OVERSEAS SHIPHOLDING GROUP INC
Form 10-Q
August 09, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number: 001-06479

OVERSEAS SHIPHOLDING GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-2637623**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

302 Knights Run Avenue, Tampa, Florida	**33602**
(Address of principal executive office)	(Zip Code)

(813) 209-0600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨	Smaller reporting company ¨
		(Do not check if smaller reporting company)	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of The Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. YES x NO ¨

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date. The number of shares outstanding of the issuer's Class A common stock as of August 4, 2017: Class A common stock, par value $0.01–75,034,126 shares. Excluded from these amounts are penny warrants, which were outstanding as of August 4, 2017 for the purchase of 12,720,585 shares of Class A common stock without consideration of any withholding pursuant to the cashless exercise procedures.

TABLE OF CONTENTS

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

DOLLARS IN THOUSANDS

	June 30, 2017 **(unaudited)**	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 204,575	$ 191,089
Restricted cash	5,935	7,272
Voyage receivables, including unbilled of $5,887 and $12,593	20,819	23,456
Income tax receivable	381	877
Receivable from INSW	506	683
Other receivables	17,745	2,696
Inventories, prepaid expenses and other current assets	11,542	12,243
Total Current Assets	261,503	238,316
Restricted cash - non current	-	8,572
Vessels and other property, less accumulated depreciation of $233,241 and $213,173	664,411	684,468
Deferred drydock expenditures, net	25,697	31,172
Total Vessels, Other Property and Deferred Drydock	690,108	715,640
Investments in and advances to affiliated companies	38	3,694
Intangible assets, less accumulated amortization of $48,683 and $46,383	43,317	45,617
Other assets	22,481	18,658
Total Assets	$ 1,017,447	$ 1,030,497
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	$ 44,029	$ 57,222
Income taxes payable	1,990	306
Current installments of long-term debt	86,579	-
Total Current Liabilities	132,598	57,528
Reserve for uncertain tax positions	3,175	3,129
Long-term debt	422,147	525,082
Deferred income taxes, net	143,777	141,457
Other liabilities	51,455	48,969
Total Liabilities	753,152	776,165
Equity:		
Common stock	753	702
Paid-in additional capital	584,112	583,526
Accumulated deficit	(313,095)	(321,736)

	271,770	262,492
Accumulated other comprehensive loss	(7,475)	(8,160)
Total Equity	264,295	254,332
Total Liabilities and Equity	$ 1,017,447	$ 1,030,497

See notes to condensed consolidated financial statements

3

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

(UNAUDITED)

	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Shipping Revenues:				
Time and bareboat charter revenues	$72,116	$97,413	$151,883	$196,103
Voyage charter revenues	24,109	20,971	52,458	37,361
	96,225	118,384	204,341	233,464
Operating Expenses:				
Voyage expenses	5,149	3,643	10,941	6,510
Vessel expenses	32,564	34,610	68,173	70,514
Charter hire expenses	22,856	22,884	45,433	45,726
Depreciation and amortization	15,086	22,672	31,711	45,796
General and administrative	6,350	11,540	14,604	24,496
Total Operating Expenses	82,005	95,349	170,862	193,042
Operating income	14,220	23,035	33,479	40,422
Other (expense)/income	38	(422)	(630)	736
Income before interest expense, reorganization items and income taxes	14,258	22,613	32,849	41,158
Interest expense	(9,445)	(10,862)	(18,802)	(22,779)
Income before reorganization items and income taxes	4,813	11,751	14,047	18,379
Reorganization items, net	(9)	(861)	(244)	17,050
Income from continuing operations before income taxes	4,804	10,890	13,803	35,429
Income tax provision from continuing operations	(1,593)	(15,075)	(5,162)	(48,310)
Income/(loss) from continuing operations	3,211	(4,185)	8,641	(12,881)
Income from discontinued operations	-	34,045	-	93,481
Net income	$3,211	$29,860	$8,641	$80,600
Weighted Average Number of Common Shares Outstanding:				
Basic - Class A	87,769,483	92,255,692	88,309,231	93,496,651
Diluted - Class A	87,964,755	92,321,359	88,542,779	93,531,462
Basic and Diluted - Class B	-	826,794	-	1,073,382
Per Share Amounts:				
	$0.04	$(0.04)	$0.10	$(0.13)

Basic and diluted net income/(loss) - Class A from continuing operations				
Basic and diluted net income - Class A from discontinued operations	$-	$0.35	$-	$0.97
Basic net income - Class A	$0.04	$0.31	$0.10	$0.84
Diluted net income - Class A	$0.04	0.32	$0.10	$0.85
Basic and diluted net income/(loss) - Class B from continuing operations	$-	$(0.27)	$-	$(0.35)
Basic and diluted net income - Class B from discontinued operations	$-	$2.19	$-	$2.56
Basic and diluted net income - Class B	$-	$1.92	$-	$2.21
Cash dividends declared - Class A	$-	$-	$-	$0.48
Cash dividends declared - Class B	$-	$1.08	$-	$1.56

See notes to condensed consolidated financial statements

4

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

DOLLARS IN THOUSANDS

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income	$ 3,211	$ 29,860	$ 8,641	$ 80,600
Other Comprehensive Income/(Loss), net of tax:				
Net change in unrealized gains/(losses) on cash flow hedges	202	15	350	(33)
Net change in unrecognized actuarial losses	335	-	335	-
Other Comprehensive Income/(Loss), net of tax	537	15	685	(33)
Comprehensive Income	$ 3,748	$ 29,875	$ 9,326	$ 80,567

