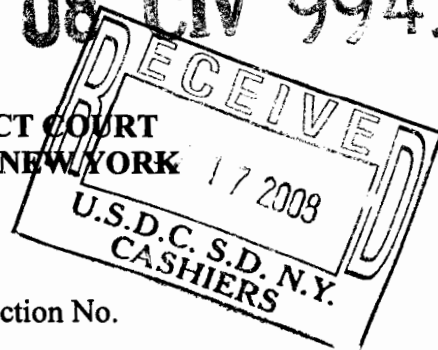


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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



STUART SHERMAN, Individually and
On Behalf of All Others Similarly Situated,

Civil Action No.

Plaintiff,

v.

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF FEDERAL
SECURITIES LAW**

MCDERMOTT INTERNATIONAL, INC.,
BRUCE WILKINSON and MICHAEL S.
TAFF

JURY TRIAL DEMANDED

Defendants.

INTRODUCTION

Plaintiff, by his undersigned attorneys, alleges upon personal knowledge as to himself and his own acts, and upon information and belief as to all other matters, based on the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of the defendants' public documents, conference calls and announcements issued by McDermott International, Inc. ("McDermott" or "Company"), wire and press releases published by and regarding the Company, and information readily obtainable on the internet.

NATURE OF THE ACTION

1. This is a class action brought on behalf of purchasers of McDermott's common stock from February 27, 2008 through and including November 5, 2008 ("Class Period") for violations of the Securities Exchange Act of 1934 ("Exchange Act").

2. McDermott is a global engineering and construction services company with operations in over 20 countries. The Company's primary customers are utilities and other power generators, major and national oil companies, and the U.S. government. McDermott's business has three segments: Offshore Oil and Gas Construction, Government Operations and Power Generation Systems. The Offshore Oil and Gas Construction segment provides engineering, construction, installation and project management services to offshore oil and gas field developments worldwide, including the Middle East.

3. Throughout the Class Period, Defendants concealed that its three large, ongoing construction contracts for the installation of marine oil and gas pipelines off the coast of the Middle-Eastern country of Qatar were substantially delayed and that as a result the Company had incurred major losses on those contracts.

4. In fact, Defendants knew or recklessly disregarded that at least as early as the first quarter of 2008, the three pipeline contracts were seriously behind schedule and that the Company would be forced to take significant write-downs on those contracts. As industry experts in the oil and gas field, Defendants knew or recklessly disregarded that the productivity assumptions for the rate at which the Company would lay marine pipe were too aggressive and that the Company could not meet them. Defendants also knew or recklessly disregarded that as McDermott's inability to meet production targets pushed subsequent pipeline installations into the winter months, the bad weather and rough seas during those months created further delays resulting in higher contract costs and eliminating any hope of the projects being profitable. By the second quarter of 2008, the Company's inability to meet its productivity schedules, along with delays related to

weather and other issues, had created a ripple effect and the Company had fallen even further behind schedule. Yet, despite this knowledge, Defendants falsely reassured investors that the delays on the marine pipeline contracts were not serious and that the Company could make up for the lost time.

5. Indeed, as Defendants later revealed, the severe problems with the contracts were so well-known at the Company that in early October 2008 a team of senior executives traveled to the Middle East to review progress on the contracts and create a revised estimate of the costs for completing the contracts.

6. It was not until the Company's third quarter 2008 earnings conference call, held on November 6, 2008, that investors finally learned of the severity of the production setback and the resulting negative impact to the Company's earnings. During this call, the Company revealed that despite the time originally scheduled in the bids, McDermott would need 300 additional days to complete the three marine pipelines contracts. As a result of these delays and associated increase in costs, the Company booked \$90 million charge at the gross-margin level on the three contracts and posted a \$19.7 million loss for its Oil and Gas Construction business segment for the third quarter of 2008. This was in sharp contrast to the Company's first quarter 2008 Oil and Gas Construction business segment income of \$53 million, and its second quarter 2008 Oil and Gas Construction business segment income of \$98 million.

7. During the November 6, 2008 conference call the Company's new CEO, John A. Fees ("Fees"), who replaced Defendant Wilkinson as CEO effective October 1, 2008, also acknowledged that **"We recognize that we got ourselves too tight with no buffer in it and when slippage it started ... it produces the domino effect. In a**

strong market, there was no reason to get ourselves in this position.” (Emphasis added.) Fees added that the schedule delays on the three pipelines projects “could expose us to future liquidated damages.” Indeed, the Company’s third quarter 2008 10-Q filing revealed that the potential liquidated damages totaled “approximately \$110 million at September 30, 2008.”

8. McDermott’s stock price plunged on this news on heavy volume from \$15.56 per share at close on November 5, 2008 to \$10.39 per share at close on November 6, 2008, a loss of \$5.17 per share, or 33%.

9. As a result of Defendants’ false and misleading statements, Plaintiff and other members of the Class have suffered significant damages.

JURISDICTION AND VENUE

10. The claims asserted herein arise under and pursuant to Section 10(b), and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a) and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

12. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b). The Company’s common stock trades on the New York Stock Exchange, which is located in this District.

13. In connection with the acts alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

14. Plaintiff Sherman purchased McDermott common stock at artificially inflated prices during the Class Period, and has been damaged thereby. His Certification is attached to this Complaint.

15. Defendant McDermott International, Inc. is a corporation with its principal place of business at 777 North Eldridge Parkway, Houston, Texas 77079. McDermott is an engineering and construction company, with a focus on the energy and power industries. McDermott is incorporated in the Republic of Panama. McDermott is owned by its shareholders, and its common stock is listed and publicly traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “MRD.”

16. Defendant Bruce W. Wilkinson (“Wilkinson”) was the Chairman of the Board of Directors and Chief Executive Officer of McDermott at all relevant times until his retirement on September 30, 2008. Wilkinson, along Michael S. Taff, was responsible for ensuring the accuracy of McDermott’s public financial reports and other public statements. Wilkinson publicly commented on McDermott’s financial performance in its quarterly and annual earnings press releases, in investor conference calls held during the Class Period, and during interviews with the media. Wilkinson signed certifications attesting to the accuracy of the Company’s February 27, 2008 Form 10-K, the Company’s March 27, 2008 Form 10-K/A, the Company’s May 12, 2008 Form 10-Q and the Company’s August 11, 2008 Form 10-Q.

