. All other administrative and investment expenses are paid by the Plan through the expense ratios charged by the Plan's investment funds and are, therefore, a component reducing the net appreciation in the fair value of investments. The total expense ratio paid in the years ended December 31, 2009 and 2008 was 18 basis points.

NOTE 3 – RELATED PARTY TRANSACTIONS

Participants in the Plan invest in shares of mutual funds managed by an affiliate of the Trustee and may also invest in shares of employer common stock. Participant loans also qualify as party-in-interest transactions. Transactions in such investments qualify as party-in-interest transactions which are exempt from the prohibited transaction rules. The Company provides certain administrative services on behalf of the Plan with no compensation or reimbursement from the Plan.

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NOTE 4 – FINANCIAL INFORMATION CERTIFIED BY THE TRUSTEE (Unaudited)

Pursuant to the provisions of 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, the Plan's administrator elected that independent auditors not perform any auditing procedures with respect to the information certified by the Trustee, except for comparing such information to the related financial statements. All financial data included in the financial statements and supplemental schedule and their accompanying notes relating to investments, income from investments, and net appreciation in fair value of investments was obtained from the information certified by the Trustee and is unaudited.

The following is a summary of the Plan's financial information and data certified by the Trustee as complete and accurate.

	December 31,	
	2009	2008
Investments:		
Fair Value:		
Registered Investment Companies	\$ 481,512,260	\$ 353,857,530
McDermott International, Inc. Common Stock	138,920,539	54,440,578
Participant Loans	9,734,272	8,643,615
Money Market Fund	18,357,330	17,062,607
Interest Income Fund:		
Asset Backed Synthetic Investment Contracts	266,693,890	247,794,759
Guaranteed Investment Contracts	7,149,909	12,733,666
Adjustment to Contract Value:		
Asset Backed Synthetic Investment Contracts	(7,023,805)	2,682,723
Guaranteed Investment Contracts	(217,656)	(154,256)
Total investments	\$ <u>915,126,739</u>	\$ <u>697,061,222</u>
	Year Ended December 31,	
	2009	2008
Investment Income:		
Interest	\$ 9,964,714	\$ 12,566,038
Dividends	9,946,173	10,852,809
Net appreciation (depreciation) in fair value of investments	<u>168,308,972</u>	<u>(419,432,807)</u>
Total investment income	\$ <u>188,219,859</u>	\$ <u>(396,013,960)</u>

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At December 31, 2009 the Plan held the following investments representing 5% or more of the Plan's net assets:

Registered Investment Companies:

Vanguard 500 Index Fund	\$	118,702,650
Vanguard Total Bond Market Index Fund	\$	61,853,302
Vanguard Small-Cap Index Fund	\$	54,396,555

Asset Backed Synthetic Investment Contracts:

Rabobank	\$	53,312,844
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McDermott Stock Fund:

McDermott International, Inc. Common Stock	\$	138,920,539
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At December 31, 2008 the Plan held the following investments representing 5% or more of the Plan's net assets:

Registered Investment Companies:

Vanguard 500 Index Fund	\$	90,807,563
Vanguard Total Bond Market Index Fund	\$	54,762,437
Vanguard Small-Cap Index Fund	\$	38,983,800

Asset Backed Synthetic Investment Contracts:

Rabobank	\$	50,143,296
IXIS Capital Markets	\$	41,568,665
J. P. Morgan Securities	\$	40,425,193
State Street Bank & Trust	\$	38,777,336
Bank of America	\$	36,840,893

McDermott Stock Fund:

McDermott International, Inc. Common Stock	\$	54,440,578
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During the years ended December 31, 2009 and 2008, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated as follows:

	Year Ended December 31,	
	2009	2008
Net appreciation (depreciation) in fair value of investments:		
Registered investment companies	\$ 86,730,923	\$ (172,974,775)
McDermott International, Inc. Common stock	<u>81,578,049</u>	<u>(246,458,032)</u>
Total net appreciation (depreciation) in fair value of investments	\$ <u>168,308,972</u>	\$ <u>(419,432,807)</u>

The McDermott Interest Income Fund investment option provides stable value primarily through low risk investments with insurance companies and other approved financial institutions, and other short-term investments. The McDermott Interest Income Fund invests in guaranteed investment contracts ("GICs"), which are contracts between insurance companies and the Plan that provide for a guaranteed return on principal invested over a specified time period. It also invests in synthetic investment contracts ("SICs"), which represent individual assets or a portfolio of assets owned by the Plan and placed in a trust, with a third party issuing a wrapper contract to enable holders to execute transactions at contract value. Individual assets of the synthetic contracts are valued as determined by the individual contract issuers.

