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

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

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 Number)

302 Knights Run Avenue, Tampa, Florida

33602

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 813-209-0600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Class A Common Stock (par value \$0.01 per share)

OSG

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes [] No [X]

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 every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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. (Check one):

Large accelerated filer [] Accelerated filer [X] Non-accelerated filer [] Smaller reporting company [X] Emerging growth company []

If 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 provided 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 []

The aggregate market value of the common equity held by non-affiliates of the registrant on June 30, 2019, the last business day of the registrant's most recently completed second quarter, was \$118,428,664, based on the closing price of \$1.88 per share of Class A common stock on the NYSE exchange on that date. For this purpose, all outstanding shares of common stock have been considered held by non-affiliates, other than the shares beneficially owned by directors, officers and certain 5% stockholders of the registrant; certain of such persons disclaim that they are affiliates of the registrant.

The number of shares outstanding of the issuer's Class A common stock, as of March 6, 2020: Class A common stock, par value \$0.01 – 86,324,920 shares. Excluded from these amounts are penny warrants, which were outstanding as of March 6, 2020, for the purchase of 3,655,270 shares of Class A common stock without consideration of any withholding pursuant to the cashless exercise procedures.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed by the registrant in connection with its 2020 Annual Meeting of Stockholders are incorporated by reference in Part III

TABLE OF CONTENTS

<u>Available Information</u>	i
<u>Forward-Looking Statements</u>	i
<u>Supplementary Financial Information</u>	iii
<u>Glossary</u>	iii
 PART I	
Item 1. <u>Business</u>	1
<u>Overview and Recent Developments</u>	1
<u>Fleet Operations</u>	2
<u>Employees</u>	5
<u>Competition</u>	5
<u>Environmental and Security Matters</u>	5
<u>Inspection by Classification Societies</u>	15
<u>Insurance</u>	16
<u>Taxation of the Company</u>	16
Item 1A. <u>Risk Factors</u>	17
Item 1B. <u>Unresolved Staff Comments</u>	35
Item 2. <u>Properties</u>	35
Item 3. <u>Legal Proceedings</u>	35
Item 4. <u>Mine Safety Disclosures</u>	35
 PART II	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	36
Item 6. <u>Selected Financial Data</u>	37
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	38
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	47
Item 8. <u>Financial Statements and Supplementary Data</u>	48
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	90
Item 9A. <u>Controls and Procedures</u>	90
Item 9B. <u>Other Information</u>	90
 PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	91
Item 11. <u>Executive Compensation</u>	92
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	92
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	92
Item 14. <u>Principal Accounting Fees and Services</u>	92
 PART IV	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	93
Item 16. <u>Form 10-K Summary</u>	100
<u>Signatures</u>	101

References in this Annual Report on Form 10-K to the “Company”, “OSG”, “we”, “us”, or “our” refer to Overseas Shipholding Group, Inc. and, unless the context otherwise requires or otherwise is expressly stated, its subsidiaries.

OSG is currently a smaller reporting company (“SRC”) under SEC rules. Accordingly, disclosures in this Annual Report on Form 10-K have been modified. As an SRC, OSG is not required to provide certain disclosures, for example, risk factors, however, we have provided these disclosures.

A glossary of shipping terms (the “Glossary”) that should be used as a reference when reading this Annual Report on Form 10-K can be found immediately prior to Part I. Capitalized terms that are used in this Annual Report are either defined when they are first used or in the Glossary.

All dollar amounts are stated in thousands of U.S. dollars unless otherwise stated.

AVAILABLE INFORMATION

The Company makes available free of charge through its internet website www.osg.com, its Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Securities and Exchange Commission (the “SEC”). Our website and the information contained on that site, or connected to that site, are not incorporated by reference in this Annual Report on Form 10-K.

The public may also read and copy any materials the Company files with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 (information on the operation of the Public Reference Room is available by calling the SEC at 1-800-SEC-0330). The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

The Company also makes available on its website its corporate governance guidelines, its code of business conduct, insider trading policy, anti-bribery and corruption policy and charters of the Audit Committee, Human Resources and Compensation Committee and Corporate Governance and Risk Assessment Committee of the Board of Directors. Neither our website nor the information contained on that site, or connected to that site, is incorporated by reference into this Annual Report on Form 10-K.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make or approve certain forward-looking statements in future filings with the SEC, in press releases, or oral or written presentations by representatives of the Company. All statements other than statements of historical facts should be considered forward-looking statements. Words such as “may”, “will”, “should”, “would”, “could”, “appears”, “believe”, “intends”, “expects”, “estimates”, “targeted”, “plans”, “anticipates”, “goal”, and similar expressions are intended to identify forward-looking statements but should not be considered as the only means through which these statements may be made. Such forward-looking statements represent the Company’s reasonable expectations with respect to future events or circumstances based on various factors and are subject to various risks and uncertainties and assumptions relating to the Company’s operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Accordingly, there are or will be important factors, many of which are beyond the control of the Company, that could cause the Company’s actual results to differ materially from the expectations expressed or implied in these statements. Undue reliance should not be placed on any forward-looking statements and consideration should be given to the following factors when reviewing such statements. Such factors include, but are not limited to:

- the highly cyclical nature of OSG’s industry;
- market value of vessels fluctuates significantly;
- an increase in the supply of Jones Act vessels without a commensurate increase in demand;
- changing economic, political and governmental conditions in the United States or abroad and general conditions in the oil and natural gas industry;
- changes in fuel prices;
- the adequacy of OSG’s insurance to cover its losses, including in connection with maritime accidents or spill events;

- constraints on capital availability;
- public health threats, including the possible coronavirus pandemic;
- acts of piracy on ocean-going vessels or terrorist attacks and international hostilities and instability;
- the Company's compliance with 46 U.S.C. sections 50501 and 55101 (commonly known as the "Jones Act") and the heightened exposure to the Jones Act market fluctuations, including stockholder citizenship requirements imposed on us by the Jones Act;
- the effect of the Company's indebtedness on its ability to finance operations, pursue desirable business operations and successfully run its business in the future;
- the Company's ability to generate sufficient cash to service its indebtedness and to comply with debt covenants;
- changes in demand in certain specialized markets in which the Company currently trades;
- competition within the Company's industry and OSG's ability to compete effectively for charters;
- the Company's ability to renew its time charters when they expire or to enter into new time charters, to replace its operating leases on favorable terms or the loss of a large customer;
- the Company's ability to realize benefits from its acquisitions or other strategic transactions;
- the loss of, or reduction in business with, the Company's largest customers;
- refusal of certain customers to use vessels of a certain age;
- the Company's significant operating leases could be replaced on less favorable terms or may not be replaced;
- changes in credit risk with respect to the Company's counterparties on contracts or the failure of contract counterparties to meet their obligations;
- increasing operating costs, unexpected drydock costs or increasing capital expenses as the Company's vessels age, including increases due to limited shipbuilder warranties or the consolidation of suppliers;
- the potential for technological innovation to reduce the value of the Company's vessels and charter income derived therefrom;
- the impact of an interruption in, or failure or breach of the Company's information technology and communication systems upon the Company's ability to operate or a cybersecurity breach;
- the impact of a delay or disruption in implementing new technological and management systems;
- work stoppages or other labor disruptions by the unionized employees of OSG or other companies in related industries or the impact of any potential liabilities resulting from withdrawal from participation in multiemployer plans;
- the Company's ability to attract, retain and motivate key employees;
- ineffective internal controls;
- the impact of potential changes in U.S. tax laws;
- limitations on U.S. coastwise trade, the waiver, modification or repeal of the Jones Act limitations or changes in international trade agreements;
- government requisition of the Company's vessels during a period of war or emergency;
- the Company's compliance with complex laws, regulations and in particular, environmental laws and regulations, including those relating to the emission of greenhouse gases and ballast water treatment;
- the inability to clear oil majors' risk assessment process;
- the impact of litigation, government inquiries and investigations;
- the arrest of OSG's vessels by maritime claimants;
- the Company's ability to use its net operating loss carryforwards;
- market price of the Company's securities fluctuates significantly;
- the Company's ability to sell warrants may be limited and the exercise of outstanding warrants may result in substantial dilution;
- the Company's common stock is subject to restrictions on foreign ownership;
- OSG is a holding company and depends on the ability of its subsidiaries to distribute funds to it in order to satisfy its financial obligations or pay dividends;
- some provisions of Delaware law and the Company's governing documents could influence its ability to effect a change of control; and
- securities analysts may not initiate coverage to cover the Company's securities.

Investors should carefully consider these risk factors and the additional risk factors outlined in more detail in this Annual Report on Form 10-K and in other reports hereafter filed by the Company with the SEC under the caption “Risk Factors.” The Company assumes no obligation to update or revise any forward-looking statements except as may be required by law. Forward-looking statements in this Annual Report on Form 10-K and written and oral forward-looking statements attributable to the Company or its representatives after the date of this Annual Report on Form 10-K are qualified in their entirety by the cautionary statement contained in this paragraph and in other reports hereafter filed by the Company with the SEC.

NON-GAAP FINANCIAL MEASURES AND SUPPLEMENTARY FINANCIAL INFORMATION

The Company reports its financial results in accordance with generally accepted accounting principles of the United States of America (“GAAP”). However, the Company has included in this Report certain non-GAAP financial measures and ratios, which it believes, provide useful information to both management and readers of this Report in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other titled measures determined in accordance with GAAP.

The Company presents four non-GAAP financial measures: time charter equivalent revenues (“TCE”), EBITDA, Adjusted EBITDA and vessel operating contribution. TCE revenues represent shipping revenues less voyage expenses, as a measure to compare revenue generated from a voyage charter to revenue generated from a time charter. EBITDA represents net income/(loss) before interest expense and income taxes and depreciation and amortization expense. Adjusted EBITDA consists of EBITDA adjusted for the impact of certain items that we do not consider indicative of our ongoing operating performance. Vessel operating contribution represents TCE revenues less vessel expenses and charter hire expenses and is used as a measure to reflect our niche markets, which provide a stable operating platform underlying our total US Flag operations. Our niche markets include Delaware Bay lightering, MSP vessels and shuttle tankers.

This Annual Report on Form 10-K includes industry data and forecasts that we have prepared based, in part, on information obtained from industry publications and surveys. Third-party industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. In addition, certain statements regarding our market position in this report are based on information derived from the Company’s market studies and research reports. Unless we state otherwise, statements about the Company’s relative competitive position in this report are based on our management’s beliefs, internal studies and management’s knowledge of industry trends.

GLOSSARY

Unless otherwise noted or indicated by the context, the following terms used in the Annual Report on Form 10-K have the following meanings:

Articulated Tug Barge or ATB—A tug-barge combination system capable of operating on the high seas, coastwise and further inland. It combines a normal barge, with a bow resembling that of a ship, but having a deep indent at the stern to accommodate the bow of a tug. The fit is such that the resulting combination behaves almost like a single vessel at sea as well as while maneuvering.

Ballast—Any heavy material, including water, carried temporarily or permanently in a vessel to provide desired draft and stability.

Bareboat Charter—A Charter under which a customer pays a fixed daily or monthly rate for a fixed period of time for use of the vessel. The customer pays all costs of operating the vessel, including voyage and vessel expenses. Bareboat charters are usually long term.

b/d—Barrels per day.

CERCLA—The U.S. Comprehensive Environmental Response, Compensation, and Liability Act.

Charter—Contract entered into with a customer for the use of the vessel for a specific voyage at a specific rate per unit of cargo (“Voyage Charter”), or for a specific period of time at a specific rate per unit (day or month) of time (“Time Charter”).

Classification Societies—Organizations that establish and administer standards for the design, construction and operational maintenance of vessels. As a practical matter, vessels cannot trade unless they meet these standards.

Contracts of Affreightment or COAs—An agreement providing for the transportation between specified points for a specific quantity of cargo over a specific time period but without designating specific vessels or voyage schedules, thereby allowing flexibility in scheduling since no vessel designation is required. COAs can either have a fixed rate or a market-related rate. One example would be two shipments of 70,000 tons per month for two years at the prevailing spot rate at the time of each loading.

Crude Oil—Oil in its natural state that has not been refined or altered.

Deadweight tons or dwt—The unit of measurement used to represent cargo carrying capacity of a vessel, but including the weight of consumables such as fuel, lube oil, drinking water and stores.

Demurrage—Additional revenue paid to the shipowner on its Voyage Charters for delays experienced in loading and/or unloading cargo that are not deemed to be the responsibility of the shipowner, calculated in accordance with specific Charter terms.

Double Hull—Hull construction design in which a vessel has an inner and an outer side and bottom separated by void space, usually two meters in width.

Drydocking—An out-of-service period during which planned repairs and maintenance are carried out, including all underwater maintenance such as external hull painting. During the drydocking, certain mandatory Classification Society inspections are carried out and relevant certifications issued. Normally, as the age of a vessel increases, the cost and frequency of drydockings increase.

Exclusive Economic Zone—An area that extends up to 200 nautical miles beyond the territorial sea of a state’s coastline (land at lowest tide) over which the state has sovereign rights for the purpose of exploring, exploiting, conserving and managing natural resources.

Handysize Product Carrier—A small size Product Carrier of approximately 29,000 to 50,000 deadweight tons. This type of vessel generally operates on shorter routes (short haul).

International Maritime Organization or IMO—An agency of the United Nations, which is the body that is responsible for the administration of internationally developed maritime safety and pollution treaties, including MARPOL.

International Flag—International law requires that every merchant vessel be registered in a country. International Flag refers to those vessels that are registered under a flag other than the United States.