17. Defendant Michael S. Taff (“Taff”) joined McDermott in June 2005 as Vice President and Chief Accounting Officer. He was named Senior Vice President and Chief Financial Officer (“CFO”) in April 2007. Taff, along with Wilkinson, was

responsible for ensuring the accuracy of McDermott's public financial reports and other public statements. Taff publicly commented on McDermott's financial performance in press releases, conference calls, articles and other public presentations and speeches held during the Class Period. As CFO, Taff was responsible for the Company's financial controls and financial reporting. Taff signed certifications attesting to the accuracy of the Company's February 27, 2008 Form 10-K, the Company's March 27, 2008 Form 10-K/A, the Company's May 12, 2008 Form 10-Q and the Company's August 11, 2008 Form 10-Q.

18. Defendants Wilkinson and Taff are collectively referred to herein as the "Individual Defendants." Collectively with McDermott, the Individual Defendants are referred to herein as "Defendants."

19. As officers of a publicly-held company traded on the NYSE, the Individual Defendants possessed the power and authority to control the content of McDermott's public filings and statements or reports made in press releases, conference calls, news articles and/or other public forums. Each Individual Defendant had a duty to disseminate accurate and truthful information with respect to the Company's financial condition, liabilities, interests, earnings and present and future business prospects, and to correct any previously issued statements that were erroneous.

20. The Individual Defendants, because of their positions as officers and/or directors of the Company, were able to, and did, control the content of the various public filings, press releases and other public statements pertaining to the Company during the Class Period. Because of their positions at McDermott and their access to material non-public information, each of the Individual Defendants knew that the adverse facts

specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations that were being made were thus materially false and misleading.

21. As a result of the foregoing, each of the Individual Defendants was and is responsible for the accuracy of the public filings and Supplements, press releases and other Company statements as detailed herein, which were the result of the collective actions of the Individual Defendants, and are personally liable for the misrepresentations and omissions contained herein.

SUBSTANTIVE ALLEGATIONS

A. Background

22. McDermott operates as an engineering and construction company worldwide, with a focus on energy infrastructure. The Company's primary customers are utilities and other power generators, major and national oil companies, and the U.S. government.

23. McDermott's business has three segments: Offshore Oil and Gas Construction, Government Operations and Power Generation Systems. The Offshore Oil and Gas Construction segment provides engineering, construction, installation and project management services to offshore oil and gas field developments. When putting forth bids on oil and gas construction contracts, McDermott typically builds a cushion, or contingency, into the bids to allow for problems, such as delays, that would increase the costs to complete the contracts. The built-in contingency is an indicator of the estimated costs to complete a contract, and a gauge of the expected gross margin, or amount remaining as profit after a company pays out the costs of goods sold, on a contract.

24. In 2007, McDermott won three contracts to build marine oil and gas pipelines off the shore of Qatar. The award of these three contracts increased the estimated future revenue from signed contracts, a positive signal for investors that the Company had a strong revenue stream going forward. Yet, the Company failed to build a cushion into the bid for the contracts. The lay rate, or joints of marine pipe laid per day, used in the bid for the three contracts also was too aggressive and the Company was unable to achieve those production levels. This triggered a cascade of delays: the first marine pipelines were constructed more slowly than planned, which pushed back the start date for subsequent pipelines to the harsh winter months in Qatar. Due to its failure to meet productivity targets, weather-related delays and other issues including mechanical problems, the Company became seriously behind schedule on the three contracts. As a result, the costs of completing the contracts soared, wiping out the gross margin, and causing the Company to book a \$90 million charge at the gross revenue level on the contracts in the third quarter of 2008.

25. During the Class Period, Defendants misled investors as to the severity of the production delays on the contracts and the likelihood that the Company's Oil and Gas business segment would experience losses as a result. Defendants knew, or recklessly disregarded, that at least as early as the first quarter of 2008 the contracts were severely delayed and the Company would be unable to complete them on schedule. As industry experts in the oil and gas field, Defendants knew that the productivity assumptions for the rate at which the Company would lay marine pipe were too aggressive and that the Company could not meet them. Defendants were also well aware that, as McDermott's inability to meet production targets pushed subsequent pipeline installations into the

winter months, the bad weather and rough seas during those months created further delays resulting in higher contract costs and eliminated any hope of the contracts being profitable. Indeed, as Defendants later revealed, the severe problems with the contracts were so well-known at the Company that in early October 2008 a team of senior executives traveled to the Middle East to review progress on and revise estimated costs for the contracts. Yet, Defendants falsely reassured investors that the Company could make up for the delays and failed to disclose that the additional costs incurred as a result had eliminated the Company's profit margin.

B. Defendants' False and Misleading Statements

26. On February 27, 2008, the Company filed its annual 2007 Form 10-K with the SEC. With regard to the Company's contracts, Defendants provided misleading information about McDermott's process for periodic review of contract price and cost estimates and adjustments in income in the period in which the estimates are revised:

We have historically performed work on a fixed-price, cost-plus or day-rate basis or a combination of these methods. Most of our long-term contracts have provisions for progress payments. We attempt to cover anticipated increases in costs of labor, material and service costs of our long-term contracts either through an estimate of such charges, which is reflected in the original price, or through price escalation clauses.

We recognize our contract revenues and related costs on a percentage-of-completion basis. Accordingly, we review contract price and cost estimates periodically as the work progresses and reflect adjustments in income proportionate to the percentage of completion in the period when we revise those estimates. To the extent that these adjustments result in a reduction or an elimination of previously reported profits with respect to a project, we would recognize a charge against current earnings, which could be material.