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

DOLLARS IN THOUSANDS

(UNAUDITED)

	Six Months Ended June 30, 2017	2016
Cash Flows from Operating Activities:		
Net income	$8,641	$80,600
Income from discontinued operations	-	93,481
Income/(loss) from continuing operations	8,641	(12,881)
Items included in net income/(loss) from continuing operations not affecting cash flows:		
Depreciation and amortization	31,711	45,796
Amortization of debt discount and other deferred financing costs	2,653	3,190
Compensation relating to restricted stock/stock unit and stock option grants	1,699	1,804
Deferred income tax benefit	2,121	45,666
Reorganization items, non-cash	85	327
Discount on repurchase of debt	(925)	(3,415)
Other – net	1,481	1,176
Distributions from INSW	-	102,000
Distributed earnings of affiliated companies	3,656	3,789
Payments for drydocking	(3,305)	(4,588)
SEC, Bankruptcy and IRS claim payments	(5,000)	(7,136)
Changes in operating assets and liabilities	(19,084)	7,349
Net cash provided by operating activities	23,733	183,077
Cash Flows from Investing Activities:		
Change in restricted cash	9,909	4,994
Expenditures for vessels and vessel improvements	-	(58)
Expenditures for other property	(11)	(265)
Net cash provided by investing activities	9,898	4,671
Cash Flows from Financing Activities:		
Cash dividends paid	-	(31,910)
Payments on debt	-	(43,879)
Extinguishment of debt	(19,083)	(52,667)
Repurchases of common stock and common stock warrants	-	(76,388)
Tax withholding on share-based awards	(1,062)	-
Net cash used in financing activities	(20,145)	(204,844)
Net increase/(decrease) in cash and cash equivalents from continuing operations	13,486	(17,096)
Cash and cash equivalents at beginning of period	191,089	193,978
Cash and cash equivalents at end of period	$204,575	$176,882

Cash flows from discontinued operations:		
Cash flows provided by operating activities	$-	$122,764
Cash flows used in investing activities	-	26,464
Cash flows used in financing activities	-	(179,141)
Net decrease in cash and cash equivalents from discontinued operations	$-	$(29,913)

See notes to condensed consolidated financial statements

6

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

DOLLARS IN THOUSANDS

(UNAUDITED)

	Common **Stock**[1]	Paid-in Additional **Capital**[2]	Accumulated Deficit	Accumulated Other Comprehensive **Loss**[3]	Total
Balance at December 31, 2016	$ 702	$ 583,526	$ (321,736)	$ (8,160)	$ 254,332
Net Income			8,641		8,641
Other comprehensive income	-	-	-	685	685
Forfeitures, cancellations, issuance and vesting of restricted stock awards, net	4	(1,066)	-	-	(1,062)
Compensation related to Class A options granted and restricted stock awards	-	1,699	-	-	1,699
Conversion of Class A warrants to common stock	47	(47)	-	-	-
Balance at June 30, 2017	$ 753	$ 584,112	$ (313,095)	$ (7,475)	$ 264,295

(1) Par value $0.01 per share; 166,666,666 Class A shares authorized; 75,034,126 Class A shares outstanding as of June 30, 2017.
(2) Includes 66,950,446 outstanding Class A warrants as of June 30, 2017.
(3) Amounts are net of tax.

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

Note 1 — Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements include the accounts of Overseas Shipholding Group, Inc., a Delaware corporation (the “Parent Company”), and its wholly owned subsidiaries (collectively, the “Company” or “OSG”, “we”, “us” or “our”). The Company owns and operates a fleet of oceangoing vessels engaged primarily in the transportation of crude oil and refined petroleum products in the U.S. Flag trades. The Company manages the operations of its fleet through its wholly owned subsidiary, OSG Bulk Ships, Inc. (“OBS”), a New York corporation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and notes required by generally accepted accounting principles in the United States. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of the results have been included. Operating results for the three and six months ended June 30, 2017, are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

The condensed consolidated balance sheet as of December 31, 2016 has been derived from the audited financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles in the United States for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 (“Form 10-K”).

On November 30, 2016 (the “Distribution Date”), OSG completed the separation of its business into two independent publicly traded companies through the spin-off of its then wholly-owned subsidiary International Seaways, Inc. (“INSW”). The spin-off separated OSG and INSW into two distinct businesses with separate managements. OSG retained the U.S. Flag business and INSW holds entities and other assets and liabilities that formed OSG’s former International Flag business.

The spin-off transaction was in the form of a pro rata distribution of INSW's common stock to our stockholders and warrant holders of record as of 5:00 p.m., New York time on November 18, 2016 (the "Record Date"). On the Distribution Date, each holder of OSG common stock received 0.3333 shares of INSW's common stock for every share of OSG common stock held on the Record Date. Each holder of OSG warrants received 0.3333 shares of INSW's common stock for every one share of OSG common stock they would have received if they exercised their warrants immediately prior to the Distribution (or 0.063327 INSW shares per warrant).