Jones Act—U.S. law that applies to port-to-port shipments within the continental U.S. and between the continental U.S. and Hawaii, Alaska, Puerto Rico, and Guam, and restricts such shipments to U.S. Flag Vessels that are built in the United States and that are owned by a U.S. company that is more than 75% owned and controlled by U.S. citizens, set forth in 46 U.S.C. sections 50501 and 55101.

Jones Act Fleet—A fleet comprised of vessels that comply with the Jones Act regulations.

Lightering—The process of off-loading crude oil or petroleum products from large size tankers, typically Very Large Crude Carriers, into smaller tankers and/or barges for discharge in ports from which the larger tankers are restricted due to the depth of the water, narrow entrances or small berths.

MarAd—The Maritime Administration of the U.S. Department of Transportation.

Maritime Security Program or MSP—The U.S. Maritime Security Program, which ensures that militarily useful U.S. Flag vessels are available to the U.S. Department of Defense in the event of war or national emergency. These vessels are required to trade outside the United States but are eligible for government sponsored business. Under the MSP, participants receive an annual fee in exchange for a guarantee that the vessels will be made available to the U.S. government in the event of war or national emergency.

MARPOL—International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto. This convention includes regulations aimed at preventing and minimizing pollution from ships by accident and by routine operations.

MR—An abbreviation for Medium Range. Certain types of vessel, such as a Product Carrier of approximately 45,000 to 53,000 deadweight tons, generally operate on medium-range routes.

MSP vessels—U.S. Flag vessels that participate in the Maritime Security Program.

OPA 90—OPA 90 is the abbreviation for the U.S. Oil Pollution Act of 1990.

OPEC—Organization of Petroleum Exporting Countries, which is an international organization established to coordinate and unify the petroleum policies of its members.

P&I Insurance—Protection and indemnity insurance is a form of marine insurance provided by a P&I club. A P&I club is a mutual (i.e., a co-operative) insurance association that provides cover for its members, who will typically be ship-owners, ship-operators or demise charterers.

Product Carrier—General term that applies to any tanker that is used to transport refined oil products, such as gasoline, jet fuel or heating oil.

Safety Management System or SMS—A framework of processes and procedures that addresses a spectrum of operational risks associated with quality, environment, health and safety. The SMS is certified by ISM (International Safety Management Code), ISO 9001 (Quality Management) and ISO 14001 (Environmental Management).

Scrapping—The disposal of vessels by demolition for scrap metal.

Shuttle Tanker—A tanker, usually with special fittings for mooring, which lifts oil from offshore fields and transports it to a shore storage or refinery terminal on repeated trips.

Special Survey—An extensive inspection of a vessel by classification society surveyors that must be completed once within every five-year period. Special Surveys require a vessel to be drydocked.

Technical Management—The management of the operation of a vessel, including physically maintaining the vessel, maintaining necessary certifications, and supplying necessary stores, spares, and lubricating oils. Responsibilities also generally include selecting, engaging and training crew, and arranging necessary insurance coverage.

Time Charter—A Charter under which a customer pays a fixed daily or monthly rate for a fixed period of time for use of the vessel. Subject to any restrictions in the Charter, the customer decides the type and quantity of cargo to be carried and the ports of loading and unloading. The customer pays all voyage expenses such as fuel, canal tolls, and port charges. The shipowner pays all vessel expenses such as the Technical Management expenses.

Time Charter Equivalent or TCE—TCE is the abbreviation for Time Charter Equivalent. TCE revenues, which are voyage revenues less voyage expenses, serve as an industry standard for measuring and managing fleet revenue and comparing results between geographical regions and among competitors.

U.S. Flag fleet — Our Jones Act Fleet together with our MSP vessels.

U.S. Flag vessel—Is a vessel that must be crewed by U.S. sailors, and owned and operated by a U.S. company.

Vessel Expenses—Includes crew costs, vessel stores and supplies, lubricating oils, maintenance and repairs, insurance and communication costs associated with the operations of vessels.

Voyage Charter—A Charter under which a customer pays a transportation charge for the movement of a specific cargo between two or more specified ports. The shipowner pays all voyage expenses, and all vessel expenses, unless the vessel to which the Charter relates has been time chartered in. The customer is liable for Demurrage, if incurred.

Voyage Expenses—Includes fuel, port charges, canal tolls, cargo handling operations and brokerage commissions paid by the Company under Voyage Charters. These expenses are subtracted from shipping revenues to calculate Time Charter Equivalent revenues for Voyage Charters.

PART I

ITEM 1. BUSINESS

OVERVIEW AND RECENT DEVELOPMENTS

Overseas Shipholding Group, Inc., a Delaware corporation incorporated in 1969, and its wholly owned subsidiaries own and operate a fleet of oceangoing vessels engaged in the transportation of crude oil and petroleum products in the U.S. Flag trades. The Company manages its fleet through two wholly owned subsidiaries. At December 31, 2019, the Company owned or operated a fleet of 21 vessels totaling an aggregate of approximately 1 million deadweight tons (“dwt”). Additional information about the Company’s fleet, including its ownership profile, is set forth under “Fleet Operations— Fleet Summary,” as well as on the Company’s website, www.osg.com. Neither our website nor the information contained on that site, or connected to that site, is incorporated by reference in this Annual Report on Form 10-K, except to the extent otherwise included herein.

OSG primarily charters its vessels to customers for voyages for specific periods of time at fixed daily amounts through time charters. The Company also charters its vessels for specific voyages at spot rates. Spot market rates are highly volatile, while time charter rates provide more predictable streams of time charter equivalent (“TCE”) revenues because they are fixed for specific periods of time. For a more detailed discussion on factors influencing spot and time charter markets, see “Fleet Operations—Commercial Management” below.

Strategy

We seek to maximize stockholder value by generating strong cash flows through combining the predictability of fixed time charter revenues with opportunistic trading in the spot market; actively managing the size and composition of our fleet over the course of market cycles to increase investment returns and available capital; and entering into value-creating transactions, including acquisitions of competitive or adjacent businesses. The key elements of our strategy are to:

- Generate strong cash flows by capitalizing on our leading Jones Act market position, complementary time charter and spot market exposures, and long-standing customer relationships;
- Emphasize the quality of our operations and adhere to the highest safety standards attainable; and
- Seek out opportunities to increase scale and drive cost efficiencies through a disciplined approach to investment in core and adjacent asset classes to maximize return on capital across market cycles.

We believe we are well-positioned to generate strong cash flows by identifying and taking advantage of attractive chartering opportunities in the U.S. market. We currently operate one of the largest tanker fleets in the U.S. Flag market, with a strong presence in all major U.S. coastwise trades. Our market position allows us to maintain long-standing relationships with many of the largest energy companies, which in some cases date back many decades. We consider attaining the stability of cash flow offered by medium-term charters to be a fundamental characteristic of the objectives of our chartering approach. However, considerations about the appropriate amount of capacity to remain active in the spot market are a regular management discussion point and balancing time charter coverage with spot market exposure in an uncertain demand environment is a persistent challenge. Over time, we will pursue an overall chartering strategy that seeks to cover the majority of available operating days with medium-term time charters. A policy of medium-term charters may not be profitable nor prove achievable under certain market conditions. As such, during periods of uncertainty in the markets within which we operate, more of our vessels will be exposed to the more volatile and less predictable spot market with a corresponding impact on the visibility and amount of revenue which our vessels may earn.

We believe that OSG has a good standing in the community of our customers, our peers and our regulators, with a long established reputation for a focus on maintaining the highest standards in both protecting the environment and maintaining the health and safety of all of our employees. We believe that continued improvement in these areas is important not only to the constituents directly affected, but equally as important in sustaining a key differentiating competitive factor amongst the customers whom we serve.

We plan to actively manage the size and composition of our fleet through opportunistic acquisitions and dispositions of vessel assets as part of our effort to achieve attractive returns on capital. Using our commercial, financial and operational expertise, we seek to opportunistically grow our fleet through the timely and selective acquisition of high-quality secondhand vessels or new-build contracts when we believe those acquisitions will result in attractive returns on invested capital and increased cash flow. We also intend to engage in opportunistic dispositions or repurposing of our vessel assets where we can achieve attractive values relative to their anticipated future earnings from operations as we assess market cycles and requirements. Taken together, we believe these activities will help us to maintain a diverse, high-quality and modern fleet of crude oil, refined product, and potentially other U.S. Flag vessels with an enhanced return on invested capital. We believe our diverse and versatile fleet, our experience and our long-standing relationships with participants in the crude and refined product shipping industry, position us to identify and take advantage of attractive acquisition opportunities in any vessel class in the U.S. Flag market.

Customers

OSG's customers include major independent oil traders, refinery operators and U.S. and international government entities. The Company's top three customers comprised 38% of shipping revenues during the year ended December 31, 2019. The customers and their related percentage of revenues are as follows: Monroe Energy LLC (16%), SeaRiver Maritime, Inc. (12%) and Shell (10%). See Note 2 - "Summary of Significant Accounting Policies," to the Company's consolidated financial statements set forth in Item 8 for further information regarding the Company's customers for 2019 and 2018.

FLEET OPERATIONS

Fleet Summary

As of December 31, 2019, OSG's operating fleet consisted of 21 vessels, 10 of which were owned, with the remaining vessels chartered-in. Vessels chartered-in are on Bareboat Charters.

Vessel Type	Vessels		Total at December 31, 2019	
	Vessels Owned	Chartered-In	Total Vessels	Total dwt ⁽²⁾
	Number	Number		
Handysize Product Carriers ⁽¹⁾	6	11	17	810,825
Refined Product ATBs	2	—	2	59,490
Lightering ATBs	2	—	2	91,112
Total Operating Fleet	10	11	21	961,427

- (1) Includes two owned shuttle tankers, 11 chartered-in tankers, two non-Jones Act MR tankers that participate in the U.S. Maritime Security Program, all of which are U.S. flagged, as well as two owned Marshall Island flagged non-Jones Act MR tankers trading in international markets.
- (2) Total dwt is defined as aggregate deadweight tons for all vessels of that type.

Commercial Management

Time-Charter Market

The Company's operating fleet currently includes a number of vessels that operate on time charters. Within a contract period, time charters provide a predictable level of revenues without the fluctuations inherent in spot-market rates. Once a time charter expires, however, the ability to secure a new time charter may be uncertain and subject to market conditions at such time. Time charters constituted 74% of the Company's shipping revenues in 2019 and 58% in 2018 and 77% of the Company's TCE revenues in 2019 and 65% in 2018.

Spot Market

Voyage charters constituted 26% of the Company's shipping revenues in 2019 and 42% in 2018 and 23% of the Company's aggregate TCE revenues in 2019 and 35% in 2018. Accordingly, the Company's shipping revenues are affected by prevailing spot rates for voyage charters in the markets in which the Company's vessels operate. Spot market rates are highly volatile because they are determined by market forces including local and worldwide demand for the commodities carried (such as crude oil or petroleum products), volumes of trade, distances that the commodities must be transported, the amount of available tonnage both at the time such tonnage is required and over the period of projected use, and the levels of seaborne and shore-based inventories of crude oil and refined products.

Seasonal trends affect oil consumption and consequently vessel demand. While trends in consumption vary with seasons, peaks in demand quite often precede the seasonal consumption peaks as refiners and suppliers try to anticipate consumer demand. The timing of peaks in oil demand vary within the markets in which we operate. Available tonnage is affected over time, by the volume of newbuilding deliveries, the number of tankers used to store clean products and crude oil, and the removal (principally through scrapping or conversion) of existing vessels from service. Scrapping is affected by the level of freight rates, scrap prices, vetting standards established by charterers and terminals and by U.S. governmental regulations that establish maintenance standards. Voyage charters include COAs on three vessels. Changes in the percentage contributions are therefore affected by Delaware Bay lightering volumes. In addition, as ships come off of their time charters, they may be forced into short-term trades.

Business Segment

The Company has one reportable business segment. The Company's U.S. Flag Fleet consists of 17 owned and chartered-in Jones Act Handysize Product Carriers and ATBs, two non-Jones Act U.S. Flag Handysize Product Carriers that participate in the U.S. Maritime Security Program and two owned Marshall Island flagged non-Jones Act MR tankers trading in international markets. Under the Jones Act, shipping between U.S. ports, including the movement of Alaskan crude oil to U.S. ports, is reserved for U.S. Flag vessels that satisfy Jones Act requirements, including requirements that vessels be constructed in the United States and owned by companies that are more than 75% owned and controlled by U.S. citizens. OSG is one of the largest commercial owners and operators of U.S. Flag vessels and participates in U.S. government programs, including the following:

- Maritime Security Program—Two non-Jones Act U.S. Flag Product Carriers participate in the U.S. Maritime Security Program, which ensures that militarily useful U.S. Flag vessels are available to the U.S. Department of Defense in the event of war or national emergency. Each of the vessel owning companies with a ship that participates in the program receives an annual subsidy that is intended to offset the increased cost incurred by such vessels from operating under the U.S. Flag. Such subsidy was \$5,000 for each vessel in 2019 and \$5,000 on one vessel and \$4,600 on one vessel in 2018.

Under the terms of the program, the Company expects to receive up to \$5,000 annually for each vessel during 2020 and up to \$5,200 for each vessel beginning in 2021. The Company does not receive the subsidy with respect to any days for which one or both of the vessels operate under a time charter to a U.S. government agency.

- Maritime Administration of the U.S. Department of Transportation (“MarAd”) trading restrictions—Two of the modern U.S. Flag ATBs owned by the Company, which are currently used in the Delaware Bay Lightering activity, had their construction financed with the Capital Construction Fund (“CCF”). As such, daily liquidated damages are payable by the Company to MarAd if these vessels operate in contiguous coastwise trades, which is not permitted under trading restrictions currently imposed by the CCF agreement between MarAd and the Company. For the year ended December 31, 2019, liquidated damages incurred were not material. There were no liquidated damages incurred during the year ended December 31, 2018.