27. Defendants provided the Company's backlog numbers in its 2007 10-K.

For the Offshore Oil and Gas Construction segment, the December 31, 2007 backlog was

approximately \$4,800,000,000. The Company expected to recognize \$730,000,000 in Q1 2008, \$900,000,000 in Q2 2008, \$860,000,000 in Q3 2008, \$510,000,000 in Q4 2008, \$1,100,000,000 in 2009, and \$650,000,000 thereafter. The backlog numbers, and the revenue indicated by the backlog, was misleading because Defendants failed to disclose that the delays and associated cost overruns on the three marine pipeline contracts were fast eroding profits on those contracts. In the 10-K, Defendants also stated with regard to the Company's backlog:

Our Offshore Oil and Gas Construction segment produced strong financial results in 2007. We expect the backlog of approximately \$4.8 billion at December 31, 2007 to produce revenues for 2008 of approximately \$3.0 billion, not including any change orders or new contracts that may be awarded during the year. Our Offshore Oil and Gas Construction segment is actively bidding on and, in some cases, beginning preliminary work on projects that we expect will be awarded to it in 2008, subject to successful contract negotiations, which are not currently in backlog.

(Emphasis added.)

28. The Company's 2007 10-K was signed by the Company's then-CEO, Defendants Wilkinson, and Taff. Both Wilkinson and Taff individually certified that they had reviewed the annual report, that based on their knowledge, the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report" and that based on their knowledge, "the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report."

29. Defendants Wilkinson and Taff also certified, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the 2007 10-K “fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934” and that “information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.”

30. On February 28, 2008, the Company held its earnings conference call for the fourth quarter of 2007. During the conference call, Defendant Taff stated:

McDermott's net income increased compared to last year primarily due to a more than doubling of our operating results in the Offshore Oil and Gas Construction segment and from increased year-over-year profitability in both Power Generation and Government Operations segments. Looking at the top line, revenue in the quarter exceeded \$1.5 billion, approximately 17% above a year ago. This top line increase was again primarily attributable to our Offshore Oil and Gas Construction segment which had a 54% increase.

During the call, Defendant Wilkinson trumpeted:

Turning to each segment for a little more detail. Offshore Oil & Gas Construction segment revenues up \$700 million for the first time in my memory and therefore obviously both up sequentially and year-over-year. With the high levels of revenues in 25% of the quarter, nearly 3 weeks pretty well short due to holidays, this segments year-end backlog was down modestly on a sequential basis to \$4.75 billion indicating bookings in the quarter of about \$580 million. However due to the active market, we currently participate in our worldwide bids outstanding in the Oil and Gas segment grew to over \$3.6 billion at year-end, and while our focused project list remains much more sizeable at about \$7 billion, what I'm particularly pleased with is that we currently believe there are handful of large projects that we will book in the next month or two that will represent well over \$1 billion in new awards.

John Rogers - D.A. Davidson & Co.

You mentioned the \$1 billion or more of new awards that you are hopeful to get in the offshore business?

Bruce W. Wilkinson - Chairman of the Board and Chief Executive Officer

Yeah.

John Rogers - D.A. Davidson & Co.

Is that work that extends out into 2009, 2010 or is it shorter-term project work? [inaudible] assumed burn rates in the second... in the K and it looks like you are going to have a pretty good ramp anyway in '08?

Bruce W. Wilkinson - Chairman of the Board and Chief Executive Officer

Yeah, I think as a practical matter, you need the way to think about '08 is the sales side has already been accomplished in the main. Whether... I mean we still have holes in spite of everything. There is still a gap, just a short-term gap in Asia-Pacific and some of the fab work. We still have minimal work going on here on the gulf coast in the U.S. But as far as what we've been projecting, as far in backlog, you should think of '08 as essentially what is ahead of us is execute what we have got. And what I am alluding to as far as these billion or so or more than that potentially over the next 90 days of additional backlog, think of that primarily as '09 and '10.

John Rogers - D.A. Davidson & Co.

Okay. And comments on margins, in the past you've talked about the offshore margins in the low mid-teens levels and then you seem to do a little better than that. Any update on your comments there?

Michael S. Taff - Senior Vice President and Chief Financial Officer

I think you've talked about them in the low and mid teens, we've talked about them 10% to 12% and see we are always sticker when we do. Looking back again at '07, it's about 16% if we just look at the year. And yet you see wide variation in that quarter-by-quarter. I think that will continue, but really the pricing remain strong, we are able to book work with good margin, with considerable contingency. I think the reticence we have about leading you guys too far beyond our traditional way of talking about it is that, we are now going to be executing work at... I just said, we have over a \$700 million dollar a quarter, which is the highest ever, where you can't just do \$700 million a quarter and get to the numbers that you guys are working backwards into '08 which means that we're going to

have to execute at revenue levels even beyond our highest that just occurred. And so having vessels stuck back-to-back on contracts, getting work out the potential for slippage or the need to use some of the contingency is always there. **And what we're doing is just moving heaven and earth to execute every month better than the month before. And as long as we do that, and keep all this in balance, then we have the chance to beat all these numbers down in the 10% to 12% as we've been doing consistently. So I'm hoping that we prove that we can do it at these higher revenue levels and that we will please you with our performance.**

(Emphasis added.)

31. In an April 28, 2008 press release previewing the Company's first quarter 2008 financial results, Defendant Wilkinson stated that McDermott's Offshore Oil and Gas Construction segment was "adversely affected by external events in the three month period ending March 31, 2008 ... [d]uring the quarter, over one-half of McDermott's planned offshore working days for major construction vessels were unproductive, primarily due to harsh weather". Wilkinson falsely reassured investors, however, that "in spite of the external events, I continue to anticipate a strong year in [the Offshore Oil and Gas Construction] segment."

32. The Company filed its first quarter 2008 Form 10-Q with the SEC on May 12, 2008. It did not note any potential penalties for liquidated damages in Note 3 – Commitments and Contingencies, as it did in the third quarter of 2008, instead stating only the following:

Additionally, due to the nature of our business, we are, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities, including, among other things:

- performance-related or warranty-related matters under our customer and supplier contracts and other business arrangements...

In our management's opinion, based upon our prior experience, none of these other litigation proceedings, disputes and claims are expected to

have a material adverse effect on our consolidated financial position, results of operations or cash flows.