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The wrapper contract is individually insignificant at December 31, 2009 and 2008. Contract value represents contributions made under the contract, plus earnings, less Plan withdrawals and administrative expenses. The aggregate contract value of GICs and SICs held by the Plan at December 31, 2009 and was approximately \$266,602,338 and \$263,056,892, respectively.

At December 31, 2009 and 2008, the Interest Income Fund invested in the following GICs and SICs:

	Investments at <u>Fair Value</u>	Adjust to Contract <u>Value</u>	Contract <u>Value</u>
<u>December 31, 2009:</u>			
Guaranteed Investment Contracts:			
Pacific Mutual Life; 5.13%; 6/24/11	\$ 5,595,344	\$ (200,469)	\$ 5,394,875
Principal Financial Group; 5.12%; 6/15/10	<u>1,554,565</u>	<u>(17,187)</u>	<u>1,537,378</u>
	7,149,909	(217,656)	6,932,253
 Synthetic Investment Contracts:			
Rabobank	\$ 53,312,844	\$ (1,204,570)	\$ 52,108,274
IXIS Capital Markets	44,658,744	(1,227,854)	43,430,890
J. P. Morgan Securities	42,879,887	(921,626)	41,958,261
State Street Bank & Trust	41,264,468	(942,222)	40,322,246
Bank of America	39,000,093	(704,658)	38,295,435
AIG Financial	36,205,295	(1,829,302)	34,375,993
Monumental Life Insurance Company	<u>9,372,559</u>	<u>(193,573)</u>	<u>9,178,986</u>
	266,693,890	(7,023,805)	259,670,085
 Total Investment Contracts	 <u>\$ 273,843,799</u>	 <u>\$(7,241,461)</u>	 <u>\$ 266,602,338</u>
 <u>December 31, 2008:</u>			
Guaranteed Investment Contracts:			
ING USA Annuity and Life; 4.839%; 4/9/09	\$ 5,925,514	\$ (9,006)	\$ 5,916,508
Pacific Mutual Life; 5.13%; 6/24/11	5,250,867	(126,237)	5,124,630
Principal Financial Group; 5.12%; 6/15/10	<u>1,557,285</u>	<u>(19,013)</u>	<u>1,538,272</u>
	12,733,666	(154,256)	12,579,410
 Synthetic Investment Contracts:			
Rabobank	\$ 49,725,386	\$ 417,910	\$ 50,143,296
IXIS Capital Markets	41,736,393	(167,728)	41,568,665
J. P. Morgan Securities	39,751,493	673,700	40,425,193
State Street Bank & Trust	38,520,661	256,675	38,777,336
Bank of America	35,633,443	1,207,450	36,840,893
AIG Financial	33,702,579	191,579	33,894,158
Monumental Life Insurance Company	<u>8,724,804</u>	<u>103,137</u>	<u>8,827,941</u>
	247,794,759	2,682,723	250,477,482
 Total Investment Contracts	 <u>\$ 260,528,425</u>	 <u>\$ 2,528,467</u>	 <u>\$ 263,056,892</u>

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There are no reserves against contract value for credit risk of the contract issuer or otherwise. The McDermott Interest Income Fund portfolio's average crediting rate at December 31, 2009 and 2008 was 3.49% and 3.72% respectively. The contract crediting rates associated with the SICs are typically reviewed and reset on a quarterly basis, if needed, based on changes in the expected maturity of the underlying securities, yield-to-maturity, and general interest rate levels.

NOTE 5 – FAIR VALUE OF INVESTMENTS

The Plan adopted Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* on January 1, 2008. This topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The topic also expands the disclosure requirements around fair value and establishes a hierarchy for valuation inputs that emphasizes the use of observable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Categorization of instruments within the fair level hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy under this topic are described below:

- | | |
|---------|---|
| Level 1 | Inputs are based on unadjusted quoted prices for identical instruments traded in active markets. |
| Level 2 | Inputs are based on unadjusted quoted prices for similar instruments in active markets or identical instruments in inactive markets and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset or liability. |
| Level 3 | Inputs are generally unobservable and typically reflect estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are usually determined using model-based techniques that include option pricing models, discounted cash flow models and similar valuation techniques. |

Following is a description of the primary valuation methodologies used to measure the fair value of each class of Plan assets at December 31, 2009 and 2008.