At December 31, 2019, the Company had a 37.5% interest in Alaska Tanker Company, LLC (“ATC”), a joint venture that was formed in 1999 among OSG, Keystone Shipping Company and BP plc (“BP”) to support BP’s Alaskan crude oil transportation requirements. Each member in ATC was entitled to receive its respective share of any incentive charter hire payable by BP to ATC based on meeting certain predetermined performance standards. The Company’s share of the income earned by ATC is recorded in equity in income of affiliated companies and amounted to \$3,552 in 2019 and \$3,500 in 2018.

On December 26, 2019, the Company announced that its subsidiaries entered into agreements with BP Oil Shipping Company USA and BP AMI Leasing Inc. (“BP”) to purchase three U.S.-flagged crude oil carrier vessels operated by ATC for total consideration of \$54,000. The Company made a \$10,800 deposit upon execution of the vessel purchase agreements. Additionally, the Company would acquire the remaining 62.5% interest of ATC, from its partners, that it does not own for approximately \$19,100.

On March 12, 2020, the Company’s subsidiaries completed the purchase of three U.S.-flagged crude oil carrier vessels, the *Alaskan Explorer*, *Alaskan Legend*, and *Alaskan Navigator* from BP and have entered into a bareboat charter with BP for a fourth vessel, the *Alaskan Frontier*. In connection with these transactions, the Company also completed the acquisition of ATC, making ATC a wholly owned subsidiary of the Company.

Due to the timing of the closing, and the limited information available prior to closing, the Company’s accounting for the purchase of the vessels and the acquisition of ATC is incomplete at the time of this filing. As a result, information pertaining to the amounts recognized for the assets acquired and liabilities assumed will be disclosed by the Company in future filings.

OSG has 11 Handysize product carriers in our U.S. Flag fleet that are chartered-in and provide for the payment of profit share to the owners of the vessels calculated in accordance with the respective charter-in agreements. For 10 of the vessels, the profit share to the owners is calculated on a 50/50 basis following the funding of certain reserves such as for drydocking and the payment to OSG of a daily management fee and a preferred profit layer. Due to reserve funding requirements, no profits have yet been paid to the owners or are, based on management’s current forecast, expected to be paid to the owners in the current calendar year. For one of the vessels, the profit share to the owners is calculated by multiplying one-fourth times the time charter hire revenues received by OSG over the previous year in excess of an average of a specific rate per day in the agreement. No profits have yet to be paid to the owners.

Technical Management

OSG’s fleet operations are managed in-house. In addition to regular maintenance and repair, crews onboard each vessel and shore side personnel must ensure that the Company’s fleet meets or exceeds regulatory standards established by the International Maritime Organization (“IMO”) and USCG.

The Company recruits, hires and trains the crews on its U.S. Flag vessels. The Company believes that its mandatory training and education requirements exceed the requirements of the USCG. The Company believes its ability to provide professional development for qualified U.S. Flag crew is necessary in a market where skilled labor shortages are expected to remain a challenge. The U.S. Flag fleet is supported by shore side staff that includes fleet managers, marine and technical superintendents, purchasing and marine insurance staff, crewing and training personnel and health, safety, quality and environmental (“SQE”) personnel.

Safety

The Company is committed to providing safe, reliable and environmentally sound transportation to its customers. Integral to meeting standards mandated by regulators and customers is the use of robust Safety Management Systems (“SMS”) by the Company. The SMS is a framework of processes and procedures that addresses a spectrum of operational risks associated with quality, environment, health and safety. The SMS is certified to the International Safety Management Code (“ISM Code”) promulgated by the IMO. To support a culture of compliance and transparency, OSG has an open reporting system on all of its vessels, whereby seafarers can anonymously report possible violations of OSG’s policies and procedures. All open reports are investigated, and appropriate actions are taken when necessary.

EMPLOYEES

As of December 31, 2019, the Company had approximately 713 employees comprised of 644 seagoing personnel and 69 shore side staff. The Company has collective bargaining agreements with three different U.S. maritime unions covering 496 seagoing personnel employed on the Company’s vessels. These agreements are in effect for periods ending between March 2021 and June 2022. Under the collective bargaining agreements, the Company is obligated to make contributions to pension and other welfare programs.

COMPETITION

OSG’s primary competitors are operators of U.S. Flag oceangoing barges and tankers, operators of rail transportation for crude oil and operators of refined product pipelines systems that transport refined petroleum products directly from U.S. refineries to markets in the United States. In addition, indirect competition comes from International Flag vessels transporting imported refined petroleum products.

ENVIRONMENTAL, SAFETY AND SECURITY MATTERS

The majority of OSG’s vessels are registered in the United States and are subject to the jurisdictional oversight of the USCG. OSG also owns and operates two vessels registered in the Marshall Islands which are subject to the jurisdictional oversight of the Republic of Marshall Islands (“RMI”) registry.

The Company is also subject to compliance with several other government agency regulations including but not limited to the Environmental Protection Agency (“EPA”), the Maritime Administration of the United States Department of Transportation and the United States Customs and Border Protection. The Company vessels are classed with the American Bureau of Shipping (“ABS”) and are subject to the requirements of the classification society in addition to regulatory oversight on behalf of the USCG under various protocols and agreements covering certain statutory survey and certification functions for U.S. flagged vessels and on behalf of the RMI under various protocols and agreements covering certain statutory survey and certification functions for Marshall Islands flagged vessels, as applicable.

The majority of vessels owned and operated by OSG are engaged in U.S. coastwise trade with some vessels engaged in trade to and from countries outside of the United States. OSG’s vessels operate in a highly regulated environment, subject to international conventions and international, national, state and local laws and regulations in force in the countries in which such vessels call upon, significantly affecting the operation of the Company’s vessels. Among the more significant of the international conventions to which the United States is signatory are the International Convention for the Prevention of Pollution from Ships (“MARPOL”), the International Convention for the Safety of Life at Sea (“SOLAS”), and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers.

Geopolitical reactions to industry related accidents have historically heightened the level of environmental, health, safety and security awareness among various stakeholders, including insurance underwriters, regulators, and charterers, leading to increased regulatory requirements and more stringent inspection regimes on all vessels. In recognition of this heightened awareness, the Company has set appropriate internal controls intended to monitor regulatory developments and to implement measures intended to meet the higher expectations of our stakeholders.

The Company is required to maintain operating standards for all its vessels emphasizing operational safety and quality, environmental stewardship, preventive planned maintenance, continuous training of its officers and crews and compliance with international and United States regulations, including regular and rigorous in-house inspections and audits. In addition, a variety of governmental and private entities subject the Company's vessels to both scheduled and unscheduled inspections. These entities include USCG, local port state control authorities (harbor master or equivalent), flag states, coastal states, Classification Societies and customers, particularly major oil companies and petroleum terminal operators. Certain of these entities require OSG to obtain permits, licenses and certificates for the operation of the Company's vessels. Failure to maintain necessary documents or approvals could require OSG to incur substantial costs or temporarily suspend operation of one or more of the Company's vessels.

OSG believes that the operation of its vessels complies with applicable environmental laws and regulations. However, because such laws and regulations are changed frequently, and new laws and regulations impose new or increasingly stringent requirements, OSG cannot predict the cost of complying with requirements beyond those that are currently in force. The impact of future regulatory requirements on operations or the resale value or useful lives of its vessels may result in substantial additional costs in meeting new legal and regulatory requirements. See Item 1A, "Risk Factors-Compliance with complex laws, regulations, and, in particular, environmental laws or regulations, including those relating to the emission of greenhouse gases, may adversely affect OSG's business."

Regulations Preventing Pollution of Seas by Oil

The maritime industry is subject to numerous regulations and conventions intended to prevent pollution of the seas from ships. Regulated pollution sources include but are not limited to pollution from oil, hazardous substances, garbage, sewage, ballast water, antifouling paint and biofouling organisms.

MARPOL Annex I addresses requirements for the prevention of pollution by oil and oily materials generated in the engine room and from the cleaning of cargo tanks, while MARPOL Annex II addresses requirements for the prevention of pollution by noxious liquid substances ("NLSs").

The United States regulates the shipping industry with an extensive regulatory and liability regime for environmental protection and cleanup of oil spills, consisting primarily of the Oil Pollution Act of 1990 ("OPA 90") and the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). OPA 90 affects all owners and operators whose vessels trade with the United States or its territories or possessions, or whose vessels operate in the waters of the United States, which include the United States territorial sea and the 200 nautical mile exclusive economic zone around the United States. CERCLA applies to the discharge of hazardous substances (other than oil) whether on land or at sea. Both OPA 90 and CERCLA impact the Company's operations. OPA 90 amended the Federal Water Pollution Control Act to require owners and operators of vessels to adopt Vessel Response Plans ("VRP"), including marine salvage and firefighting plans, for reporting and responding to vessel emergencies and oil spill scenarios up to a worst case scenario. The requirements also require OSG to identify and seek to ensure, through contracts or other approved means, the availability of necessary private response resources to respond to a worst case discharge. The plans must include contractual commitments with clean-up response contractors and salvage and marine firefighters to ensure an immediate response to an oil spill or vessel emergency. OPA 90 also requires training programs and periodic drills for shore side staff and response personnel and for vessels and their crews. OSG maintains USCG approved VRP's for each of its tank vessels and non-tank vessels, which are valid until August 11, 2022.

IMO regulations require owners and operators of vessels to adopt Shipboard Oil Pollution Emergency Plans ("SOPEPs") including periodic training and drills for response personnel and for vessels and their crews. In addition to SOPEPs, OSG has adopted Shipboard Marine Pollution Emergency Plans ("SMPEPs"), which cover potential releases not only of oil but of any NLSs. The Company's SOPEPs and SMPEPs remain valid until August 11, 2022.

US Liability Standards and Limits

Under OPA 90, vessel owners, operators and bareboat or demise charterers are responsible parties who are liable, without regard to fault, for all containment and clean-up costs and other damages, including property and natural resource damages and economic loss without physical damage to property, arising from oil spills and pollution from their vessels. On November 12, 2019, the limits of OPA 90 liability with respect to (i) tank vessels with a qualifying double hull were increased to the greater of \$2,300 per gross ton or approximately \$19.9 million per vessel that is over 3,000 gross tons; and (ii) non-tank vessels, were increased to the greater of \$1,200 per gross ton or approximately \$0.1 million per vessel.

The statute specifically permits individual states to impose their own liability regimes for oil pollution incidents occurring within their boundaries and some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters. In some cases, states that have enacted this type of legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. CERCLA, which applies to owners and operators of vessels, contains a similar liability regime and provides for cleanup, removal and natural resource damages associated with discharges of hazardous substances (other than oil). Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5 million.

These limits of liability do not apply, however, when the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or willful misconduct. Similarly, these limits do not apply if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA 90 and CERCLA each preserve the right to recover damages under existing law, including maritime tort law.

OPA 90 requires owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the limit of their potential strict liability consistent with the previous limits of liability described above under the statute. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance, guaranty or an alternative method subject to approval by the director of the USCG National Pollution Funds Center. Under OPA 90 regulations, an owner or operator of more than one vessel is required to demonstrate evidence of financial responsibility for the entire fleet in an amount equal only to the financial responsibility requirement of the vessel having the greatest maximum strict liability under OPA 90 and CERCLA.

OSG has provided the requisite guarantees and has received certificates of financial responsibility from the USCG for each of its vessels required to have one. OSG has insurance for each of its vessels, with pollution liability insurance in the amount of \$1.0 billion, and deductibles ranging from \$0.025 million to \$0.030 million per vessel per incident. However, a catastrophic spill could exceed the insurance coverage available, in which event there could be a material adverse effect on the Company's business.

International Liability Standards and Limits

Compensation for oil pollution damage caused by spills from oil tankers is governed by an international regime developed under the auspices of the IMO. The original International Convention on Civil Liability for Oil Pollution Damage of 1969 (the "1969 Convention") was amended in 1992 (the "1992 Protocol") and entered into force on May 30, 1996.

Many countries have ratified and follow the liability plan adopted by the IMO as set out in the 1969 Convention yet some of these countries have also adopted the 1992 Protocol. Under both the 1969 Convention and the 1992 Protocol, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. These conventions also limit the liability of the shipowner under certain circumstances.

The 1992 Protocol allows for states party to the 1992 Protocol to issue certificates to ships registered in states which are not party to the 1992 Protocol, so that a shipowner can obtain certificates to both the 1969 and 1992 CLC, even when the ship is registered in a country which has not yet ratified the 1992 Protocol. This is important because a ship which has only a 1969 CLC may find it difficult to trade in a country which has ratified the 1992 Protocol, since it establishes higher limits of liability.

These conventions calculate liability in terms of special drawing rights currency values. The figures in this section are therefore converted into U.S. dollars based on currency exchange rates on December 30, 2019 and are approximate.

Under the 1992 Protocol, the owner's liability is limited except where the pollution damage results from its personal act or omission, committed with the intent to cause such damage, or recklessly and with knowledge that such damage would probably result. Under the 2000 amendments to the 1992 Protocol, which became effective on November 1, 2003, liability is limited to \$6.2 million for a ship not exceeding 5,000 units of tonnage, \$6.2 million plus \$872 for each additional gross ton over 5,000 for vessels of 5,000 to 140,000 gross tons, and \$124.1 million for vessels over 140,000 gross tons, subject to the exceptions discussed above for the 1992 Protocol.