33. The Company also did not indicate any significant contract losses in its first quarter 10-Q:

Segment operating income decreased \$70.1 million from \$122.0 million in the three months ended March 31, 2007 to \$51.9 million in the three months ended March 31, 2008. This decrease was primarily attributable to an abnormally high number of unproductive work days for our major marine barges, as a result of poor weather conditions in most of our major areas of operation, and the decreased activities in our Caspian region referenced above. In addition, we realized benefits from project close-outs, change orders and settlements totaling approximately \$11 million for the three months ended March 31, 2008 compared to approximately \$40 million for the three months ended March 31, 2007. We also experienced an increase in general and administrative expenses totaling \$16.1 million for the three months ended March 31, 2008 compared to the three months ended March 31, 2007, primarily attributable to the increased employee headcount necessary to support our contracts reflected in backlog.

34. The Company provided its backlog numbers in its 10-Q for the first quarter of 2008. For the Offshore Oil and Gas Construction segment, the March 31, 2008 backlog was \$5,321,000,000. For the Offshore Oil and Gas Construction segment, the Company expected to recognize \$1,020,000,000 in Q2 2008, \$1,270,000,000 in Q3 2008, \$870,000,000 in Q4 2008, \$1,470,000,000 in 2009, and \$690,000,000 thereafter. The backlog numbers, and the revenue indicated by the backlog, was misleading because Defendants failed to disclose that the delays and associated cost overruns on the three marine pipeline contracts would inevitably erode any profits on those contracts.

35. For the Company's first quarter 2008 10-Q, Defendant Wilkinson, certified that:

1. I have reviewed this quarterly report on Form 10-Q of McDermott International, Inc. for the quarterly period ended March 31, 2008;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to

make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

36. Defendant Wilkinson also certified, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the 10-Q "fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934" and that "information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company."

37. For the Company's first quarter 2008 10-Q, Defendant Taff made the same certifications as Defendant Wilkinson.

38. During the Company's first quarter 2008 earnings conference call held on May 13, 2008, Defendant Wilkinson attributed delays to its pipeline projects off the coast of Qatar to unexpected weather and mechanical problems: "we experienced four times the amount of weather delays in Qatar, for example, as we typically expect ... Qatar was exacerbated by our projects being in the beach bowl in the shallow water near-shore phases, where bad weather makes offshore operations extremely difficult ... [a]ll of these was compounded by having the [pipe-laying vessels] [in] drydock for almost the entire period collectively working only about seven days in the quarter." In an effort to quell any fears, Defendant Wilkinson falsely reassured investors that McDermott could make up for the lost workdays: "So far in April and May, we have been operating on a much

more traditional weather pattern ... we hope to make up with some of the loss time in the second and third quarters.”

39. During the first quarter 2008 conference call, Defendant Wilkinson also explained that: “when you put contingency in a job, it really is an indirect way of adding to what you expect to be cost. And when it doesn’t go to cost, it becomes profit”. Yet, Wilkinson failed to disclose that virtually no contingency had been built into the schedules for the three marine pipelines contracts and that the costs for building the pipelines were soaring as delays accumulated.

40. The Company filed its second quarter 2008 Form 10-Q with the SEC on August 11, 2008. It did not note any potential penalties for liquidated damages in Note 3 – Commitments and Contingencies, as it did in the third quarter of 2008, instead stating only the following:

Additionally, due to the nature of our business, we are, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities, including, among other things:

- performance-related or warranty-related matters under our customer and supplier contracts and other business arrangements...

In our management’s opinion, based upon our prior experience, none of these other litigation proceedings, disputes and claims are expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

41. The Company also did not indicate any significant contract losses in its second quarter 10-Q:

In the second quarter of 2008, our profit margins declined, as compared to the second quarter of 2007, as the 7.6% increase in our 2008 segment operating income was less than our 50% increase in our 2008 revenues. Several factors contributed to our lower profit margins in the second quarter of 2008, including a higher percentage of volume being derived from large EPCI projects that yielded lower contract margins due

to increased procurement and third-party subcontracting activities. In addition, we experienced a higher number of unproductive work days for our marine vessels, primarily in our Middle East and Asia Pacific regions, and increased costs for fuel and labor in all areas. We also experienced lower results in our Caspian region, an \$8 million reduction in project close-outs, change orders and settlements and an \$8.8 million increase in selling, general and administrative expenses, primarily attributable to the increased employee headcount necessary to support our operations and higher stock-based compensation expense.

Segment operating income decreased \$63.2 million to \$150.8 million in the six months ended June 30, 2008 from \$214.0 million for the corresponding period of 2007, primarily attributable to a \$38 million reduction in project close-outs, change orders and settlements and a \$24.9 million increase in selling, general and administrative expenses, primarily attributable to the increased employee headcount necessary to support our operations and higher stock-based compensation expense. We also experienced an abnormally high number of unproductive work days for our marine vessels, decreased fabrication activities in our Caspian and Asia Pacific regions, increased costs for fuel and labor in all areas and a higher percentage of our volume being derived from large EPCI projects that yielded lower contract margins due to increased procurement and third-party subcontracting activities.

42. The Company provided its backlog numbers in its 10-Q for the second quarter of 2008. For the Offshore Oil and Gas Construction segment, the June 30, 2008 backlog was \$5,572,000,000. The Company also provided expected revenue recognition numbers for the June 30, 2008 backlog. For the Offshore Oil and Gas Construction segment, the Company expected to recognize \$1,180,000,000 in Q3 2008, \$850,000,000 in Q4 2008, \$2,110,000 in 2009, and \$1,130,000,000 thereafter. The backlog numbers, and the revenue indicated by the backlog, was materially misleading because Defendants failed to disclose that the delays and associated cost overruns on the three marine pipeline contracts were fast eroding profits on those contracts.

43. For the Company's second quarter 2008 10-Q, Defendant Wilkinson made the same certifications as in the first quarter 2008 10-Q. Those certifications included that he had reviewed the report, that based on his knowledge, the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report" and that "the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report..."

44. Defendant Wilkinson also certified, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the 10-Q "fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934" and that "information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company."