The spin-off was completed pursuant to a Separation and Distribution Agreement and several other agreements with INSW related to the spin-off, including a Transition Services Agreement and an Employee Matters Agreement. These agreements govern the relationship between us and INSW following the spin-off and provide for the allocation of various assets, liabilities, rights and obligations. These agreements also include arrangements for transition services to be provided by OSG to INSW and by INSW to OSG.

The Company's Board of Directors (the "Board") approved a stock dividend of Class A common stock, whereby on December 17, 2015, all stockholders of record of the Company's Class A and B common stock as of December 3, 2015, received a dividend of one-tenth of one share of Class A common stock for each share of Class A common stock and Class B common stock held by them as of the record date. In addition, effective May 27, 2016, each Class B common share and Class B warrant automatically converted into one Class A common share and one Class A warrant, respectively, and on June 2, 2016 the Board approved an amendment (the "Reverse Split Amendment") to the Company's Amended and Restated Certificate of Incorporation. The Reverse Split Amendment effected a one-for-six reverse stock split and corresponding reduction of the number of authorized shares of common stock, par value $0.01 per share (the "Reverse Split"). The Reverse Split Amendment became effective on June 13, 2016.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

Note 2 — Chapter 11 Filing and Emergence from Bankruptcy:

In October 2012, the Company disclosed that its Audit Committee, on the recommendation of management, concluded that the Company's previously issued financial statements for at least the three years ended December 31, 2011 and associated interim periods, and for the fiscal quarters ended March 31, 2012 and June 30, 2012, should no longer be relied upon. Shortly thereafter several putative class action suits were filed in the United States District Court for the Southern District of New York against the Company. Also named as defendants were its then President and Chief Executive Officer, its then Chief Financial Officer, its then current and certain former members of its Board of the Directors, and certain Company representatives.

On November 14, 2012 (the "Petition Date"), the Parent Company and 180 of its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). On August 5, 2014, a plan of reorganization (the "Equity Plan") became effective and OSG emerged from bankruptcy.

The Company has fully and finally resolved all potential direct claims by members of the putative class of securities claimants through a settlement effectuated through Equity Plan. Under the terms of that settlement, the Equity Plan provided for full satisfaction of claims through the payment of (i) $7,000 in cash, which was paid on August 5, 2014, (ii) $3,000 in cash, which was paid on August 5, 2015, (iii) any remaining cash in the Class E1 Disputed Claims Reserve established by the Equity Plan following resolution of all other Class E1 claims, which was paid on October 5, 2015, (iv) 15% (or $2,136) of the Net Litigation Recovery in the action against Proskauer (described below), which was paid on April 5, 2016, (v) $5,000 in cash, following the entry of a final order resolving the Proskauer action, which was paid on March 17, 2016, and (vi) proceeds of any residual interest the Company has in certain director and officer insurance policies.

On January 23, 2017, the SEC commenced an administrative proceeding, with the Company's consent, that fully resolved an SEC investigation that was initiated in connection with the Company's earnings restatement announced in 2012. The Company neither admitted nor denied the SEC's allegations that the Company violated certain provisions of the Securities Act, the Exchange Act and related rules. After receiving Bankruptcy Court approval, the Company paid a $5,000 civil penalty relating to the investigation in February 2017, which was fully accrued as of December 31, 2016. The settlement with the SEC does not require any further changes to the Company's historical financial statements. Any indemnification or contribution claims by officers or directors of the Company that could be asserted in connection with the SEC's investigation have been released or otherwise resolved pursuant to the Equity Plan and order of the Bankruptcy Court.

On February 10, 2017, pursuant to a final decree and order of the Bankruptcy Court, OSG's one remaining case, as the Parent Company, was closed.

Reorganization Items, net

Reorganization items net, represent amounts incurred subsequent to the Petition Date as a direct result of the filing of our Chapter 11 cases and are comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Trustee fees	$ -	$ 30	$ 5	$ 60
Professional fees	9	744	239	1,027
Litigation settlement, net	-	-		(20,359)
Litigation settlement due to class action plaintiffs	-	-	-	2,136
Litigation settlement due to Class B warrant holders	-	87	-	86
	$ 9	$ 861	$ 244	$ (17,050)

On February 12, 2016, the Company entered into an agreement with Proskauer Rose, LLP and four of its partners ("Proskauer Plaintiffs") to settle a malpractice suit filed by the Company in March 2014. Settlement proceeds totaling $20,359 net of all related out-of-pocket expenses, including legal fees, incurred by the Company during the six months ended June 30, 2016 are included in litigation settlement, net in the table above.

9

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

In addition, pursuant to the terms of the Company's settlement with members of the putative class of securities claimants, the Company recognized an income statement charge for 15%, or $2,136, of the Net Litigation Recovery amount of $14,242 during the six months ended June 30, 2016. The "Net Litigation Recovery" is the gross amount of the settlement less all related out-of-pocket expenses, including legal fees, incurred by the Company since the inception of the action against the Proskauer Plaintiffs through the date of settlement. Further, as required by the Equity Plan, the Company's Amended and Restated Certificate of Incorporation and the Class B Warrant Agreement, the Company distributed 10%, or $1,423, of the Net Litigation Recovery amount to the Class B stockholders and warrant holders in May 2016. Approximately $86 of the aforementioned $1,423, which represents the proportional share of the Net Litigation Recovery payable to the Company's Class B warrant holders, was recognized as a charge to reorganization items, net in the second quarter of 2016. The balance of $1,337 was distributed in the form of a special dividend to the Company's Class B stockholders and was recorded as a reduction of retained earnings as of June 30, 2016.