Vessels trading in states that are parties to these conventions must provide evidence of insurance covering the liability of the owner. The United States is not a party to the 1969 Convention or the 1992 Protocol. In other jurisdictions where the 1969 Convention has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to that convention. The Company believes that its protection and indemnity insurance will cover any liability under the plan adopted by the IMO.

The International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001, which became effective on November 21, 2008, is a separate convention adopted to ensure that adequate, prompt and effective compensation is available to persons who suffer damage caused by spills of oil when used as fuel by vessels. The convention applies to damage caused to the territory, including the territorial sea, and in its exclusive economic zones, of states that are party to it. While the United States has not yet ratified this convention, vessels operating internationally would be subject to it, if sailing within the territories of those countries that have implemented its provisions. The Company believes that its vessels comply with these requirements.

Regulations Preventing Pollution of Seas by Sewage

MARPOL Annex IV ("Annex IV") as well as the U.S. Code of Federal Regulations regulate the discharge of sewage to sea as the discharge of raw sewage into the sea can create a health hazard, can lead to oxygen depletion and can be an obvious visual pollution in coastal areas. Annex IV also includes regulations regarding the ships' equipment and systems for the control of sewage discharge, the provision of port reception facilities for sewage and requirements for survey and certification. The most recent amendment to Annex IV, which came into effect January 1, 2013, introduced the Baltic Sea as the first special area. This amendment prohibits the discharge to sea from passenger ships, except when equipped with an approved treatment plant meeting specific nitrogen and phosphorous removal standards.

Sewage discharge is also subject to national and local regulations which set forth further restrictions, in some cases prohibiting the discharge of treated sewage and the establishment of No Discharge Zones (“NDZs”). The most recent NDZs were introduced in Puget Sound in Washington State in 2018, prohibiting the discharge of treated or untreated sewage. OSG vessels are all equipped with Marine Sanitation Devices compliant with regulatory requirements for each type of vessel, has implemented controls to comply with various international, national and state regulatory requirements. The Company believes that its vessels comply with these requirements. If other NDZs are introduced or other new or more stringent requirements relating to sewage discharges by vessels are adopted by the states or countries where OSG operates, compliance may require the Company to incur substantial capital expenditures.

Regulations Preventing Pollution of Seas by Garbage

MARPOL Annex V, as well as, the U.S. Code of Federal Regulations regulates the prevention of pollution to sea by garbage. These regulations were further revised in 2017 to implement greater restrictions in the type of garbage able to be discharged to sea, added e-waste to the categories of garbage to be collected, stored, processed and disposed of, and required changes to the manner in which garbage is recorded. The Company has implemented all regulatory requirements and believes that its vessels comply with these requirements.

Regulations Preventing Air Pollution

MARPOL Annex VI (“Annex VI”) addresses air pollution from vessels and sets limits on sulfur oxide (“SO_x”) and nitrogen oxide (“NO_x”) emissions from ship exhausts including prohibiting deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also regulates shipboard incineration and the emission of volatile organic compounds (“VOCs”) from tankers. Under Annex VI, vessels are subject to further air emission controls within Emission Control Areas (“ECAs”). Currently designated ECAs are the Baltic Sea, North Sea, North American and U.S. Caribbean. The North American Emission Control Area (“ECA”) encompasses the area extending 200 miles from the coastlines of the Atlantic, Gulf and Pacific coasts and the eight main Hawaiian Islands. The United States Caribbean Sea ECA encompasses water around Puerto Rico and the U.S. Virgin Islands.

Fuel used by all vessels operating in or transiting through the ECA cannot exceed 0.1% m/m sulfur. More stringent NO_x emission Tier III emission limits are applicable to engines installed on ships constructed on or after January 1, 2016 operating in ECAs. The Company believes that its vessels comply with the current requirements of MARPOL Annex V ECAs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the EPA or the states where OSG operates, compliance could require or affect the timing of fuel costs associated with operating in another ECA.

Commencing January 1, 2020, the global sulfur cap for ship operations will be reduced from 3.5% m/m to 0.5% m/m outside ECAs as legislated by MARPOL Annex VI. In ECAs, the limit will remain at 0.1% m/m. Vessels using 3.5% m/m sulfur fuel outside ECAs in 2019 all completely consumed their inventories prior to December 31, 2019 except for those ships installed with exhaust gas cleaning systems (“EGCS”) to burn high-sulfur bunker fuel to comply with the 0.5% sulfur limit.

In 2019, OSG commenced operating two new Marshall Islands flag tankers equipped with open-loop exhaust gas cleaning systems. The Company has implemented all regulatory requirements associated with the use of EGCS.

In July 2011, the IMO further amended Annex VI to include energy efficiency standards for new ships through the designation of an Energy Efficiency Design Index (“EEDI”). The EEDI standards apply to new ships of 400 gross tons or above (except those with diesel-electric, turbine or hybrid propulsion systems). New ships for purposes of this standard are those for which the building contract was placed on or after January 1, 2013; or in the absence of a building contract, the keel of which is laid, or which is at a similar stage of construction, on or after July 1, 2013; or the delivery of which is on or after July 1, 2015. The EEDI standards phase in from 2013 to 2025 and are anticipated to result in significant reductions in fuel consumption, as well as, air and marine pollution. The composition of the Company’s fleet of vessels, as of December 31, 2019, includes two vessels under which the EEDI standards apply.

The EPA has implemented rules comparable to those of Annex VI to increase the control of air pollutant emissions from certain large marine engines by requiring certain new marine-diesel engines installed on U.S. built ships to meet lower NOx standards. EPA Tier 2 standards were phased in beginning in 2004 and generally reduced NOx emissions by 27% and introduced a particulate matter limit (“PM”) for the first time. EPA Tier 3 standards were phased in beginning in 2009 and represented a 50% reduction in PM and a 20% reduction in NOx over Tier 2 levels. EPA Tier 4 standards were phased in beginning in 2014 and represented a 90% reduction in PM and 80% reduction in NOx compared to Tier 2 levels and generally required advanced technology such as selective catalytic reduction or exhaust gas recirculation. Adoption of these and emerging standards may require substantial modifications to some of the Company’s existing marine diesel engines and may require the Company to incur substantial capital expenditures if the engines are replaced.

The U.S. Clean Air Act of 1970, as amended by the Clean Air Act Amendments of 1977 and 1990 (“CAA”), requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA also requires states to draft State Implementation Plans (“SIPs”), designed to attain national health-based air quality standards in major metropolitan and industrial areas. Several SIPs regulate emissions resulting from tank vessel loading and degassing operations by requiring the installation of vapor control equipment. OSG’s vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. All the Company’s vessels are equipped with vapor control systems that satisfy these requirements. Although a risk exists that new regulations could require significant capital expenditures and otherwise increase its costs, the Company believes, based upon the regulations that have been proposed to date, no material capital expenditures beyond those currently contemplated and no material increase in costs are likely to be required as a result of the SIPs program.

The Delaware Department of Natural Resources and Environment Control (“DNREC”) monitors OSG’s U.S. Flag lightering activities within the Delaware River. Lightering activities in Delaware are subject to Title V of the Coastal Zone Act of 1972 and OSG is the only marine operator with a Title V permit to engage in lightering operations. These lightering activities are monitored and regulated through DNREC’s Title V air permitting process. The regulations are designed to reduce the number of VOCs entering the atmosphere during a crude oil lightering operation through the use of vapor balancing. This defined process has reduced air emissions associated with venting of crude oil vapors to the atmosphere. In accordance with its Title V permit, OSG’s Delaware Lightering fleet is 100% vapor balance capable.

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the “Kyoto Protocol”) became effective. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases (“GHGs”), which contribute to global warming. The United Nations Climate Change Conference forged a new international framework in December 2015 (the “Paris Agreement”) that is to take effect by 2020. The Paris Agreement sets a goal of holding the increase in global average temperature to well below 2 degrees Celsius and pursuing efforts to limit the increase to 1.5 degrees Celsius, to be achieved by aiming to reach a global peaking of greenhouse gas (“GHG”) emissions as soon as possible. To meet these objectives, the participating countries, acting individually or jointly, are to develop and implement successive nationally determined contributions. In 2016, the United States signed the Paris Agreement but, in August 2017, the U.S. State Department officially informed the United Nations of the United States’ intent to withdraw.

Though the Paris Agreement does not specifically mention shipping, the IMO is committed to developing limits on GHGs from international shipping and is working on proposed mandatory technical and operational measures to achieve these limits. The IMO’s third study of GHG emissions from the global shipping fleet which concluded in 2014 predicted that, in the absence of appropriate policies, greenhouse emissions from ships may increase by 50% to 250% by 2050 due to expected growth in international seaborne trade.

In addition to Annex VI, there are regional mandates in ports and certain territorial waters within the European Union (“EU”) regarding reduced SOx emissions. In December 2012, an EU directive that aligned the EU requirements with Annex VI entered into force. These requirements establish maximum allowable limits for sulfur content on 0.1% m/m in fuel oils used by vessels when operating within certain areas and waters and while at berth in EU ports.

In 2011, the European Commission established a working group on shipping to provide input to the European Commission in its work to develop and assess options for the inclusion of international maritime transport in the GHG reduction commitment of the EU. The EU Monitoring, Reporting, Verification Regulation (“MRV”) was adopted on April 29, 2015 and creates an EU-wide framework for the monitoring, reporting and verification of carbon dioxide emissions from maritime transport. The MRV requires large ships (over 5,000 gross tons) conducting cargo operations in EU ports commencing January 1, 2018, to collect and later publish verified annual data on carbon dioxide emissions. The Company believes that its vessels are in compliance with these regulations.

In the United States, pursuant to an April 2007 U.S. Supreme Court decision, the EPA was required to consider whether carbon dioxide should be considered a pollutant that endangers public health and welfare, and thus subject to regulation under the U.S. Clean Air Act. On December 1, 2009, the EPA issued an “endangerment finding” regarding GHGs under the Clean Air Act. In 2015, the EPA issued standards limiting carbon pollution from new and existing fossil fuel-fired power plants and in 2016 found that oil and gas sector sources of methane and GHGs from aircraft engines contribute to dangerous climate-changing air pollution. To date, the regulations proposed and enacted by the EPA have not involved ocean-going vessels.

In 2011, IMO’s Greenhouse Gas Work Group agreed on Ship Energy Efficiency Management Plan (“SEEMP”) development guidelines which entered into force on January 1, 2013. The primary objective of the SEEMP is to improve the overall operating efficiency of a ship through the implementation of optimized methods for energy and fuel savings. An energy efficiency certificate is issued for both new and existing ships of 400 gross tons or above and remains valid throughout its lifetime, until the ship is withdrawn from service, unless a new certificate is issued following a major conversion of the ship or until transfer of the ship to the flag of another state. In 2016, the IMO revised the SEEMP guidelines requiring vessels to implement a ship-specific fuel oil consumption data plan to collect, aggregate and report ship data with regard to annual fuel oil consumption, distance traveled, hours underway and other data required by regulation 22A of MARPOL Annex VI. This requirement took effect on January 1, 2019 and is to be administered by the USCG for U.S. Flag vessels and the RMI for Marshall Islands flag vessels.

The Company believes that its vessels are compliant with the current requirements of Annex VI and the EPA. Additionally, the Company believes for its vessels that operate in the EU, they are compliant with the regional mandates applicable in the EU. Future passage of climate control legislation or other regulatory initiatives by the IMO, EU, United States or other countries where OSG operates that restrict emissions of GHGs could require significant additional capital or operating expenditures and could have operational impacts on OSG’s business. Although OSG cannot predict such expenditures and impacts with certainty at this time, they may be material to OSG’s results of operations.

Ballast Water Pollution Regulations

OSG’s vessels are subject to international, national and local ballast water management regulations. At the international level, the International Convention for the Control and Management of Ships’ Ballast Water and Sediments (“BWM Convention”) was adopted by the IMO in 2004 and it entered into force on September 8, 2017. The BWM Convention is applicable to new and existing vessels that are designed to carry ballast water. It defines a discharge standard consisting of maximum allowable levels of critical invasive species designed to protect the marine environment from the introduction of non-native (alien) species as a result of the carrying of ships’ ballast water from one place to another. As tank vessels must take on ballast water in order to maintain their stability and draft and must discharge the ballast water when they load their next cargo, when emptying the ballast water which they carried from the previous port, they may release organisms and pathogens that have been identified as being potentially harmful in the new environment.

This standard will be met by installing treatment systems that render the invasive species non-viable. In addition, each vessel flying the flag of a signatory to the BWM Convention will be required to have on board a valid International Ballast Water Management Certificate, a Ballast Water Management Plan and a Ballast Water Record Book.

The United States is not a signatory to the BWM Convention, and is not expected to be in the future, since it currently regulates ballast water management under two federal, partially overlapping regulatory schemes. One is administered by the USCG under the National Aquatic Nuisance Prevention and Control Act of 1990, as amended by the National Invasive Species Act of 1996, and the other is administered by the EPA under the U.S. Clean Water Act (“CWA”). Several U.S. states also have their own supplemental requirements, most notably California whose performance standard for organisms in ballast water discharges is significantly more stringent than any of the other regulatory regimes. Since the U.S. is not a signatory to the BWM Convention, U.S. Flag vessels cannot be issued a Ballast Water Management Certificate. Instead, the American Bureau of Shipping has been authorized to issue a Statement of Voluntary Compliance (“SOVC”) to any U.S. Flag vessel that has an approved Ballast Water Management Plan that contains the information required by the BWM Convention. A SOVC is expected to satisfy the requirements of Port State Control in countries that are a signatory to the BWM Convention, but it is not guaranteed to do so.