45. For the Company's second quarter 2008 10-Q, Defendant Taff made the same certifications as Defendant Wilkinson.

46. During the Company's second quarter 2008 earnings conference call, held on August 12, 2008, Defendant Taff trumpeted increased revenues "from the Offshore Oil and Gas Construction segment where revenues were up 50% or almost \$300 million." Defendant Wilkinson also misled investors by falsely reassuring investors as to contract delays, and concealing and misrepresenting to investors the magnitude – later revealed to be \$110 million – of potential liquidated damages triggered by the delays. Wilkinson stated that "some of the project delays we have encountered have added costs to certain

projects... and also it potentially exposed us to ... liquidated damages.” Yet, Wilkinson asserted that “[f]requently customers tell you verbally they do not ... assess any penalty, our history will indicate they don’t enforce the charge. We also may have an offset to [liquidated damages] claims, such as contractually excusable delays.” Wilkinson added that “[w]e are far from alone in dealing with cost increases in scheduled delays, **but in spite of this we are still leading the margin pack.**” (Emphasis added.)

47. During the second quarter 2008 call, an analyst questioned Defendant Wilkinson about the project delays, asking “what are you doing to try and alleviate what look like some bottlenecks ... is there anything you could do over time to sort of ease the stress in the system?” Defendant Wilkinson responded by, once again, concealing and misrepresenting that the Company had incurred losses on those contracts. Wilkinson answered that “[t]here are a number of things ... and we are working on all of them ... early slippages on projects forced an inordinate amount of activity at one time in one place ... we have a number of projects where frankly we could stay the course and in the end, we might be late, but we would still be ahead of the onshore activity of the customer.” In addition, in response to another analyst question that “[in] the first quarter you had a lot of weather disruptions. In this quarter, it seemed like there were some other issues. I mean, did you just book too much work?”, Wilkinson falsely reassured investors that the Company could make up for delays on the three marine pipeline contracts: “some slippages on the contractor [sic] too, going all way back to ’07 really what it ... when it puts from an expected good weather window into an anticipated bad weather window ... **we certainly don’t bid work where we have no capacity to deliver it ... we are working through it and it will improve.**” (Emphasis added.)

48. During the second quarter 2008 conference call, Wilkinson further represented to investors that the delays were not “a contracting issue. **If you price something too low, not enough margin, not enough contingency ... that is clearly a contracting issue. *None of that is happening or has happened.***” (Emphasis added.)

49. During the second quarter 2008 conference call, Defendant Wilkinson additionally stated that “it’s not a very forgiving world when you, the difference between six-foot sea state and four-foot sea state makes a huge difference in the way you do your welding for instance”. Wilkinson added that “downtime in a project can be due to our own equipment or due to sub-contractors ... You bring in sub-contractors whose equipment is on the ragged edge and then you suffer that. So, this is a long way of telling you. It is a full market out there and everybody is working stressed to the help and it’s not a game of perfect right now.” Wilkinson further stated that “when we estimate all the cost correctly we don’t need the contingency and the contingency becomes profit. And today we and everybody in this industry are finding that some of that contingency actually goes to costs.” Yet, Defendants **still** concealed from investors that the Company was seriously behind schedule on the three marine pipelines projects, that costs were soaring at an alarming rate, and that the projects were no longer profitable.

50. The statements contained in the previous paragraphs were materially false and misleading because:

- a. Defendants knew, or recklessly disregarded, that at least as early as the first quarter of 2008, three large, ongoing construction contracts for the installation of marine oil and gas pipelines off the coast of Qatar were severely delayed and the Company would be unable to complete them on schedule – and incurred substantial losses as a result;
- b. Defendants concealed and misrepresented the fact that virtually no contingency had been built into the schedules for the three marine

- pipelines contracts and that the costs for building the pipelines were soaring as delays accumulated;
- c. Defendants falsely reassured investors that the Company could make up for delays on the three marine pipeline contracts, when in fact the Company could not do so, with the result that costs for building the pipelines were soaring and the projects were no longer profitable; and
 - d. Defendants concealed and misrepresented to investors the magnitude – eventually revealed to be \$110 million – of potential liquidated damages triggered by the delays.

C. **The Truth Emerges**

On November 5, 2008, investors finally learned the truth about the three marine pipeline contracts. The Company filed its third quarter 2008 Form 10-Q with the SEC on November 5, 2008, after the market closed. In the Company's 10-Q, Defendants revealed that the Company was severely delayed on contracts for its Offshore Oil and Gas Construction segment and as a result had incurred massive losses of \$90 million on those contracts. Defendants further revealed that the Company could face liquidated damages of \$110 million on the delayed contracts. Specifically, Defendants stated in the Company's third quarter 10-Q that:

Some of our contracts have milestone due dates that must be met or we may be subject to penalties for liquidated damages if claims are asserted and we are ultimately responsible for the delays. These penalties relate to specified activities within a project that must be completed by a set contractual date. The applicable contracts define the conditions under which our customers may make claims against us for liquidated damages. In most cases in which we have had potential exposure for liquidated damages, such damages ultimately were not asserted by our customers. **We have not accrued for potential liquidated damages totaling approximately \$110 million at September 30, 2008, all in our Offshore Oil and Gas Construction segment, that we could incur based upon completing certain projects as currently forecasted, as we do not believe that claims for these liquidated damages are probable of being assessed. The trigger dates for the majority of these liquidated damages presently occur in the fourth quarter of 2008.** We are in active discussions with our customers on the issues giving rise to delays in these projects and we believe we will be successful in obtaining schedule extensions which will resolve the potential for liquidated damages being assessed. While we believe we will be successful in negotiations with our customers, it is possible we may not achieve schedule relief on some or all

of the issues. For certain other projects, all in our Offshore Oil and Gas Construction segment, we have currently provided for approximately \$25 million in liquidated damages in our estimates of revenues and gross profit, of which approximately \$17 million has been recognized in our financial statements to date through percentage of completion accounting, as we believe, based on the individual facts and circumstances, they are probable.

(Emphasis added.)