Cash paid for reorganization items, excluding the SEC and Proskauer related settlement amounts noted above, were $135 and $159 for the three and six month periods ended June 30, 2017, respectively, and $562 and $1,088 for the three and six month periods ended June 30, 2016, respectively.

Note 3 — Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (ASC 842)*, which requires lessees to recognize most leases on the balance sheet. This is expected to increase both reported assets and liabilities. For public companies, the standard will be effective for the first interim reporting period within annual periods beginning after December 15, 2018, although early adoption is permitted. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. The requirements of this standard include a significant increase in required disclosures. Management is analyzing the impact of the adoption of this guidance on the Company's consolidated financial statements, including assessing changes that might be necessary to information technology systems, processes and internal controls to capture new data and address changes in financial reporting. Management expects that the Company will recognize substantial increases in reported amounts for property, plant and equipment and related lease liabilities upon adoption of the new standard. As of June 30, 2017, the contractual obligations for the Company's leased vessels was approximately $301,000.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606*) to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. Subsequent to the May 2014 issuance, several clarifications and updates have been issued on this topic. The revenue standard contains principles that an entity will apply to determine the measurement and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. For public companies, the revenue standard is effective for the first interim period within annual reporting periods beginning after December 15, 2017. Reporting entities may choose to adopt the standard as of the original effective date. The requirements of this standard include an increase in required disclosures. Management will apply the modified retrospective transition method and is currently analyzing the impact of the adoption of this guidance on the Company’s consolidated financial statements, including developing a comprehensive implementation plan and assessing changes that might be necessary to information technology systems, processes and internal controls to capture new data and address changes in financial reporting.

Note 4 — Earnings per Common Share:

Basic earnings per common share is computed by dividing earnings, after the deduction of dividends and undistributed earnings allocated to participating securities, by the weighted average number of common shares outstanding during the period. As management deemed the exercise price for the Class A and B warrants of $0.01 per share to be nominal, warrant proceeds are ignored and the shares issuable upon Class A and B warrant exercise are included in the calculation of Class A and B basic weighted average common shares outstanding for all periods.

10

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

The computation of diluted earnings per share assumes the issuance of common stock for all potentially dilutive stock options and restricted stock units. Participating securities are defined by *ASC 260, Earnings Per Share*, as unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents and are included in the computation of earnings per share pursuant to the two-class method.

On June 2, 2016, the Board approved the Reverse Split Amendment to the Company's Amended and Restated Certificate of Incorporation. The Reverse Split Amendment effected the Reverse Split. The Reverse Split Amendment became effective on June 13, 2016.

Class A

There were 125,145 and 99,814 weighted average shares of unvested Class A restricted common stock shares considered to be participating securities for the three and six month periods ended June 30, 2017, respectively, and 38,697 and 40,577 weighted average shares of unvested Class A restricted common stock shares considered to be participating securities for the three and six month periods ended June 30, 2016, respectively. Such participating securities were allocated a portion of income under the two-class method for the three and six months ended June 30, 2017 and 2016.

The computation of diluted earnings per share assumes the issuance of common stock for all potentially dilutive stock options and restricted stock units not classified as participating securities. As of June 30, 2017, there were 430,633 shares of Class A restricted stock units and 384,084 Class A stock options outstanding and considered to be potentially dilutive securities. As of June 30, 2016, there were 489,282 shares of Class A restricted stock units and 587,607 Class A stock options outstanding and considered to be potentially dilutive securities.

Class B

There are no participating securities or potentially dilutive securities relating to the Class B common stock. The Class B shares were all converted to Class A shares in May 2016.

The components of the calculation of basic earnings per share and diluted earnings per share are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Income/(loss) from continuing operations	$3,211	$(4,185)	$8,641	$(12,881)
Income/(loss) from discontinued operations	-	34,045	-	93,481
Net income	$3,211	$29,860	$8,641	$80,600
Weighted average common shares outstanding:				
Class A common stock - basic	87,769,483	92,255,692	88,309,231	93,496,651
Class A common stock - diluted	87,964,755	92,321,359	88,542,779	93,531,462
Class B common stock - basic and diluted	-	826,794	-	1,073,382

(1) For the three and six months ended June 30, 2017 and 2016, income/(loss) from continuing operations allocated to participating securities relates to unvested restricted stock and for the three and six months ended June 30, 2016, income from discontinued operations allocated to participating securities relates to amounts equivalent to the cash dividends declared.

(2) The 2016 loss allocated to Class B common stockholders includes amounts equivalent to the special cash dividends declared on the Class B common stock shares.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

For the three and six months ended June 30, 2017, there were 195,272 and 233,548, respectively, dilutive equity awards outstanding and for the three and six months ended June 30, 2016, there were 65,667 and 34,811, respectively, dilutive equity awards outstanding. Awards of 687,505 and 877,271 (which includes restricted stock units and stock options) for the three and six months ended June 30, 2017 were not included in the computation of diluted earnings per share because inclusion of these awards would be anti-dilutive.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

Note 5 — Discontinued Operations:

As discussed in Note 1, on November 30, 2016 the Company completed the separation of its business into two independent publicly-traded companies through the spin-off of INSW. In connection with the spin-off, OSG and INSW entered into a number of agreements that provide a framework for governing the relationships between the parties going forward.