The discharge of ballast water and other substances incidental to the normal operation of vessels in U.S. ports as noted above is subject to CWA permitting requirements. In accordance with the EPA’s National Pollutant Discharge Elimination System (“NPDES”), the Company is subject to a Vessel General Permit (“VGP”), which addresses, among other matters, the discharge of ballast water and effluents including the submission of annual reports for each vessel OSG operates. The VGP, which was first issued in 2008 and subsequently reissued in 2013, identifies twenty-six vessel discharge streams and establishes numeric ballast water discharge limits that generally align with the performance standards implemented under USCG’s 2012 final rule and the IMO Convention. It also sets more stringent effluent limits for oil to sea interfaces and exhaust gas scrubber wastewater. The EPA’s phase-in schedule generally matches that of the USCG. The EPA determined that it will not issue extensions under the VGP, but in December 2013 it issued an Enforcement Response Policy (“ERP”) to address this industry-wide issue. In the ERP, the EPA states that vessels that have missed their compliance dates to meet the numeric discharge limits for ballast, but have received an extension from the USCG, are in compliance with all of the VGP’s requirements, other than the numeric discharge limits, and meet certain other requirements, will be considered a low enforcement priority. While OSG believes that any vessel that is or may become subject to the VGP’s numeric discharge limits while in a USCG extension period will be entitled to such low priority treatment as per the ERP, no assurance can be given that they will do so.

On December 4, 2018, the “Vessel Incidental Discharge Act” (“VIDA”) was signed into law and restructures the way EPA and the USCG are to regulate incidental discharges in the future, including prohibiting EPA and individual states from permitting these discharges under the NPDES permitting program. Instead, the discharges will be regulated under a new CWA Section 312(p) program: Uniform National Standards for Discharges Incidental to Normal Operation of Vessels. VIDA is expected to phase out provisions of the VGP and existing USCG regulations over a four-year period, replacing them with EPA-developed National Standards of Performance (“NSPs”) and USCG implementation, compliance and enforcement regulations for those NSPs.

In March 2012, the USCG promulgated its final rule on ballast water management for the control of nonindigenous species in U.S. waters. While generally in line with the performance standards set out in the BWM Convention, the final rule requires that treatment systems for domestic and foreign vessels operating in U.S. waters must be type approved by the USCG. Under this rule, a treatment system is required to be installed (or equivalent method of management employed) by the vessel’s first regularly scheduled drydocking after January 1, 2016. The USCG issued over 14,000 extensions for vessels which generally delayed their compliance dates another five years, including nine OSG vessels. The USCG is unlikely to continue issuing extensions to vessels with original compliance dates in 2019 and later. Therefore, OSG expects to begin installing ballast water treatment systems on its vessels in 2020 with the final installation in 2023.

OSG complies with these regulations through ballast water management plans implemented on each of the vessels it technically manages. To meet existing and anticipated ballast water treatment requirements, including those contained in the BWM Convention, OSG has a fleetwide action plan to comply with IMO, EPA, USCG and possibly more stringent U.S. state mandates as they are implemented and become effective, which may require the installation and use of costly control technologies. The Company anticipates that, in the next several years, compliance with the various conventions, laws and regulations relating to ballast water management that have already been adopted or that may be adopted in the future will require substantial additional capital or operating expenditures and could have operational impacts on the Company’s business.

Safety of Life at Sea

The SOLAS convention addresses the safety of merchant ships. Amendments to the SOLAS conventions come into force yearly and flag states are responsible for ensuring that ships under their flag comply with its requirements.

The majority of OSG's vessels are currently flagged under the USCG, with the exception of two that are flagged under RMI, who in coordination with the classification society, inspect vessels to ensure compliance with SOLAS requirements as well as requirements listed in the Code of Federal Regulations, as applicable. Control provisions also allow contracting governments to inspect ships of other contracting states if there are clear grounds for believing that the ship and its equipment do not substantially comply with the requirements of the SOLAS convention - this procedure is known as port state control. Various certificates are prescribed by the SOLAS convention as proof of compliance and issued to vessels by the U.S. Coast Guard and by the classification society on their behalf. The Company believes that its vessels comply with the current requirements of SOLAS, as applicable, to the type of vessel operated.

Under the ISM Code, promulgated by the IMO, vessel operators are required to develop a safety management system that includes, among other things, the adoption of a safety and environmental protection policy describing how the objectives of a functional safety management system will be met. The Company has a safety management system for its fleet, with instructions and procedures for the safe operation of its vessels, reporting accidents and non-conformities, internal audits and management reviews and responding to emergencies, as well as, defined levels of responsibility. The ISM Code requires the Company to have a Document of Compliance ("DoC") for the vessels it operates and a Safety Management Certificate ("SMC") for each vessel it operates. Once issued, these certificates are valid for a maximum of five years. The Company in turn must undergo an annual internal audit and an external verification audit to maintain the DoC. In accordance with the ISM Code, each vessel must also undergo an annual internal audit at intervals not to exceed 12 months and vessels must undergo an external verification audit twice in a five-year period.

The Company maintains a DoC which was reissued for five years on September 17, 2017 with requirements for annual audits by the USCG. The Company is also certified to the SQE requirements of the ABS Guide for Marine Health, Safety, Quality, Environmental and Energy Management, which also includes meeting the requirements of the International Standards of Organization in ISO9001:2015 (Quality Management) and ISO14001:2015 (Environmental Management) for the management of operation of oil tankers, chemical tankers and other cargo ships.

The SMC for each vessel is issued after verifying that the company responsible for operating the vessel and its shipboard management operate in accordance with the approved safety management system. No vessel can obtain a certificate unless its operator has been awarded a DoC issued by the administration of that vessel's flag state or as otherwise permitted under SOLAS. Noncompliance with the ISM Code and other IMO regulations may subject the shipowner or charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. For example, the USCG and EU authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading to U.S. and EU ports.

Other EU Legislation and Regulations

The EU has adopted legislation that: (1) bans manifestly sub-standard vessels (defined as those over 15 years old that have been detained by port authorities at least twice in the course of the preceding 24 months) from European waters, creates an obligation for port states to inspect at least 25% of vessels using their ports annually and provides for increased surveillance of vessels posing a high risk to maritime safety or the marine environment, and (2) provides the EU with greater authority and control over Classification Societies, including the ability to seek to suspend or revoke the authority of negligent societies.

OSG believes that none of its vessels meet the sub-standard vessel definitions contained in the EU legislation. EU directives require EU member states to introduce criminal sanctions for illicit ship-source discharges of polluting substances (e.g., from tank cleaning operations) which result in deterioration in the quality of water and has been committed with intent, recklessness or serious negligence. Certain member states of the EU, by virtue of their national legislation, already impose criminal sanctions for pollution events under certain circumstances. The Company cannot predict what additional legislation or regulations, if any, may be promulgated by the EU or any other country or authority, or how these might impact OSG.

Security Regulations and Practices

In 2002, the U.S. Maritime Transportation Security Act of 2002 (“MTSA”) came into effect and the USCG issued regulations in 2003 implementing certain portions of the MTSA by requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in July 2004, amendments to SOLAS specifically dealing with maritime security came into effect, imposing various detailed security obligations on vessels and port authorities, most of which are contained in the International Ship and Port Facilities Security Code (the “ISPS Code”). Among other things, the ISPS Code requires the development of vessel security plans and compliance with flag state security certification requirements. To trade internationally, a vessel must attain an International Ship Security Certificate (“ISSC”) from a recognized security organization approved by the vessel’s flag state. All of the Company’s vessels have developed and implemented vessel security plans that have been approved by the USCG, have obtained an ISSC and comply with applicable security requirements.

The Company monitors the waters in which its vessels operate for pirate activity. Company vessels that transit areas where there is a high risk of pirate activity follow best management practices for reducing risk and preventing pirate attacks compliant with protocols established by the naval coalition protective forces operating in such areas.

In recent years, the maritime community has commenced addressing the vulnerability of ship operations to cyber security threats, both at sea and while in port. Exposure to these threats has become pervasive due to the increasing reliance on information and operating technology systems used in the management of ship operations. Because these systems control multiple aspects of ship operations, they become integral parts of system and operational safety. In 2014 IMO’s Maritime Safety Committee (MSC) supported a Canadian and U.S. recommendation to develop voluntary guidelines on maritime cyber security practices. Since then, a wide variety of regulatory requirements and best practice guidance has been generated by industry stakeholders. In December 2016, the USCG published a cybersecurity policy letter regarding the criteria and process for the reporting of suspicious activity and breach of security and added cybersecurity to the list of security items covered by the MTSA. In June 2017, IMO adopted a resolution to encourage member governments to ensure that cyber risks are appropriately addressed in safety management systems no later than the first annual verification on the Company’s DoC after January 1, 2021.

OSG commenced a fleetwide upgrade of its Information Technology systems in 2019 to further protect its infrastructure against the threat of security breaches and computer viruses and expects this upgrade to be completed in 2020. Security breaches and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches (including the inability of our third-party vendors to prevent security breaches) could also cause existing clients to lose confidence in our systems and could adversely affect our reputation, cause losses to us or our clients, damage our brand and increase our costs.

INSPECTION BY CLASSIFICATION SOCIETIES

Every oceangoing vessel must be “classed” by a Classification Society. The Classification Society certifies that the vessel is “in class” signifying that the vessel has been built and maintained in accordance with the rules of the Classification Society and complies with applicable rules and regulations of the vessel’s country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the Classification Society will undertake them on application or by official order, acting on behalf of the authorities concerned. The Classification Society also undertakes on request, other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

Regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed for a vessel to maintain its class certification. For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant and where applicable for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate. Intermediate surveys are typically conducted two and one-half years after commissioning and upon each class renewal. Intermediate surveys may be carried out on the second or third annual survey.

Vessels are required to dry dock for inspection of the underwater hull at each intermediate survey and at each class renewal survey. For vessels less than 15 years old, Classification Societies permit in water inspections by divers in lieu of dry docking for intermediate surveys, subject to other requirements of such Classification Societies. Class renewal surveys, known as special surveys, are carried out for the ship’s hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull.

At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the Classification Society would prescribe steel renewals. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a shipowner has the option of arranging with the Classification Society for the vessel’s hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. Upon a shipowner’s request, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class survey period. This process is referred to as continuous class renewal.

If defects are found during any survey, the Classification Society surveyor will issue a “recommendation” which must be rectified by the vessel owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as “in class” by a Classification Society that is a member of the International Association of Classification Societies (“IACS”). In December 2013, the IACS adopted new harmonized Common Structure Rules, which will apply to crude oil tankers and dry bulk carriers to be constructed on or after July 1, 2015. All the Company’s vessels are currently, and the Company expects will be, certified as being “in class” by the ABS, a major classification society. All new and secondhand vessels that the Company acquires must be certified prior to their delivery under the Company’s standard purchase contracts and memorandum of agreement. If the vessel is not certified on the date of closing, the Company has no obligation to take delivery of the vessel.

INSURANCE

Consistent with the currently prevailing practice in the industry, the Company presently carries protection and indemnity (“P&I”) insurance coverage for pollution of \$1.0 billion per occurrence on every vessel in its fleet. P&I insurance is currently provided by three mutual protection and indemnity associations (“P&I Associations”), all of whom are members of the International Group. The P&I Associations that comprise the International Group insure approximately 90% of the world’s commercial tonnage and have entered into a pooling agreement to reinsure each association’s liabilities. Each P&I Association has capped its exposure to each of its members at approximately \$7.5 billion. As a member of a P&I Association that is a member of the International Group, the Company is subject to calls payable to the P&I Associations based on its claim record as well as the claim records of all other members of the individual Associations of which it is a member, and the members of the pool of P&I Associations comprising the International Group. As of December 31, 2019, the Company was a member of three P&I Associations. Each of the Company’s vessels is insured by one of these three Associations with deductibles ranging from \$0.025 million to \$0.030 million per vessel per incident. While the Company has historically been able to obtain pollution coverage at commercially reasonable rates, no assurances can be given that such insurance will continue to be available in the future.

The Company carries marine hull and machinery and war risk (including piracy) insurance, which includes the risk of actual or constructive total loss, for all of its vessels. The vessels are each covered up to at least their fair market value, with deductibles ranging from \$0.1 million to \$0.125 million per vessel per incident. The Company is self-insured for hull and machinery claims in amounts in excess of the individual vessel deductibles up to a maximum aggregate loss of \$0.750 million per policy year.

TAXATION OF THE COMPANY

The following U.S. tax law applicable to the Company is based on the provisions of the U.S. Internal Revenue Code of 1986, as amended, existing and U.S. Treasury Department regulations, administrative rulings, pronouncements and judicial decisions, all as of the date of this Annual Report on Form 10-K. No assurance can be given that changes in or interpretation of existing laws will not occur or will not be retroactive or that anticipated future circumstances will in fact occur.

Tonnage Tax

The Company made an election to have the foreign operations of the Company’s U.S. Flag vessels taxed under a “tonnage tax” regime rather than the usual U.S. corporate income tax regime. As a result, the Company’s gross income for U.S. income tax purposes with respect to eligible U.S. Flag vessels does not include (1) income from qualifying shipping activities in U.S. foreign trade (i.e., transportation between the United States and foreign ports or between foreign ports), (2) income from cash, bank deposits and other temporary investments that are reasonably necessary to meet the working capital requirements of qualifying shipping activities, and (3) income from cash or other intangible assets accumulated pursuant to a plan to purchase qualifying shipping assets. The Company’s taxable income with respect to the operations of its eligible U.S. Flag vessels, of which there are two, is based on a “daily notional taxable income,” which is taxed at the highest U.S. corporate income tax rate. The daily notional taxable income from the operation of a qualifying vessel is 40 cents per 100 tons of the net tonnage of the vessel up to 25,000 net tons, and 20 cents per 100 tons of the net tonnage of the vessel in excess of 25,000 net tons. The taxable income of each qualifying vessel is the product of its daily notional taxable income and the number of days during the taxable year that the vessel operates in U.S. foreign trade.