In the three and nine months ended September 30, 2008, we recorded contract losses of approximately \$90 million attributable to changes in our estimates on the expected costs to complete various projects, primarily in the Middle East region.

The segment operating income of our Offshore Oil and Gas Construction segment decreased \$107.4 million primarily attributable to delays and associated cost increases related to projects primarily in the Middle East region.

Segment operating income decreased \$107.4 million in the three months ended September 30, 2008 from income of \$88.7 million for the three months ended September 30, 2007 to a loss of \$18.7 million. **This decrease was primarily attributable to recognition of approximately \$90 million of contract losses in the three months ended September 30, 2008 on the expected costs to complete various projects, primarily in the Middle East region. These losses are attributable to revised cost estimates due to lower experienced and forecasted productivity, combined with an increase in downtime on our marine vessels and third-party costs, primarily on the Middle East pipeline installation projects.** Because of these project delays we expect to experience scheduling issues and increased costs due to vessel mobilization in future periods. In addition we also experienced increased costs for fuel and labor in all areas and increased charter costs for support vessels in our marine operations.

Segment operating income decreased \$170.5 million to \$132.2 million in the nine months ended September 30, 2008 from \$302.7 million in the comparable period in 2007. **This decrease was primarily attributable to recognition of approximately \$90 million of contract losses in the nine months ended September 30, 2008 on the expected costs to complete various projects, primarily in the Middle East region. These losses are attributable to revised cost estimates due to lower experienced and forecasted productivity, combined with an increase in downtime on our marine vessels and third-party costs, primarily on the Middle East pipeline installation projects.** Because of these project delays we

expect to experience scheduling issues and increased costs due to vessel mobilization in future periods.

(Emphasis added.)

51. During McDermott's third quarter 2008 earnings conference call, held on November 6, 2008, Fees made further disclosures concerning the three delayed marine pipeline contracts:

While I would have preferred strong consolidated results for my first conference call, obviously, this is not the case. *These results were not what I was expecting coming into my new world just five weeks ago. So, I appreciate that no one outside the company expected to see it.*

We've had this quarter ... what we have this quarter was two of McDermott's operating segment's repeating strong performances but one that is falling short of our expectations. In a moment, I'll let Mike provide an overview of our consolidated financials and I'll come back afterwards to discuss the market environment and some highlights of our other operations.

But the major issue today is the offshore oil and gas construction business. What happened this quarter, the steps we're taking and how we'll avoid this situation in the future? So, I'm going to address this issue first.

The vast majority of the segment shortfall this quarter relates to just three projects out of an active oil and gas portfolio of about 30 major jobs. The problems with these three contracts all relate to the pipeline installation phase. The pipelines are in Qatar's North Field, two are for LNG developments and the other four a gas to liquids project.

When originally bid, we expected to generate about \$1.4 billion in revenues combined, which also included the engineering and construction scope and each of the contracts were bid with normal margin characteristics. We still have about \$1 billion of revenue left to recognize on our backlog on these projects as of September 30. However, with our increased estimated cost to complete, virtually all the gross margin has been eliminated.

There are number of common things to these projects and they share including long trunk line projects and transporting high pressure of solid gas. **Majority of the cost increases on these jobs relate to three issues; mainly productivity, schedule delays and excessive downtime.**

First, productivity. The estimates used in our bid for all three projects were based upon similar completed successful projects. These reference projects will perform during peak summer construction months, so they experienced high productivity and few downtime base. Productivity, as measured in how many joints of pipe a day we expect to accomplish.

In hindsight, this joints per day or what we call lay rates, were used for the bid provided were proved to be too aggressive and we've not been able to achieve production at these levels. As is typically the case in the construction business, when you start a project with a poor assumption, it's hard to recover.

The next common problem is schedule. **These projects were affected by delays from preceding jobs in the queue. The delays on earlier jobs has caused us to start projects later than the bid schedules proposed** and we are prioritizing our resources to minimize the schedule effect on the customers by using a different vessel than what we assumed in the bid. The situation has or will really mitigate the financial impact as this change in assumptions increased our cost.

The final common problem is excessive downtime. We spoke about weather being the problem in the first quarter, and it was. In the two quarters since we continue to experience additional delays due to weather, mechanical issues, support vessel availability and some customer order standbys. Any of these problems alone would be a concern, but how they compound when taken together is really the issue. Let me provide some examples.

Because our productivity is less than anticipated, we are spending more days in the field, which increases our exposure to weather and mechanical downtime. These extra days spent on the job also mean the next projects in the queue have scheduled impacts as well. With the schedule being compromised, we found ourselves starting projects in historically bad weather winters, which further hampered productivity and increased our downtime days. And every time a vessel goes down and what we mean by that is it stops laying pipe for whatever the reason, the interruption impacts productivity, because starts and stops never permit our cruise to build any type of momentum.

There are other issues as well, including significant inflation in the region, welling issues and regional congestion to name just a few. **Cumulative effect for this quarter is we're now forecasting on this 300 more days in total on these projects than originally bid.** But the financial impact fairly evenly spread between productivity, schedule, downtime and all other issues.

So let me discuss what we're doing. I have spent a substantial amount of time with our team here in Houston analyzing these projects. **In early October, we dispatched an independent review team of senior executives to Dubai to review, reconcile and report on each stage of these projects and to recommend the best path forward.**

Based upon this analysis and a further detailed review of management, we revised our estimated cost to complete the levels we have demonstrated and we believe are achievable. And we have recognized all the associated losses now.

(Emphasis added.)

52. During the November 6, 2008 conference call, Fees acknowledged that **“We recognize that we got ourselves too tight with no buffer in it and when slippage it started ... it produces the domino effect. *In a strong market, there was no reason to get ourselves in this position.* We're working harder in 2008, expecting to generate about a 40% increase in revenues compared to last year, but that is also now clear that the segment will generate little profits than 2007.”** (Emphasis added.) Fees further stated that “we took a step backward in the offshore construction businesses this quarter, which will have a lingering impact for the next year or so.” Fees added that the schedule delays on the three pipelines projects “could expose us to future liquidated damages.” Indeed, as set forth above, the Company's third quarter 2008 10-Q filing revealed that the potential liquidated damages totaled “approximately \$110 million at September 30, 2008.”