Separation and Distribution Agreement

OSG entered into a separation and distribution agreement (the "Separation and Distribution Agreement") with INSW, which among other things, sets forth other agreements that govern the aspects of the relationship as follows.

Transfer of Assets and Assumption of Liabilities. The Separation and Distribution Agreement identified certain transfers of assets and assumptions of liabilities that were necessary in advance of the spin-off of INSW from OSG so that OSG and INSW retained the assets of, and the liabilities associated with, their respective businesses. The Separation and Distribution Agreement also provided for the settlement or extinguishment of certain liabilities and other obligations between OSG and INSW.

Legal Matters and Claims; Sharing of Certain Liabilities. Subject to any specified exceptions, each party to the Separation and Distribution Agreement has assumed the liability for, and control of, all pending and threatened legal matters related to its own business, as well as assumed or retained liabilities, and has indemnified the other party for any liability arising out of or resulting from such assumed legal matters.

Other Matters. In addition to those matters discussed above, the Separation and Distribution Agreement, among other things, (i) governs the transfer of assets and liabilities generally, (ii) terminates all intercompany arrangements between OSG and INSW except for specified agreements and arrangements that follow the Distribution, (iii) contains further assurances, terms and conditions that require OSG and INSW to use commercially reasonable efforts to consummate the transactions contemplated by the Separation and Distribution Agreement and the ancillary agreements, (iv) releases certain claims between the parties and their affiliates, successors and assigns, (v) contains mutual indemnification clauses and (vi) allocates expenses of the spin-off between the parties.

Transition Services Agreement

OSG and INSW entered into a transition services agreement (the "TSA" or "Transition Services Agreement") pursuant to which both parties agreed to provide each other with specified services for a limited time to help ensure an orderly transition following the Distribution. The Transition Services Agreement specifies the calculation of the costs for these services. Pursuant to the terms of the agreement, OSG will provide certain administrative services, including administrative support services related to benefit plans, human resources and legal services, for a transitional period after the spin-off. Similarly, INSW has agreed to provide certain limited transition services to OSG, including services relating to accounting activities and information and data provision services. The Transition Services Agreement will terminate 30 days after the expiration or termination of all of the services provided thereunder, which are generally provided for a maximum period of three to six months. During Q2 2017, this agreement terminated.

Employee Matters Agreement

OSG and INSW entered into an employee matters agreement (the "Employee Matters Agreement"), which addresses the allocation and treatment of assets and liabilities relating to employees and compensation and benefit plans and programs in which INSW employees participated, including equity incentive plans. The Employee Matters Agreement also governs the transfer of employees between OSG and INSW in connection with the Distribution and set forth certain obligations for reimbursements and indemnities between OSG and INSW. During Q2 2017, this agreement terminated.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

Results of Discontinued Operations

The table below presents statements of operations data for INSW, which has been classified as discontinued operations for the three and six months ended June 30, 2016.

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Shipping revenues:		
Pool revenues	$ 66,706	$ 157,234
Time and bareboat charter revenues	28,660	50,343
Voyage charter revenues	7,698	24,161
	103,064	231,738
Operating expenses:		
Voyage expenses	2,107	6,074
Vessel expenses	34,400	69,538
Charter hire expenses	8,595	16,810
Depreciation and amortization	19,920	39,880
General and administrative	4,853	9,140
Spin-off related costs	1,090	1,223
Gain on disposal of vessels and other property, including impairments	-	(172)
Total Operating Expenses	70,965	142,493
Income from Vessel Operations	32,099	89,245
Equity in Income of Affiliated Companies	11,985	23,606
Operating Income	44,084	112,851
Other Income	(176)	1,239
Income before Interest Expense, Reorganization Items and Taxes	43,908	114,090
Interest expense	9,690	20,432
Income before Reorganization Items and Income Taxes	34,218	93,658
Reorganization Items, net	-	-
Income before Income Taxes	34,218	93,658
Income Tax Provision	173	177
Net Income	$ 34,045	$ 93,481

Corporate administrative expenses, employee compensation and benefits related costs, and depreciation for certain administrative fixed assets were allocated to INSW through June 30, 2016, in accordance with the "Shared Services and Cost Sharing Agreement" and the "Cost Sharing Agreement" by and among, OSG, INSW and OBS. However, in accordance with the accounting standards for discontinued operations, only costs directly attributable to INSW are to be reported in the results from discontinued operations. As such, the allocated costs in the table above will differ from the costs allocated to INSW (and reported or to be reported by INSW) in accordance with the aforementioned cost sharing agreements as discussed further in Note 10, "Related Parties." Total indirect costs allocated to INSW that are included in continuing operations in the consolidated statement of operations were $2,606 and $6,236 for the three and six months ended June 30, 2016, respectively.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

Note 6 — Vessels:

Vessel Impairments and Change in Useful Lives of Vessels

The Company gave consideration as to whether events or changes in circumstances had occurred since December 31, 2016 that could indicate that the carrying amounts of the vessels in the Company's fleet may not be recoverable as of June 30, 2017. The Company concluded that no such events or changes in circumstances had occurred.

Vessel Sales and Acquisitions

There were no vessels sold or acquired during the three and six months ended June 30, 2017 or 2016.