On September 30, 2019, the Company took delivery of two Marshall Islands flagged vessels which are trading in the international markets under one-year time charters. As these new vessels are not U.S. Flag vessels, they do not qualify for the U.S. income tax exclusion described in the above paragraph. Therefore, the operations are subject to U.S. taxation and included in the calculation of taxable income. In addition, the Marshall Islands flagged vessels will be taxed under the “daily notional taxable income” under the Marshall Islands tonnage tax regime. The daily notional taxable income from the operation of the vessels are \$500 for 2,500 net tonnage or less, 20 cents per net tonnage between 2,501 to 5,000 net tonnage, 17 cents per net tonnage between 5,001 to 25,000 net tonnage, 15 cents per net tonnage between 25,001 to 50,000 net tonnage and 12.5 cents per net tonnage over 50,000 net tonnage. The tonnage tax of the vessels is the product of its daily notional taxable income and the percentage of days during the taxable year the vessels operate in U.S. foreign trade.

ITEM 1A. RISK FACTORS

An investment in our common stock contains a high degree of risk. You should consider carefully the following risk factors before deciding whether to invest in our securities. Our business, including our operating results and financial condition, could be harmed by any of these risks. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business. The trading price of our securities could decline due to any of these risks and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in our filings with the SEC, including our financial statements and related notes. Actual dollar amounts are used in this Item 1 A. "Risk Factors" section.

Risks Related to Our Industry

The highly cyclical nature of supply and demand in the industry may lead to volatile changes in charter rates and vessel values, which could adversely affect the Company's earnings, liquidity and available cash.

The marine transportation industry is both cyclical and volatile in terms of charter rates and profitability. Fluctuations in charter rates and vessel values result from changes in supply and demand both for tanker capacity and for oil and oil products. Factors affecting these changes in supply and demand are generally outside of the Company's control. The nature, timing and degree of changes in industry conditions are unpredictable and could adversely affect the values of the Company's vessels or result in significant fluctuations in the amount of charter revenues the Company earns, which could result in significant volatility in OSG's quarterly results and cash flows. Factors influencing the demand for tanker capacity include:

- supply and demand for, and availability of, energy resources such as oil, oil products and natural gas, which affect customers' need for vessel capacity;
- global and regional economic and political conditions, including armed conflicts, terrorist activities and strikes, that among other things could impact the supply of oil, as well as trading patterns and the demand for various vessel types;
- regional availability of refining capacity and inventories;
- changes in the production levels of crude oil (including in particular production by OPEC, the United States and other key producers);
- changes in seaborne and other transportation patterns, including changes in the distances that cargoes are transported, changes in the price of crude oil and changes to the West Texas Intermediate and Brent Crude Oil pricing benchmarks;
- environmental and other legal and regulatory developments and concerns;
- construction or expansion of new or existing pipelines or railways;
- weather and natural disasters;
- competition from alternative sources of energy; and
- international sanctions, embargoes, import and export restrictions or nationalizations and wars.

Many of the factors that influence the demand for tanker capacity will also, in the longer term, effectively influence the supply of tanker capacity, since decisions to build new capacity, invest in capital repairs, or to retain in service older capacity are influenced by the general state of the marine transportation industry from time to time. Factors influencing the supply of vessel capacity include:

- the number of newbuilding deliveries;
- the conversion of vessels from transporting oil and oil products to carrying dry bulk cargo or vice versa;
- the number of vessels that are removed from service, whether via scrapping or conversion to storage or other means;
- availability and pricing of other energy sources such as natural gas for which tankers can be used or to which construction capacity may be dedicated;
- port or canal congestion; and
- environmental and maritime regulations.

The market value of vessels fluctuates significantly, which could adversely affect OSG's liquidity or otherwise adversely affect its financial condition.

Jones Act and U.S. Flag vessel market values have, on average, generally declined over the past several years; however, the market value of Jones Act vessels has fluctuated over time and is based upon various factors, including:

- age of the vessel;
- general economic and market conditions affecting the tanker industry, including the availability of vessel financing;
- number of vessels in the Jones Act fleet;
- types and sizes of vessels available;
- changes in trading patterns affecting demand for particular sizes and types of vessels;
- cost of newbuilds;
- prevailing level of charter rates;
- competition from other shipping companies and from other modes of transportation; and
- technological advances in vessel design and propulsion.

The fluctuating market values of the vessels can impact the Company's liquidity regardless of whether the Company sells the vessels or continues to hold the vessels. For example, if OSG sells a vessel at a sale price that is less than the vessel's carrying amount on the Company's financial statements, OSG will incur a loss on the sale and a reduction in earnings and surplus. On the other hand, declining values of the Company's vessels could adversely affect the Company's liquidity by limiting its ability to raise cash by refinancing vessels.

Even if the Company does not need immediate liquidity from the sale or refinancing of vessels, the Company may experience significant impairment charges upon a decline in vessel value. The Company evaluates events and changes in circumstances that have occurred to determine whether they indicate that the carrying amount of the vessels might not be recoverable. This review for potential impairment indicators and projection of future cash flows related to the vessels is complex and requires the Company to make various estimates, including future freight rates, the markets in which the vessels are expected to operate, earnings from the vessels, market appraisals and discount rates, all of which have historically been volatile. The Company evaluates the recoverable amount of a vessel as the sum of its undiscounted estimated future cash flows. If the recoverable amount is less than the vessel's carrying amount, the vessel's carrying amount is then compared to its estimated fair value, which is determined using vessel appraisals or discounted estimated future cash flows. If the vessel's carrying amount is less than its fair value, it is deemed impaired. The carrying values of the Company's vessels may differ significantly from their fair market value. Any charges relating to such impairments could adversely affect the Company's results of operations and financial condition.

An increase in the supply of Jones Act vessels without a commensurate increase in demand for such vessels could cause charter rates to decline, which could adversely affect OSG's revenues, profitability and cash flows, as well as the value of its vessels.

The marine transportation industry has historically been highly cyclical, as the profitability and asset values of companies in the industry have fluctuated based on changes in the supply of and demand for vessels. If the number of new ships of a particular class delivered exceeds the number of vessels of that class being scrapped, available capacity in that class will increase. Given the smaller number of tankers operating in the U.S. domestic market, the impact of even a limited increase in capacity supply may negatively affect the market and may have a material adverse effect on OSG's revenues, profitability and cash flows.

OSG conducts certain of its operations internationally, which subjects the Company to changing economic, political and governmental conditions abroad that may adversely affect its business.

The Company conducts certain of its operations internationally, and its business, financial condition, results of operations and cash flows may be adversely affected by changing economic, political and government conditions in the countries and regions where its vessels are employed.

OSG must comply with complex foreign and U.S. laws and regulations, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other local laws prohibiting corrupt payments to government officials, anti-money laundering laws; and anti-competition regulations. Moreover, the shipping industry is generally considered to present elevated risks in these areas. Violations of these laws and regulations could result in fines and penalties, criminal sanctions, restrictions on the Company's business operations and on the Company's ability to transport cargo to one or more countries, and could also materially affect the Company's brand, ability to attract and retain employees, international operations, business and operating results. Although OSG has policies and procedures designed to achieve compliance with these laws and regulations, OSG cannot be certain that its employees, contractors, joint venture partners or agents will not violate these policies and procedures. OSG's operations may also subject its employees and agents to extortion attempts.

Changes in fuel prices may adversely affect profits.

Fuel is a significant, if not the largest, expense in the Company's shipping operations when vessels are under voyage charter. Accordingly, an increase in the price of fuel may adversely affect the Company's profitability if these increases cannot be passed onto customers. The price and supply of fuel is unpredictable and fluctuates based on events outside the Company's control, including geopolitical developments; supply and demand for oil and gas; actions by OPEC, and other oil and gas producers; war and unrest in oil producing countries and regions; regional production patterns; and environmental concerns. Fuel may become much more expensive in the future, which could reduce the profitability and competitiveness of the Company's business compared to other forms of transportation.

Shipping is a business with inherent risks, and OSG's insurance may not be adequate to cover its losses.

OSG's vessels and their cargoes are at risk of being damaged or lost because of events including, but not limited to:

- marine disasters;
- bad weather;
- mechanical failures;
- human error;
- war, terrorism and piracy;
- grounding, fire, explosions and collisions;
- business interruptions due to labor strikes, port closings and boycotts and
- other unforeseen circumstances or events.

These hazards may result in death or injury to persons; loss of revenues or property; environmental damage; higher insurance rates; damage to OSG's existing customer relationships and industry reputation; and market disruptions, and delay or rerouting, all of which may also subject OSG to litigation. In addition, the operation of tankers has unique operational risks associated with the transportation of oil. An oil spill may cause significant environmental damage and the associated costs could exceed the insurance coverage available to the Company. Compared to other types of vessels, tankers are also exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high flammability and high volume of the oil transported in tankers. Any of these events could result in loss of revenues, decreased cash flows and increased costs.

While the Company carries insurance to protect against certain of these risks, risks may arise against which the Company is not adequately insured. For example, a catastrophic spill could exceed OSG's \$1 billion per vessel insurance coverage and have a material adverse effect on its operations. In addition, OSG may not be able to procure adequate insurance coverage at commercially reasonable rates in the future, and any particular claim may not be paid by its insurers. In the past, new and stricter environmental regulations have led to higher costs for insurance covering environmental damage or pollution, and new regulations could lead to similar increases or even make this type of insurance unavailable.

Furthermore, even if insurance coverage is adequate to cover the Company's liabilities arising from the loss of a vessel, OSG may not be able to timely obtain a replacement ship.

OSG may also be subject to calls, or premiums, in amounts based not only on its own claim records but also the claim records of all other members of the protection and indemnity associations through which OSG obtains insurance coverage for tort liability. OSG's payment of these calls could result in significant expenses which would reduce its profits and cash flows or cause losses.

Constraints on capital availability have adversely affected the tanker industry and OSG's business.

Constraints on capital may adversely affect the financial condition of certain of the Company's customers, financial lenders and suppliers. Entities that suffer a material adverse impact on their financial condition may be unable or unwilling to comply with their contractual commitments to OSG including the refusal or inability of customers to pay charter hire to OSG or the inability or unwillingness of financial lenders to honor their commitments to lend funds. While OSG seeks to monitor the financial condition of its customers, financial lenders and suppliers, the availability and accuracy of information about the financial condition of such entities and the actions that OSG may take to reduce possible losses resulting from the failure of such entities to comply with their contractual obligations may be limited. Any such failure could have a material adverse effect on OSG's revenues, profitability and cash flows. In addition, adverse financial conditions may inhibit these entities from entering into new commitments with OSG, which could also have a material adverse effect on OSG's revenues, profitability and cash flows.

The Company also faces other potential constraints on capital relating to counterparty credit risk and constraints on OSG's ability to borrow funds. The Company is subject to credit risks with respect to its counterparties on contracts and any failure by these counterparties to meet their obligations could cause the Company to suffer losses on such contracts, decreasing revenues and earnings. OSG has incurred significant indebtedness which could affect its ability to finance its operations, pursue desirable business opportunities and successfully run its business in the future, all of which could affect OSG's ability to fulfill its obligations under that indebtedness.

Public health threats, including the possible coronavirus pandemic, could have an adverse effect on the Company's operations and financial results.

Public health threats and other highly communicable diseases, outbreaks of which have already occurred in various parts of the world near where OSG operates, could adversely impact the Company's operations, the operations of the Company's customers and the global economy, including the worldwide demand for crude oil and the level of demand for OSG's services. Any quarantine of personnel, restrictions on travel to or from countries in which OSG operates, or inability to access certain areas could adversely affect the Company's operations. Travel restrictions, operational problems or large-scale social unrest in any part of the world in which OSG operates, or any reduction in the demand for tanker services caused by public health threats in the future, may impact OSG's operations and adversely affect the Company's financial results.

Acts of piracy on ocean-going vessels could adversely affect the Company's business.

Although the Company's fleet operates mainly in U.S. waters, there are occasions when a vessel may be in an area where pirate attacks are a concern. The frequency of pirate attacks on seagoing vessels remains high, particularly in the western part of the Indian Ocean, off the west coast of Africa and in the South China Sea. If piracy attacks result in regions in which the Company's vessels are deployed being characterized by insurers as "war risk" zones, as the Gulf of Aden has been, or Joint War Committee "war and strikes" listed areas, premiums payable for insurance coverage could increase significantly, and such insurance coverage may become difficult to obtain. Crew costs could also increase in such circumstances due to risks of piracy attacks.

In addition, while OSG believes the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not “on-hire” for a certain number of days and it is therefore entitled to cancel the charter party, a claim the Company would dispute. The Company may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on the Company. In addition, hijacking as a result of an act of piracy against the Company’s vessels, or an increase in the cost (or unavailability) of insurance for those vessels, could have a material adverse impact on OSG’s business, financial condition, results of operations and cash flows. Such attacks may also impact the Company’s customers, which could impair their ability to make payments to the Company under its charters.

Terrorist attacks and international hostilities and instability can affect the tanker industry, which could adversely affect OSG’s business.