53. Defendant Taff further explained during the November 6, 2008 conference the problems that caused delays in the three marine pipeline contracts “One was productivity, which really gets down to how many joints of pipe we can lay a day. But the other two relates to these schedule delays ... **we basically have this special schedule**

for about a year and a half period, with not a lot of slack in it and cushion. We had cushion built under but it just proved that we got behind in the first job and then we had the snowball effect.” (Emphasis added.)

54. During the November 6, 2008 conference call, Defendant Taff reported on the impact to net income of the \$90 million in contract losses: “[i]n the 2008 third quarter, McDermott reported net income of \$85.6 million or \$0.37 per diluted share compared to last year’s \$140.4 million or \$0.61 per share. Obviously, the \$90 million of project losses at the gross margin level in offshore construction ... is the main variant between the two periods.” Defendant Taff further stated that “Offshore Oil and Gas Construction had a \$19.7 million segment loss. It’s first negative result in a quarter since early 2004. Increasing our estimated cost significantly and taking the full expected loss on certain projects generated the \$90 million loss at the gross margin level ... With over 20% of the segment’s current backlog now expected to earn no margin going forward, I would suggest as a result that you trim your margin expectations in this segment to the 6% to 8% range for the next four to five quarters, assuming no liquidated damages or further project deterioration.”

55. The news shocked the market, and several analysts downgraded their ratings of McDermott’s stock. In particular, Jefferies & Company analyst Stephen Gengaro commented that problems he previously saw as short-term and under management control now appeared to be significant, stating “[t]here is too much uncertainty to advocate buying the shares on weakness”. In response to the Company’s disclosures, McDermott’s share price plunged on heavy volume from \$15.56 per share at

close on November 5, 2008 to \$10.39 per share at close on November 6, 2008, a loss of \$5.17 share or 33%.

ADDITIONAL SCIENTER ALLEGATIONS

56. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to the investing public. The ongoing fraudulent scheme described herein could not have been perpetrated over a substantial period of time without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants. The Individual Defendants were motivated to materially misrepresent the true nature of the Company's business, operations, and financial affairs to the public and regulators in order to keep the Company's share price artificially high.

57. In particular, Defendant Wilkinson was motivated to conceal the severity of the delays on the Company's marine pipelines contracts in order to maintain the artificial inflation in McDermott's stock price. Defendant Wilkinson relaxed standards and bid on contracts without providing a cushion for contingencies in order to increase the Company's backlog. Indeed, the Company's Oil and Gas Construction segment was the only business segment with major year over year backlog increases. The significant backlog in the Company's oil and gas business segment led investors to expect substantial revenues in that segment and artificially increased the price of McDermott's stock. The Individual Defendants further benefited from the Company's artificially high stock prices when they sold shares of Company stock – Defendants Wilkinson and Taff collectively sold 380,200 shares during the Class Period for proceeds of approximately \$21 million. Defendant Wilkinson, in particular, sold 358,200 shares during the Class

Period for proceeds of approximately \$19.7 million. If the Individual Defendants had disclosed the true extent and severity of the delays on the three marine pipelines projects, which wiped out any profits on the contracts and caused the Company to incur significant losses, in a timely manner, McDermott's stock price would have fallen and the Individual Defendants' profits from their stock sales would have been significantly less.

LOSS CAUSATION / ECONOMIC LOSS

58. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the Company's common stock price and operated as a fraud or deceit on acquirers of the Company's common stock. As detailed above, when the truth about McDermott's financial situation was revealed, the Company's common stock declined as the prior artificial inflation came out of its common stock price. That decline in McDermott's common stock price was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of the common stock price decline negates any inference that the loss suffered by Plaintiff and other members of the Class was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by the Plaintiff and other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the Company's common stock price and the subsequent significant decline in the value of the Company's common stock when Defendants' prior misrepresentations and other fraudulent conduct was revealed.

59. At all times relevant, Defendants' materially false and misleading

statements or omissions alleged herein directly or proximately caused the damages suffered by the Plaintiff and other Class members. Those statements were materially false and misleading because they failed to disclose a true and accurate picture of McDermott's business, operations and financial condition, as alleged herein. Throughout the Class Period, Defendants publicly issued materially false and misleading statements and omitted material facts necessary to make Defendants' statements not false or misleading, causing McDermott's common stock price to be artificially inflated. Plaintiff and other Class members purchased McDermott's common stock at those artificially inflated prices, causing them to suffer the damages complained of herein.

CLASS ACTION ALLEGATIONS

60. Plaintiff brings this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons who acquired McDermott common stock from February 27, 2008 through and including November 5, 2008, and who were damaged thereby ("Class"). Excluded from the Class are the Defendants, the Company's officers and directors, affiliates, legal representatives, heirs, predecessors, successors and assigns, and any other entity in which any of the Defendants has a controlling interest or of which the Company is a parent or subsidiary.

61. The members of the Class are located in geographically diverse areas and are so numerous that joinder of all members is impracticable. Throughout the Class Period, the Company had more than 225 million shares of its common stock outstanding, which were actively traded on the NYSE. Although the exact number of Class members is unknown at this time and can only be ascertained through appropriate discovery, Plaintiff believes there are thousands of members of the Class who traded Company

common stock during the Class Period.

62. Common questions of law and fact exist as to all members of the Class and predominate over any questions affecting solely individual members of the Class.

Among the questions of law and fact common to the Class are:

- (a) Whether Defendants violated federal securities laws based upon the facts alleged herein;
- (b) Whether Defendants acted knowingly or recklessly in making materially misleading statements and/or omissions during the Class Period;
- (c) Whether the market prices of the Company's securities during the Class Period were artificially inflated because of Defendants' conduct complained of herein; and
- (d) Whether the members of the Class have sustained damages and, if so, the proper measure of damages.

63. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to, or in conflict with, those of the Class.