Note 7 — Fair Value of Financial Instruments, Derivatives and Fair Value Disclosures:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents and restricted cash— The carrying amounts reported in the condensed consolidated balance sheet for interest-bearing deposits approximate their fair value.

Debt— The fair values of the Company's publicly traded and non-public debt are estimated based on quoted market prices.

Interest rate caps— The fair values of interest rate caps are the estimated amounts that the Company would receive or pay to terminate the caps at the reporting date, which include adjustments for the counterparty or the Company's credit risk, as appropriate, after taking into consideration any underlying collateral securing the swap or cap agreements.

ASC 820, *Fair Value Measurements and Disclosures*, relating to fair value measurements defines fair value and established a framework for measuring fair value. The ASC 820 fair value hierarchy distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price. In addition, the fair value of assets and liabilities should include consideration of non-performance risk, which for the liabilities described below includes the Company's own credit risk.

The levels of the fair value hierarchy established by ASC 820 are as follows:

Level 1- Quoted prices in active markets for identical assets or liabilities

Level 2- Quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The estimated fair values of the Company's financial instruments, other than derivatives, that are not measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, are as follows:

	Carrying Value	Fair Value Level 1	Level 2
June 30, 2017:			
Assets			
Cash [1]	$210,510	$210,510	$-
Total	$210,510	$210,510	$-
Liabilities			
8.125% notes due 2018	$61,872	$-	$64,412
OBS Term loan	446,170	-	432,524
7.5% Election 2 notes due 2021	294	-	308
7.5% notes due 2024	390	-	380
Total	$508,726	$-	$497,624

15

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

	Carrying Value	Fair Value Level 1	Level 2
December 31, 2016:			
Assets			
Cash [1]	$206,933	$206,933	$-
Total	$206,933	$206,933	$-
Liabilities			
8.125% notes due 2018	$80,213	$-	$84,935
OBS Term loan	444,186	-	442,199
7.5% Election 2 notes due 2021	293	-	303
7.5% notes due 2024	390	-	392
Total	$525,082	$-	$527,829

(1) Includes current and non-current restricted cash aggregating $5,935 and $15,844 at June 30, 2017 and December 31, 2016, respectively.

Derivatives

Interest Rate Risk

The Company manages its exposure to interest rate volatility risks by using interest rate caps and swap derivative instruments. At June 30, 2017, OBS was a party to an interest rate cap agreement ("Interest Rate Cap") with a start date of February 5, 2015 with a major financial institution covering a notional amount of $375,000 to limit the floating interest rate exposure associated with the OBS Term Loan. The Interest Rate Cap was designated and qualified as a cash flow hedge and contains no leverage features. The Interest Rate Cap had a cap rate of 2.5% through February 5, 2017, at which time the cap rate increased to 3.0% through the termination date of February 5, 2018.

The following tables present information with respect to gains and losses on derivative positions reflected in the condensed consolidated statements of operations or in the condensed consolidated statements of other comprehensive income.

The effect of cash flow hedging relationships recognized in other comprehensive income/(loss) excluding amounts reclassified from accumulated other comprehensive loss (effective portion) for the three and six months ended June 30, 2017 and 2016 is as follows:

	Three Months Ended June 30,	
	2017	2016
Interest Rate Cap of continuing operations	$ (202)	$ (15)
Interest Rate Cap of discontinued operations	-	1
Interest rate swaps of discontinued operations	-	(4,463)
Total	$ (202)	$ (4,477)

16

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

	Six Months Ended June 30,	
	2017	2016
Interest Rate Cap of continuing operations	$ 669	$ 1,207
Interest Rate Cap of discontinued operations	-	(1,307)
Interest rate swaps of discontinued operations	-	(15,669)
Total	$ 669	$ (15,769)

The effect of cash flow hedging relationships on the unaudited condensed consolidated statement of operations excludes hedges of equity method investees. The effect of the Company’s cash flow hedging relationships on the unaudited condensed consolidated statement of operations for the three and six months ended June 30, 2017 were $317 and $551, respectively, and $105 and $133 for the three and six months ended June 30, 2016, respectively. These amounts represented the effective portion of loss reclassified from accumulated other comprehensive loss for interest expense associated with the Company’s interest rate caps. The amount of estimated unrealized losses that are expected to be reclassified from accumulated other comprehensive loss for interest expense associated with the Company’s interest rate caps in the next twelve months is $1,052.

See Note 12, “Accumulated Other Comprehensive Loss,” for disclosures relating to the impact of derivative instruments on accumulated other comprehensive loss.

At June 30, 2017 and December 31, 2016, the Company did not have any financial instruments categorized in the Level 3 fair value hierarchy.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

Note 8 — Debt:

Exit Financing Facilities

Capitalized terms used hereafter in this Note 8 have the meanings given in this Quarterly Report on Form 10-Q or in the Company's 2016 Annual Report on Form 10-K or in the respective transaction documents referred to below, including subsequent amendments thereto.