Registered investment companies: Valued at the net asset value ("NAV") of shares held by the plan at year end as evidenced on national trading exchanges.

Company stock fund: Valued based on the last quoted price on the listed exchange.

Money market funds: Valued at the notional monetary amount held by the plan.

Benefit-responsive investment contracts: Guaranteed investment contracts are valued at fair value by discounting the related future cash flows based on contractual terms and credit worthiness of the issuer. Synthetic contracts valued based on market prices of the underlying assets held. Observable

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inputs for benefit-responsive contracts include interest rates and comparison of fair values for similar contracts.

Participant loans: Valued at amortized cost, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Registered investment companies	\$ 481,512,260	\$ -	\$ -	\$ 481,512,260
Company stock fund	138,920,539	-	-	138,920,539
Money market funds	18,357,330	-	-	18,357,330
Benefit-responsive investment contracts	-	273,843,799	-	273,843,799
Participant loans	-	-	9,734,272	9,734,272
Total	\$ 638,790,129	\$ 273,843,799	\$ 9,734,272	\$ 922,368,200

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2008:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Registered investment companies	\$ 353,857,530	\$ -	\$ -	\$ 353,857,530
Company stock fund	54,440,578	-	-	54,440,578
Money market funds	17,062,607	-	-	17,062,607
Benefit-responsive investment contracts	-	260,528,425	-	260,528,425
Participant loans	-	-	8,643,615	8,643,615
Total	\$ 425,360,815	\$ 260,528,425	\$ 8,643,615	\$ 694,532,755

Change in Level 3 Investment

The following table sets forth a summary of changes in the Level 3 investments for the years ended December 31, 2009 and 2008:

	For the year ended December 31,	
	<u>2009</u>	<u>2008</u>
Balance at beginning of period	\$ 8,643,615	\$ 7,292,332
Issuances and settlements, net	1,090,657	1,351,283
Balance at end of period	\$ 9,734,272	\$ 8,643,615

NOTE 6 – SUBSEQUENT EVENTS

In June, 2010, Babcock & Wilcox Investment Company ("B&W") established The Babcock & Wilcox Thrift Plan ("The B&W Thrift Plan") for its workforce and engaged Vanguard as the trustee and

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recordkeeper for the B&W Thrift Plan. Effective June 18, 2010, the account balances of current and former B&W employees, except any such amounts held in the McDermott Stock Fund, were transferred from the Plan to the B&W Thrift Plan. The Interest Income Fund ceased to be invested in a separate stable value account managed by Vanguard and effective June 18, 2010 became an investor in a Vanguard commingled stable value vehicle called the Retirement Savings Trust.

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EIN 74-1032246, Plan Number 003
Schedule H, line 4i - Schedule of Assets (Held at End of Year), December 31, 2009

(a)	(b) Identify of Issue, Borrower	(c) Description	(d) Cost	(e) Current Value
	<u>Registered Investment Companies:</u>			
*	Vanguard 500 Index Fund	Registered Investment Company	\$ 128,156,515	\$ 118,702,650
*	Vanguard Total Bond Market Index Fund	Registered Investment Company	60,233,382	61,853,302
*	Vanguard Small-Cap Index Fund	Registered Investment Company	47,940,835	54,396,555
*	Vanguard Windsor II Fund	Registered Investment Company	43,426,197	36,562,665
*	Vanguard Target Retirement 2015 Fund	Registered Investment Company	34,414,011	33,451,656
*	Vanguard Total International Stock Index Fund	Registered Investment Company	36,582,912	35,293,315
*	Vanguard Target Retirement 2025 Fund	Registered Investment Company	25,858,770	25,327,999
*	Vanguard Morgan Growth Fund	Registered Investment Company	27,453,904	24,619,941
*	Vanguard Extended Market Index Fund	Registered Investment Company	17,649,233	17,812,141
*	Vanguard Target Retirement 2035 Fund	Registered Investment Company	14,106,961	13,679,558
*	Vanguard Explorer Fund	Registered Investment Company	15,548,106	13,716,694
*	Vanguard Target Retirement 2045 Fund	Registered Investment Company	12,092,192	11,866,168
*	Vanguard Target Retirement 2005 Fund	Registered Investment Company	7,752,775	7,602,916
*	Vanguard Growth Index Fund	Registered Investment Company	6,280,616	6,491,798
*	Vanguard Target Retirement 2020 Fund	Registered Investment Company	5,673,247	5,641,903
*	Vanguard Target Retirement Income Fund	Registered Investment Company	3,094,514	3,086,960
*	Vanguard Target Retirement 2010 Fund	Registered Investment Company	3,306,982	3,222,936
*	Vanguard Target Retirement 2030 Fund	Registered Investment Company	3,454,176	3,799,561
*	Vanguard Target Retirement 2050 Fund	Registered Investment Company	2,159,301	2,332,955
*	Vanguard Target Retirement 2040 Fund	Registered Investment Company	1,292,383	1,412,243
*	LifeStrategy Moderate Growth Fund	Registered Investment Company	244,004	247,819
*	LifeStrategy Growth Fund	Registered Investment Company	319,998	321,310
*	LifeStrategy Conservative Growth Fund	Registered Investment Company	<u>68,545</u>	<u>69,215</u>
	Total Registered Investment Companies		\$ 497,099,559	\$ 481,512,260