64. A class action is superior to other available methods for the fair and efficient adjudication of this controversy since joinder of all members of this Class is impracticable. Furthermore, because the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for the Class members individually to redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

65. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the market doctrine in that:

- (a) Defendants failed to disclose material facts during the Class Period;

(b) McDermott's stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(c) McDermott made available periodic public reports about its financial results and condition;

(d) McDermott regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;

(e) McDermott was followed by securities analysts employed by major brokerage firms who wrote reports that were distributed to the sales force and certain customers of their respective brokerage firms. Each of those reports was publicly available and entered the public marketplace;

(f) the misleading statements and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and

(g) Plaintiff and members of the Class purchased their Company stock between the time Defendants failed to disclose material facts and the time the true facts were disclosed, without knowledge of the omitted facts.

66. Based upon the foregoing, Plaintiff and members of the Class are entitled to a presumption of reliance upon the integrity of the market price for the Company's common stock.

67. As a result of the foregoing, the market for McDermott's common stock promptly digested current information regarding McDermott from all publicly-available sources and reflected such information in the price of McDermott's common stock. Under those circumstances, all purchasers of McDermott's common stock during the Class Period suffered similar injury through their purchase of McDermott's common

stock at artificially inflated prices, and a presumption of reliance applies.

NO SAFE HARBOR

68. The statutory safe harbor under the Private Securities Litigation Reform Act of 1995, which applies to forward-looking statements under certain circumstances, does not apply to any of the allegedly false and misleading statements pleaded in this complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward-looking, they were not adequately identified as “forward-looking statements” when made, and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor is intended to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because, at the time each of those forward-looking statements was made, the particular speaker had actual knowledge that the particular forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized and/or approved by an executive officer of McDermott who knew that those statements were false, misleading or omitted necessary information when they were made.

COUNT I

Violations of Section 10(b) of the Exchange Act and SEC Rule 10b-5

69. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

70. This Count is asserted against all Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and SEC Rule 10b-5 promulgated thereunder.

71. During the Class Period, Defendants, singly and in concert, directly engaged in a common plan, scheme and unlawful course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and course of business which operated as fraud and deceit upon Plaintiff and the other members of the Class, and failed to disclose material information in order to make the statements made, in light of the circumstances under which they were made, not misleading to Plaintiff and the other members of the Class. The purpose and effect of said scheme, plan and unlawful course of conduct was, among other things, to induce Plaintiff and the other members of the Class to purchase McDermott's common stock during the Class Period at artificially inflated prices.

72. Throughout the Class Period, McDermott acted through the Individual Defendants, whom it portrayed and represented to the financial press and public as its valid representatives. The willfulness, motive, knowledge and recklessness of the Individual Defendants are therefore imputed to McDermott, which is primarily liable for the securities law violations of the Individual Defendants.

73. As a result of the failure to disclose material facts, the information Defendants disseminated to the investing public was materially false and misleading as

set forth above, and the market price of McDermott's common stock was artificially inflated during the Class Period. In ignorance of the duty to disclose the false and misleading nature of the statements described above and the deceptive and manipulative devices and contrivances employed by said Defendants, Plaintiff and other members of the Class relied, to their detriment, on the integrity of the market price of McDermott's common stock in purchasing shares of the Company. Had Plaintiff and the other members of the Class known the truth, they would not have purchased said shares or would not have purchased them at the inflated prices that were paid.

74. Plaintiff and other members of the Class have suffered substantial damages as a result of the wrongs herein alleged in an amount to be proved at trial.

75. By reason of the foregoing, Defendants directly violated Section 10(b)-5 promulgated thereunder in that they: (a) employed devices, schemes and artifices to defraud; (b) failed to disclose material information; or (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class in connection with their purchases of McDermott's common stock during the Class Period.

COUNT II

Violations of Section 20(a) of the Exchange Act

76. Plaintiff repeats and realleges each and every allegation contained in each of the foregoing paragraphs as if set forth fully herein.

77. The Individual Defendants, by virtue of their positions, stock ownership and/or specific acts described above, were, at the time of the wrongs alleged herein,

controlling persons within the meaning of Section 20(a) of the Exchange Act.

78. The Individual Defendants have the power and influence and exercised the same to cause McDermott to engage in the illegal conduct and practices complained of herein.

79. By reason of the conduct alleged in Count I of the Complaint, the Individual Defendants are liable jointly and severally and to the same extent as the Company for the aforesaid wrongful conduct, and are liable to Plaintiff and to the other members of the Class for the substantial damages which they suffered in connection with their purchases of McDermott's common stock during the Class Period.

WHEREFORE, Plaintiff, on his own behalf and on behalf of the Class, prays for judgment as follows:

(a) Determining this action to be a proper class action and certifying Plaintiff as class representative under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages in favor of Plaintiff and the other members of the Class against all Defendants, jointly and severally, for the damages sustained as a result of the wrongdoings of Defendants, together with interest thereon;

(c) Awarding Plaintiff the fees and expenses incurred in this action including reasonable allowance of fees for Plaintiff's attorneys and experts;

(d) Granting extraordinary equitable and/or injunctive relief as permitted by law, equity and federal and state statutory provisions sued on hereunder; and

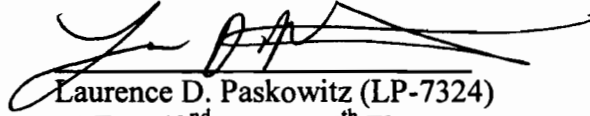
(e) Granting such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: November 17, 2008

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Attorneys for Plaintiff

PLAINTIFF'S CERTIFICATE

The undersigned ("Plaintiff") declares, as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the complaint against McDermott International, Inc. ("McDermott") and certain other defendants.

2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of a class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as approved by the court.

5. Plaintiff made the following transactions during the Class Period (February 27, 2008, through November 5, 2008) in the common stock of McDermott:

Purchases

Date(s)	Number of Shares	Price
10/24/2008	500	\$12.9546

Sales

Date(s)	Number of Shares	Price

6. During the three years prior to the date of this Certification, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws.

7. I declare under penalty of perjury, this 14 day of November 2008 that the information above is accurate.

Stuart Sherman

E-signed