On the Effective Date, to support the Equity Plan, OSG and its subsidiaries entered into secured debt facilities consisting of: (i) a secured asset-based revolving loan facility of $75,000, among the Parent Company, OBS, certain OBS subsidiaries, Wells Fargo Bank, National Association ("Wells Fargo") as Administrative Agent, and the other lenders party thereto (the "OBS ABL Facility"), secured by a first lien on substantially all of the U.S. Flag assets of OBS and its subsidiaries and a second lien on certain other specified U.S. Flag assets and (ii) a secured term loan of $603,000, among the Parent Company, OBS, certain OBS subsidiaries, Jefferies Finance LLC ("Jefferies"), as Administrative Agent, and other lenders party thereto (the "OBS Term Loan"), secured by a first lien on certain specified U.S. Flag assets of OBS and its subsidiaries and a second lien on substantially all of the other U.S. Flag assets of OBS and its subsidiaries. On August 5, 2014, the available amounts under the OBS Term Loan were drawn in full and as of June 30, 2017, no amounts had been drawn under the OBS ABL Facility.

The OBS Term Loan amortizes in equal quarterly installments in aggregate annual amounts equal to 1% of the original principal amount of the loans, adjusted for optional and mandatory prepayments. However, due to a $20,000 prepayment made on May 16, 2016, the Company is no longer required to make the 1% annualized principal payments. The OBS Term Loan stipulates that if annual aggregate net cash proceeds of asset sales exceed $5,000, the net cash proceeds from each such sale are required to be reinvested in fixed or capital assets within twelve months of such sale or be used to prepay the principal balance outstanding of the facility. The OBS Term Loan is subject to additional mandatory annual prepayments in an aggregate principal amount of up to 50% of Excess Cash Flow.

Management determined that it had Excess Cash Flow under the OBS Term Loan for the six months ended June 30, 2017 and has projected the amount of Excess Cash Flow for the twelve months ended December 31, 2017. The mandatory prepayment, which is estimated to be approximately $24,714 will be due during the first quarter of 2018, and is therefore included in current installments of long-term debt on the condensed consolidated balance sheet as of June 30, 2017.

The Exit Financing Facilities also contain certain restrictions relating to new borrowings, and the movement of funds between OBS and OSG (as Parent Company), which is not a borrower under the Exit Financing Facilities, as set forth in the respective loan agreements. The Parent Company’s ability to receive cash dividends, loans or advances from OBS is restricted under the Exit Financing Facilities. The Available Amount for cash dividends, loans or advances to the Parent Company permitted under the OBS Term Loan was $43,592 as of June 30, 2017.

The OBS ABL Facility matures on February 5, 2019. However, to the extent that any of the 8.125% notes due 2018 are outstanding on December 29, 2017, the maturity date of the OBS ABL Facility will be December 29, 2017. To remain in compliance with the OBS ABL Facility, the Company’s plan, as of June 30, 2017, is to pay off or refinance the outstanding balance on its 8.125% unsecured notes by December 29, 2017.

Unsecured Senior Notes

During the six months ended June 30, 2017, the Company repurchased and retired an aggregate principal amount of $19,083 of its 8.125% notes due 2018. The aggregate loss of $1,189 realized on this transaction during the six months ended June 30, 2017, is included in other (expense)/income in the condensed consolidated statements of operations. The net loss reflects a $264 write-off of unamortized deferred finance costs associated with the repurchased debt.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

Note 9 — Taxes:

For the three months ended June 30, 2017 and 2016, the Company recorded income tax provisions of $1,593 and $15,075, respectively, which represent effective tax rates of 33% and 138%, respectively. For the six months ended June 30, 2017 and 2016, the Company recorded income tax provisions of $5,162 and $48,310, respectively, which represent effective tax rates of 37% and 136% respectively. The effective tax rate for the six months ending June 30, 2017 is greater than the statutory rate primarily as a result of an income tax provision resulting from stock compensation pursuant to ASU 2016-09 offset in part by the non-taxability of income subject to U.S. tonnage tax. The effective tax rate for the six months ending June 30, 2016 is greater than the statutory rate primarily as a result of management's determination that, prior to the spin-off of INSW, the Company could not make an assertion that OSG's investment in INSW was essentially permanent in duration and recorded a deferred tax liability for INSW's 2016 earnings.

As of June 30, 2017 and December 31, 2016, the Company recorded a noncurrent reserve for uncertain tax positions of $3,175 and $3,129, respectively, after taking into consideration tax attributes, such as net operating loss carryforwards, and accrued interest of $806 and $760, respectively.

The Company is currently undergoing an examination by the Internal Revenue Service of its 2012 through 2015 tax returns. As of June 30, 2017, the IRS has not proposed any adjustments and continues to issue Information Document Requests.

Note 10 — Related Parties:

Equity Method Investment

Investment in affiliated company is comprised of the Company's 37.5% interest in Alaska Tanker Company, LLC, which manages vessels carrying Alaskan crude for BP. In the first quarter of 1999, OSG, BP, and Keystone Shipping

Company formed Alaska Tanker Company, LLC (“ATC”) to manage the vessels carrying crude oil for BP. ATC provides marine transportation services in the environmentally sensitive Alaskan crude oil trade. Each member in ATC is entitled to receive its respective share of any incentive charter hire payable by BP to ATC.

Transition Services Agreement and Other Spin-off Related Activity

During the three and six months ended June 30, 2017, OSG earned fees totaling $49 and $126 for services provided to INSW and, during the three and six months ended June 30, 2017, incurred fees totaling $2 and $53 for services received from INSW, pursuant to the terms of the Transition Services Agreement.