Terrorist attacks, the outbreak of war, or the existence of international hostilities could damage the world economy, adversely affect the availability of and demand for crude oil and petroleum products and adversely affect both the Company’s ability to charter its vessels and the charter rates payable under any such charters. In addition, OSG operates in a sector of the economy that is likely to be adversely impacted by the effects of political instability, terrorist or other attacks, war or international hostilities. In the past, political instability has also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. These factors could also increase the costs to the Company of conducting its business, particularly crew, insurance and security costs, and prevent or restrict the Company from obtaining insurance coverage, all of which could have a material adverse effect on OSG’s business, financial condition, results of operations and cash flows.

Risks Related to Our Company

OSG has incurred significant indebtedness which could affect its ability to finance its operations, pursue desirable business opportunities and successfully run its business in the future, all of which could affect OSG’s ability to fulfill its obligations under that indebtedness.

As of December 31, 2019, OSG had \$368.0 million of outstanding indebtedness. OSG’s substantial indebtedness and interest expense could have important consequences, including:

- limiting OSG’s ability to use a substantial portion of its cash flow from operations in other areas of its business, including for working capital, capital expenditures and other general business activities, because OSG must dedicate a substantial portion of these funds to service its debt;
- to the extent OSG’s future cash flows are insufficient, requiring the Company to seek to incur additional indebtedness in order to make planned capital expenditures and other expenses or investments;
- limiting OSG’s ability to obtain additional financing in the future for working capital, capital expenditures, debt service requirements, acquisitions, and other expenses or investments planned by the Company;
- limiting the Company’s flexibility and ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation, and OSG’s business and industry;
- limiting OSG’s ability to satisfy its obligations under its indebtedness;
- increasing OSG’s vulnerability to a downturn in its business and to adverse economic and industry conditions generally;
- placing OSG at a competitive disadvantage as compared to its less-leveraged competitors;
- limiting the Company’s ability, or increasing the costs, to refinance indebtedness; and
- limiting the Company’s ability to enter into hedging transactions by reducing the number of counterparties with whom OSG can enter into such transactions as well as the volume of those transactions.

OSG’s ability to continue to fund its obligations and to reduce debt may be affected by general economic, financial market, competitive, legislative and regulatory factors, among other things. An inability to fund the Company’s debt requirements or reduce debt could have a material adverse effect on OSG’s business, financial condition, results of operations and cash flows.

Additionally, the actual or perceived credit quality of the Company's charterers (as well as any defaults by them) could materially affect the Company's ability to obtain the additional capital resources that it will require to purchase additional vessels or significantly increase the costs of obtaining such capital. The Company's inability to obtain additional financing at a higher-than-anticipated cost, or at all, could materially affect the Company's results of operations and its ability to implement its business strategy.

The Company may not be able to generate sufficient cash to service all of its indebtedness and could in the future breach covenants in its credit facilities and term loans.

The Company's earnings, cash flow and the market value of its vessels vary significantly over time due to the cyclical nature of the tanker industry, as well as general economic and market conditions affecting the industry. As a result, the amount of debt that OSG can manage in some periods may not be appropriate in other periods and its ability to meet the financial covenants to which it is subject or may be subject in the future may vary. Additionally, future cash flow may be insufficient to meet the Company's debt obligations and commitments. Any insufficiency could negatively impact OSG's business.

The term loan, due 2023, term loans, due 2024, and term loan, due 2026, contain certain restrictions relating to new borrowings and, the movement of funds between OBS and OSG, as set forth in the loan agreement. While the Company was in compliance with these requirements as of December 31, 2019, a decrease in vessel values could require the Company to make mandatory payments on its existing term loans or cause the Company to breach certain covenants in future financing agreements that the Company may enter into from time to time. If the Company is unable to make the mandatory prepayments or breaches such covenants and is unable to remedy the relevant breach or obtain a waiver, the Company's lenders could accelerate its debt and foreclose on the Company's owned vessels.

A range of economic, competitive, financial, business, industry and other factors will affect future financial performance, and, accordingly, the Company's ability to generate cash flow from operations and to pay debt. Many of these factors, such as charter rates, economic and financial conditions in the tanker industry and the economy, the creditworthiness of our customers, or competitive initiatives of competitors, are beyond the Company's control. If OSG does not generate sufficient cash flow from operations to satisfy its debt obligations, it may have to undertake alternative financing plans, such as:

- refinancing or restructuring its debt;
- selling tankers or other assets;
- reducing or delaying investments and capital expenditures; or
- seeking to raise additional capital.

Undertaking alternative financing plans, if necessary, might not allow OSG to meet its debt obligations. The Company's ability to restructure or refinance its debt will depend on the condition of the capital markets, its access to such markets and its financial condition at that time. The OBS Term Loan had a maturity date of August 5, 2019. In the fourth quarter of 2018, the Company refinanced \$325.0 million and paid off the remaining balance of the OBS Term Loan. Any future refinancing of debt could be at higher interest rates and might require the Company to comply with more onerous covenants, which could further restrict OSG's business operations. In addition, the terms of existing or future debt instruments may restrict OSG from adopting certain alternatives. These alternative measures may not be successful and may not permit OSG to meet its scheduled debt service obligations. The Company's inability to generate sufficient cash flow to satisfy its debt obligations, to meet the covenants of its credit agreements and term loans and/or to obtain alternative financing in such circumstances, could materially and adversely affect OSG's business, financial condition, results of operations and cash flows.

Changes in demand in specialized markets in which the Company currently operates or changes in governmental support may lead the Company to redeploy certain vessels to other markets or put its ability to participate in specialized markets at risk.

The Company deploys its vessels in several niche markets, including lightering in the Delaware Bay. The Company conducts those lightering operations with one ATB which was purpose built for these operations. If there is lower demand for this vessel in the Delaware Bay lightering market, the Company may have to redeploy this ATB in other markets. If that were to occur, the Company may not be able to compete profitably in the new markets, and the ATB may not be able to be redeployed to new markets without substantial modification. In addition, the Company would be required to pay daily liquidated damages to MarAd if this vessel was deployed in the contiguous coastwise trades.

The Company has two vessels participating in the MSP which derive a substantial percentage of revenues earned from transporting cargoes reserved for U.S. Flag vessels under MarAd's Cargo Preference program. The Cargo Preference program works to promote and facilitate a U.S. maritime transportation system and oversees the administration of and compliance with U.S. cargo preference laws and regulations. Those laws require shippers to give U.S.-flag vessels a preference to transport any government-impelled ocean borne cargoes. Government-impelled cargo is cargo that is moving either as a direct result of Federal government involvement, indirectly through financial sponsorship of a Federal program, or in connection with a guarantee provided by the Federal government.

Among the currently available government-impelled cargoes is a contract the Company has with the Government of Israel ("GOI") to deliver fuel through December 31, 2020, which the GOI funds with grants from the U.S. government. The Company must seek other government-impelled cargoes to supplement the GOI business, however, there is no assurance the Company will be able to secure such cargoes. In addition, if the Company is unable to retain the GOI business, or is unable to obtain significant other charters for these vessels, the Company may no longer be able to participate in the MSP and the Company's business, financial condition, results of operations and cash flows may be adversely affected.

The Company operates three Jones Act MR Shuttle Tankers, two of which are currently operating as shuttle tankers serving offshore oil installations in the Gulf of Mexico. Modifications made to enable these tankers to perform the specialized service of a shuttle tanker required the Company to incur substantial capital costs, which in turn allow the Company to earn a premium to market rates earned by conventional Jones Act tankers. While shuttle tankers can serve as conventional tankers without further modification, future reduction in the demand for specialized shuttle tanker services could limit the Company's ability to earn such premiums, which could adversely affect the financial results of the Company as compared to historical results.

In the highly competitive Jones Act market, OSG may not be able to compete effectively for charters.

The Company's vessels are employed in a highly competitive market. Competition arises from other vessel owners, including major oil companies, which may have substantially greater resources than OSG does. Competition for the transportation of crude oil and other petroleum products depends on price; location; size, age and condition of vessel; and the acceptability of the vessel operator to the charterer. To the extent OSG enters into new geographic regions or provides new services, it may not be able to compete profitably. New markets may involve competitive factors that differ from those of the Company's current markets, and the competitors in those markets may have greater financial strength and capital resources than OSG does.

OSG may not be able to renew Time Charters when they expire or enter into new Time Charters.

OSG's ability to renew expiring contracts or obtain new charters will depend on the prevailing market conditions at the time of renewal. As of December 31, 2019, OSG employed 19 vessels on Time Charters, with 14 of those expiring in 2020, three expiring in 2021, one expiring in 2022 and one expiring in 2025. The Company's existing Time Charters may not be renewed at comparable rates or if renewed or entered into, those new contracts may be at less favorable rates. In addition, there may be a gap in employment of vessels between current charters and subsequent charters. If at a time when OSG is seeking to arrange new charters for its vessels, market participants expect that less capacity will be necessary in the future (for example, if it is expected that oil and natural gas prices will decrease in the future, which could suggest that future oil and gas production levels will decline from then-current levels), OSG may not be able to obtain charters at attractive rates or at all. If, upon expiration of the existing Time Charter, OSG is unable to obtain Time Charters or Voyage Charters at desirable rates, the Company's business, financial condition, results of operations and cash flows may be adversely affected.

OSG may not realize the benefits it expects from future acquisitions or other strategic transactions it may make.

OSG's business strategy includes ongoing efforts to engage in material acquisitions of assets or ownership interests in entities in the tanker industry and of individual tankers. The Company has recently entered into a 10-year bareboat lease of a 20-year old product tanker which entered the market in the second quarter of 2019 and took delivery of two 50,000 DWT class product and chemical tankers in the third quarter of 2019. The Company is also constructing two new 204,000 bbl barges which will come into the market in 2020. The success of OSG's acquisitions will depend upon a number of factors, some of which may not be within its control. These factors include OSG's ability to:

- identify suitable tankers and/or shipping companies for acquisitions at attractive prices, which may not be possible if asset prices rise too quickly;
- obtain financing;
- identify businesses engaged in managing, operating or owning tankers for acquisitions or joint ventures;
- integrate any acquired tankers or businesses successfully with the OSG's then-existing operations; and
- enhance OSG's customer base.

OSG intends to finance any future acquisitions by using available cash from operations, entering into leases and through incurrence of debt or bridge financing, either of which may increase its leverage ratios, or by issuing equity, which may have a dilutive impact on its existing stockholders. At any given time, OSG may be engaged in a number of discussions that may result in one or more acquisitions, some of which may be material to OSG as a whole. These opportunities require confidentiality and may involve negotiations that require quick responses by OSG. Although there can be no certainty that any of these discussions will result in definitive agreements or the completion of any transactions, the announcement of any such transaction may lead to increased volatility in the trading price of OSG's securities.

Acquisitions and other transactions can also involve a number of special risks and challenges, including:

- diversion of management time and attention from the Company's existing business and other business opportunities;
- delays in closing or the inability to close an acquisition for any reason, including third-party consents or approvals;
- any unanticipated negative impact on the Company of disclosed or undisclosed matters relating to any vessels or operations acquired; and
- assumption of debt or other liabilities of the acquired business, including litigation related to the acquired business.

The success of acquisitions or strategic investments depends on the effective integration of newly acquired businesses or assets into OSG's current operations. Such integration is subject to risks and uncertainties, including realization of anticipated synergies and cost savings, the ability to retain and attract personnel and customers, the diversion of management's attention from other business concerns, risk of non-compliance with internal controls over financial reporting for an acquired company, in accordance with the Sarbanes-Oxley Act and undisclosed or potential legal liabilities of the acquired company or asset. Further, if a portion of the purchase price of a business is attributable to goodwill and if the acquired business does not perform up to expectations at the time of the acquisition some or all of the goodwill may be written off, adversely affecting OSG's earnings.

The Company derives a substantial portion of its revenue from a limited number of customers, and the loss of, or reduction in business by, any of these customers could materially adversely affect its business, financial condition and results of operations.

The Company's largest customers account for a significant portion of its revenues. The Company's top three customers comprised approximately 38% of the Company's revenues during 2019. The loss of, or reduction in business by, any of these customers could materially adversely affect the Company's business, financial condition and results of operations.

Certain potential customers will not use vessels older than a specified age, even if the vessels have been subsequently rebuilt.

All of the Company's existing ATBs were originally constructed more than 25 years ago with the exception of the OSG Vision/OSG 350, OSG Horizon/OSG 351, which were built between 2010 and 2011, respectively. The OSG Endurance and OSG Courageous tugs, which were built in 2011, will be paired with the Company's new barges expected to be delivered in the second quarter of 2020 and fourth quarter of 2020. While all of these rebuilt tug-barque units were rebuilt and double-hulled since 1998 and are "in-class," meaning the vessel has been certified by a Classification Society as being built and maintained in accordance with the rules of that Classification Society and complies with the applicable rules and regulations of the vessel's country of registry and applicable international conventions, some potential customers have stated that they will not charter vessels that are more than 20 years old, even if they have been rebuilt. Other customers may not continue to view rebuilt vessels as suitable. With an increase in the supply of newer vessels, customers may become more selective. If more customers differentiate rebuilt vessels, time charter rates for the Company's rebuilt ATBs will likely be adversely affected.

The Company's significant operating leases could be replaced on less favorable terms or may not be replaced.

The Company's operating fleet includes ten vessels that have been chartered-in under operating leases. The significant operating leases of the Company in its various businesses expire at various points in the future and may not be replaced at all or on as favorable terms, which could have a material adverse effect on the Company's future financial position, results of operations and cash flow.

The Company is subject to credit risks with respect to its counterparties on contracts, and any failure by those counterparties to meet their obligations could cause the Company to suffer losses on such contracts, decreasing revenues and earnings.