* Indicates party-in-interest to the Plan
Information certified as complete and accurate by Trustee

THRIFT PLAN FOR EMPLOYEES OF MCDERMOTT
INCORPORATED AND PARTICIPATING
SUBSIDIARY AND AFFILIATED COMPANIES
EIN 74-1032246, Plan Number 003

Schedule H, line 4i - Schedule of Assets (Held at End of Year), December 31, 2009

(a)	(b) <u>Identity of Issue, Borrower</u>	(c) <u>Description</u>	(d) <u>Cost</u>	(e) <u>Current Value</u>
<u>Interest Income Fund</u>				
Investment Contracts (McDermott Interest Income Fund):				
	Pacific Mutual Life; Contract #G-27327-01; 5.13%; 6/24/2011	Guaranteed Investment Contract	\$ 5,394,875	\$ 5,595,344
	Principal Financial; Contract #8-01224-4; 5.12%; 6/15/2010	Guaranteed Investment Contract	1,537,378	1,554,565
	Rabobank; Contract #WDR10990A	Asset Backed Synthetic Investment Contract	52,108,274	53,312,844
	IXIS Capital Markets; Contract #1428-02	Asset Backed Synthetic Investment Contract	43,430,890	44,658,744
	J. P. Morgan Securities; Contract #AMCDERMOTT-01	Asset Backed Synthetic Investment Contract	41,958,261	42,879,887
	State Street Bank & Trust; Contract #102021	Asset Backed Synthetic Investment Contract	40,322,246	41,264,468
	Bank of America; Contract #05-060	Asset Backed Synthetic Investment Contract	38,295,435	39,000,093
	AIG Financial Products; Contract #573864	Asset Backed Synthetic Investment Contract	34,375,983	36,205,295
	Monumental Life Insurance Co.; Contract #ADA00164TR	Asset Backed Synthetic Investment Contract	9,178,986	9,372,559
	Total Investment Contracts		<u>266,602,338</u>	<u>273,843,799</u>
	* Vanguard Prime Money Market Fund	Cash Fund	<u>18,109,415</u>	<u>18,109,415</u>
	Total Interest Income Fund		<u>\$ 284,711,753</u>	<u>\$ 291,953,214</u>

* Indicates party-in-interest to the Plan

Information certified as complete and accurate by Trustee

THRIFT PLAN FOR EMPLOYEES OF MCDERMOTT
INCORPORATED AND PARTICIPATING
SUBSIDIARY AND AFFILIATED COMPANIES
EIN 74-1032246, Plan Number 003

Schedule H, line 41 - Schedule of Assets (Held at End of Year), December 31, 2009

(a)	(b) Identity of Issue, Borrower	(c) Description	(d) Cost	(e) Current Value
<u>McDermott Stock Fund</u>				
* McDermott International Inc. Common Stock		Oil Service Company - 5,785,945 shares	\$ 60,592,597	\$ 138,920,539
* Vanguard Prime Money Market Fund		Cash Fund	247,915	247,915
Total McDermott Stock Fund			\$ 60,840,512	\$ 139,168,454
<u>Employee Loan Fund</u>				
* Employee Loans		Interest rates ranging from 4.25% to 10%, maturities ranging from 6 mos. to 20 years	\$ -	\$ 9,734,272
GRAND TOTAL				\$ 922,368,200

* Indicates party-in-interest to the Plan

Information certified as complete and accurate by Trustee