Receivables from INSW aggregating $506 and $683 as of June 30, 2017 and December 31, 2016, respectively, were primarily in relation to the spin-related agreements (Transition Services, Separation and Distribution and Employee Matters Agreements) between OSG and INSW, as described in Note 5, “Discontinued Operations.”

Guarantees

INSW entered into guarantee arrangements in connection with the spin-off on November 30, 2016, in favor of Qatar Liquefied Gas Company Limited (2) (“LNG Charterer”) and relating to certain LNG Tanker Time Charter Party Agreements with the LNG Charterer and each of Overseas LNG H1 Corporation, Overseas LNG H2 Corporation, Overseas LNG S1 Corporation and Overseas LNG S2 Corporation (such agreements, the “LNG Charter Party Agreements,” and such guarantees, collectively, the “LNG Performance Guarantees”).

OSG continues to provide a guarantee in favor of the LNG Charterer relating to the LNG Charter Party Agreements (such guarantees, the ‘‘OSG LNG Performance Guarantee’’). INSW will indemnify OSG for liabilities arising from the OSG LNG Performance Guarantees pursuant to the terms of the Separation and Distribution Agreement. In connection with the OSG LNG Performance Guarantees, INSW will pay a $125 fee per year to OSG, which is subject to escalation after 2017 and will be terminated if OSG ceases to provide the OSG LNG Performance Guarantee. The maximum potential liability of the guarantee is $30,235.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

Note 11 — Capital Stock and Stock Compensation:

Share and Warrant Repurchases

During the six months ended June 30, 2016, the Company repurchased 106,350 shares of its Class A common stock in open-market purchases on the NYSE MKT at an average price of $12.23 per share, for a total cost of $1,301. In addition, during the six months ended June 30, 2016, the Company repurchased 33,326,716 Class A warrants in private transactions with non-affiliates at an average per share equivalent cost of $12.05 for a total cost of $75,347.

In connection with the vesting of restricted stock units during the six months ended June 30, 2016, the Company repurchased 22,113 shares of Class A common stock at an average cost of $14.67 per share (based on the market prices on the dates of vesting) from certain members of management to cover withholding taxes.

Warrant Conversions

During the six months ended June 30, 2017, the Company issued 4,477,726 shares of Class A common stock as a result of the exercise of 23,625,925 Class A warrants. During the six months ended June 30, 2016, the Company issued 6,604,494 shares of Class A common stock and 7,833 shares of Class B common stock as a result of the exercise of 35,178,898 Class A warrants and 46,997 Class B warrants, respectively.

Stock Compensation

The Company accounts for stock compensation expense in accordance with the fair value based method required by ASC 718, *Compensation – Stock Compensation*. Such fair value based method requires share based payment transactions to be measured based on the fair value of the equity instruments issued.

Director Compensation — Restricted Common Stock

The Company awarded a total of 253,700 restricted Class A common stock shares during the three and six months ended June 30, 2017 to its non-employee directors. At the annual shareholders meeting during Q2 2017, the Company's shareholders approved to increase this award by 1,500 shares. The weighted average grant date fair value of the Company's stock on the measurement date of such awards was $2.68 per share. During the three and six months ended June 30, 2016, the Company awarded a total of 65,769 restricted Class A common stock shares to its non-employee directors. The weighted average grant date fair value of the Company's stock on the measurement date of such awards was $11.86 per share. Such restricted shares awards vest in full on the earlier of the next annual meeting of the stockholders or the first anniversary of the grant date, subject to each director continuing to provide services to the Company through such date. The restricted share awards granted may not be transferred, pledged, assigned or otherwise encumbered prior to vesting. Prior to the vesting date, a holder of restricted share awards otherwise has all rights of a shareholder of the Company, including the right to vote such shares and the right to receive dividends paid with respect to such shares at the same time as common shareholders generally.

Management Compensation — Restricted Stock Units and Stock Options

During the three and six months ended June 30, 2017, the Company respectively granted 0 and 165,010 time-based restricted stock units ("RSUs") to its employees, including senior officers. The average grant date fair value of these awards was $4.04 per RSU. Each RSU represents a contingent right to receive one share of Class A common stock upon vesting. Each award of RSUs will vest in equal installments on each of the first three anniversaries of the grant date.

During the three and six months ended June 30, 2017, the Company respectively awarded 0 and 63,532 performance-based RSUs to its senior officers. Each performance stock unit represents a contingent right to receive RSUs based upon continuous employment through the end of the three-year performance period commencing on January 1, 2017 and ending on December 31, 2019 (the "Performance Period") and shall vest as follows: (i) one-half of the target RSUs shall vest and become nonforfeitable on March 23, 2020, subject to OSG's return on invested capital ("ROIC") performance in the three-year ROIC performance period relative to a target rate (the "ROIC Target") set forth in the award agreements. (The formula for ROIC is net operating profit after taxes divided by the net of total debt plus shareholders equity less cash); and (ii) one-half of the target RSUs will be subject to OSG's three-year total shareholder return ("TSR") performance relative to that of a performance peer group over a three-year TSR performance period ("TSR Target"). The peer group will consist of companies that comprise the Standard and Poor's Transportation Select Index during the performance Period. Vesting is subject in each case to the Human Resources and Compensation Committee's ("HRC") certification of achievement of the performance measures and targets no later th