The Company has entered into, and in the future will enter into, various contracts, including charter agreements and other agreements associated with the operation of its vessels. The Company charters its vessels to other parties, who pay the company a daily rate of hire. The Company also enters COAs and Voyage Charters. Historically, the Company has not experienced material problems collecting charter hire, but the risk increases during economic downturns. Additionally, the Company enters into derivative contracts (interest rate swaps and caps) from time to time. As a result, the Company is subject to credit risks. The ability of each of the Company's counterparties to perform its obligations under a contract with it will depend on a number of factors that are beyond the Company's control and may include, among other things, general economic conditions; availability of debt or equity financing; the condition of the maritime and offshore industries; the overall financial condition of the counterparty including the bankruptcy of the counterparty; charter rates received for specific types of vessels; and various expenses. Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities such as oil. In addition, in depressed market conditions, the Company's charterers and customers may no longer need a vessel that is currently under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, the Company's customers may fail to pay charter hire or attempt to renegotiate charter rates. If the counterparties fail to meet their obligations, the Company could suffer losses on such contracts which would decrease revenues, cash flows and earnings.

Operating costs and capital expenses will increase as the Company's vessels age and may also increase due to unanticipated events relating to seconhand vessels and the consolidation of suppliers.

In general, capital expenditures and other costs necessary for maintaining a vessel in good operating condition increase as the age of the vessel increases. As of December 31, 2019, the average age of the Company's total owned and operated fleet, with the exception of the Company's two rebuilt ATBs was 7.1 years, which is based on the vessels' year of rebuild, where applicable. Cargo insurance rates are also expected to increase with the age of a vessel. Accordingly, it is likely that the operating costs of OSG's currently operated vessels will increase. In addition, changes in governmental regulations and compliance with Classification Society standards may restrict the type of activities in which the vessels may engage and/or may require OSG to make additional expenditures for new equipment. Every commercial tanker must pass inspection by a Classification Society authorized by the vessel's country of registry. The Classification Society certifies that a tanker is safe and seaworthy in accordance with the applicable rule and regulations of the country of registry of the tanker and the international conventions of which that country is a member. If a Classification Society requires the Company to add equipment, OSG may be required to incur substantial costs or take its vessels out of service. Market conditions may not justify such expenditures or permit OSG to operate its older vessels profitably even if those vessels remain operational. If a vessel in OSG's fleet does not maintain its class and/or fails any survey, then it will be unemployable and unable to trade between ports, which would negatively impact the Company's results of operation.

Furthermore, recent mergers have reduced the number of available suppliers, resulting in fewer alternatives for sourcing key supplies. With respect to certain items, OSG is generally dependent upon the original equipment manufacturer for repair and replacement of the item or its spare parts. Supplier consolidation may result in a shortage of supplies and services, thereby increasing the cost of supplies or potentially inhibiting the ability of suppliers to deliver on time. These cost increases or delays could result in downtime, and delays in the repair and maintenance of the Company's vessels and have a material adverse effect on OSG's business, financial condition, results of operations and cash flows.

The Company may face unexpected drydock costs for its vessels.

Vessels must be drydocked periodically for inspection and maintenance, and in the event of accidents or other unforeseen damage. The cost of repairs and renewals required at each drydock are difficult to predict with certainty, can be substantial and the Company's insurance may not cover these costs. Vessels in drydock will generally not generate any income. Large drydocking expenses could adversely affect the Company's results of operations and cash flows. In addition, the time when a vessel is out of service for maintenance is determined by a number of factors including regulatory deadlines, market conditions, shipyard availability and customer requirements. Large drydocking expenses and longer than anticipated off-hire time could adversely affect the Company's business, financial condition, results of operations and cash flows.

Technological innovation could reduce the Company's charter income and the value of the Company's vessels.

The charter rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. Competition from more technologically advanced vessels could adversely affect the amount of charter payments the Company receives for its vessels once their initial charters expire and the resale value of the Company's vessels could significantly decrease. As a result, the Company's business, financial condition, results of operations and cash flows could be adversely affected.

Interruption, failure or breach of OSG's information technology and communications systems could impair its ability to operate and adversely affect its business.

OSG is highly dependent on information technology systems. These dependencies include accounting, billing, disbursement, cargo booking and tracking, vessel scheduling and stowage, equipment tracking, customer service, banking, payroll and communication systems. Information technology and communication systems are subject to reliability issues, integration and compatibility concerns, and security-threatening intrusions. OSG may experience failures caused by the occurrence of a natural disaster, computer hacking or viruses or other unanticipated problems at OSG's facilities, aboard its vessels or at third-party locations. Any failure of OSG's or third-party systems could result in interruptions in service, reductions in its revenue and profits, damage to its reputation or liability for the release of confidential information.

We collect, store and transmit sensitive data, including our proprietary business information and that of our clients, and personally identifiable information of our clients and employees, using both our information technology systems and those of third-party vendors. The secure storage, processing, maintenance, and transmission of this information is critical to our operations. Our network, or those of our clients or third-party vendors, could be vulnerable to unauthorized access, computer viruses, and other security problems. Many companies have increasingly reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage. Cybersecurity issues, such as security breaches and computer viruses, affecting our information technology systems or those of our third-party vendors, could disrupt our business, result in the unintended disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs, and cause losses.

We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. Security breaches and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches (including the inability of our third party vendors to prevent security breaches) could also cause existing clients to lose confidence in our systems and could adversely affect our reputation, cause losses to us or our clients, damage our brand, and increase our costs.

Delays or disruptions in implementing new technological and management systems could impair the Company's ability to operate and adversely affect its business.

The Company is currently in the process of transitioning to a new software system for managing ship operations. In addition, from time to time the Company will implement or upgrade certain other technological resources utilized in running its business. Implementation of this new software system will have a significant impact on our business processes and information systems. The transition will require a significant investment in capital and personnel resources and the coordination of numerous software and system providers and internal business teams. The Company may experience difficulties as it manages these changes and transitions to the new system and upgrades its technological resources, including loss or corruption of data, delays, decreases in productivity as personnel implement and become familiar with new systems and processes, and unanticipated expenses. Additionally, the Company could be adversely affected if the new software system it is implementing for managing ship operations or other new or upgraded technological resource are defective, not installed properly, fail to perform as marketed or are not properly integrated into existing operations. In addition, the implementation of a new system may not result in improvements that outweigh the cost of implementation. System implementation failures or operational failures, including unauthorized access by third parties to our new software system (which could have the effects described in the preceding risk factor) and could have an adverse effect on the Company's business, financial position, and ability to operate in a complex industry. Moreover, difficulties in implementing the new software could disrupt the Company's operations or divert management's attention from key strategic initiatives.

We could face significant liability if one or more multiemployer plans in which we participate is reported to have underfunded liabilities and we withdraw from participation in one or more multiemployer pension plans in which we participate.

The Company is a party to collective-bargaining agreements that requires contributions to three jointly managed (Company and union) multiemployer pension plans covering seagoing personnel of U.S. Flag vessels. Our required contributions to these plans could increase because of a shrinking contribution base as a result of the insolvency or withdrawal of other companies that currently contribute to these plans, the inability or failure of withdrawing companies to pay their withdrawal liability, low interest rates, lower than expected returns on pension fund assets or other funding deficiencies. Certain of these multiemployer plans are currently underfunded. Significantly underfunded pension plans are required to improve their funding ratios within prescribed intervals based on the level of their under-funding. As a result, our required contributions to these plans may increase in the future. In addition, a termination of our voluntary withdrawal from or a mass withdrawal of all contributing employers from an underfunded multiemployer pension plan would require us to make payments to the plan for our proportionate share of such multiemployer pension plan's unfunded vested liabilities. See Note 16, "Pension and Other Post Retirement Benefit Plans," to the Company's consolidated financial statements set forth in Item 8 for additional information. Requirements to pay increased contributions or withdrawal liabilities could have a material adverse impact on our liquidity and results of operations.

The Company may have difficulty attracting and retaining skilled employees and is dependent on unionized employees.

OSG's success depends to a significant extent upon the abilities and efforts of its key personnel. The loss of the services of key personnel or the Company's inability to attract, motivate and retain qualified personnel in the future could have a material adverse effect on OSG's business, financial condition and operating results.

As of December 31, 2019, OSG had approximately 713 employees, of which 496 employees were covered by collective bargaining agreements with unions. See Item 1, "Business - Employees." OSG could be adversely affected by actions taken by employees of OSG or other companies in related industries (including third parties providing services to OSG) against efforts by management to control labor costs, restrain wage or benefits increases or modify work practices or the failure of OSG or other companies in its industry to successfully negotiate collective bargaining agreements.

Effective internal controls are necessary for the Company to provide reliable financial reports and effectively prevent fraud.

The Company maintains a system of internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The process of designing and implementing effective internal controls is a continuous effort that requires the Company to anticipate and react to changes in its business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy its reporting obligations as a public company.

Any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. Any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase the Company's operating costs and harm its business. Furthermore, investors' perceptions that the Company's internal controls are inadequate or that the Company is unable to produce accurate financial statements on a timely basis may harm its stock price.

We may have exposure to additional tax liabilities.

The United States government enacted tax reform in 2017 and continues to provide regulatory guidance related to tax reform provisions, and state authorities continue to provide guidance around its application to tax reform, that could impact future effective tax rates favorably or unfavorably affected by changes in tax rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or their interpretation. Such changes could have a material adverse impact on our financial results.

Risks Related to Legal and Regulatory Matters

The Company's business would be adversely affected if it failed to comply with the Jones Act's limitations on U.S. coastwise trade, or if these limitations were waived, modified or repealed, or if changes in international trade agreements were to occur.

Substantially all of the Company's operations are conducted in the U.S. coastwise trade and are governed by U.S. federal laws commonly known as the "Jones Act". The Jones Act restricts waterborne transportation of goods between points in the United States to vessels meeting certain requirements, including ownership and control by "U.S. Citizens" as defined thereunder. The Company is responsible for monitoring the foreign ownership of its common stock and other interests to ensure compliance with the Jones Act. The Company could lose the privilege of owning and operating vessels in the Jones Act trade if non-U.S. Citizens were to own or control, in the aggregate, more than 25% of the equity interests in the Company. Such loss would have a material adverse effect on the Company's business and results of operations. In addition, under certain circumstances failure to comply with the Jones Act may result in the Company being deemed to have violated other U.S. federal laws that prohibit a foreign transfer of U.S. documented vessels without government approval, resulting in severe penalties, including permanent loss of U.S. coastwise trading privileges or forfeiture of the vessels deemed transferred, and fines.

Additionally, maritime transportation services are currently excluded from the General Agreement on Trade in Services (“GATS”) and are the subject of reservations by the United States in the North American Free Trade Agreement (“NAFTA”) and other international free trade agreements. If maritime transportation services were included in GATS, NAFTA or other international trade agreements, or if the restrictions contained in the Jones Act were otherwise repealed or altered, the transportation of maritime cargo between U.S. ports could be opened to international flag or foreign built vessels. Recently, particularly with regard to Puerto Rico after Hurricane Irma, interest groups have lobbied Congress, and legislation has been introduced, to repeal certain provisions of the Jones Act or to grant extensive waivers so as to facilitate international flag competition for trades and cargoes currently reserved for U.S. Flag vessels under the Jones Act. The Company expects that continued efforts will be made to modify, repeal, or waive the Jones Act. Because international vessels may have lower construction costs, wage rates and operating costs, this could significantly increase competition in the coastwise trade, which could have a material adverse effect on the Company’s business, results of operations, cash flows and financial condition.

The U.S. government could requisition the Company’s vessels during a period of war or emergency, which may negatively impact the Company’s business, financial condition, results of operations and available cash.

The U.S. government could requisition one or more of the Company’s vessels for title or hire, typically occurring during a period of war or emergency. Requisition for title or hire occurs when a government takes control of a vessel and becomes the owner or the charterer at dictated charter rates. Two OSG vessels participate in the U.S. Maritime Security Program, which ensures that militarily useful U.S. Flag vessels are available to the U.S. Department of Defense in the event of war or national emergency. Under the program, OSG receives an annual fee, subject in each case to annual Congressional appropriations, in exchange for a guarantee that the ships will be made available to the U.S. government in the time of war or national emergency. The U.S. government requisition of one or more of the Company’s vessels may impact the Company’s business, financial condition, results of operations and available cash if the charter rates we receive from the government while on requisition are less than the charter rates that are being replaced, or if the government refuses to pay the requisition charter rate, in which case we would seek recovery through our insurance policies.

Compliance with complex laws, regulations, and, in particular, environmental laws or regulations may adversely affect OSG’s business.

The Company’s operations are affected by extensive and changing international, national and local environmental protection laws, regulations, treaties, conventions and standards. These requirements are designed to reduce the risk of oil spills and water pollution and to regulate air emissions, including emission of greenhouse gases. These requirements impose significant capital and operating costs on OSG, including those related to engine adjustments and ballast water treatment.

Environmental laws and regulations also can affect the resale value or significantly reduce the useful lives of the Company’s vessels, require a reduction in carrying capacity, ship modifications or operational changes or restrictions (and related increased operating costs) or retirement of service, lead to decreased availability or higher cost of insurance coverage for environmental matters or result in the denial of access to, or detention in, certain jurisdictional waters or ports. Under local, national and foreign laws, as well as international treaties and conventions, OSG could incur material liabilities, including cleanup obligations, in the event that there is a release of petroleum or other hazardous substances from its vessels or otherwise in connection with its operations. OSG could be subject to personal injury or property damage claims relating to the release of or exposure to hazardous materials associated with its current or historic operations. Violations of or liabilities under environmental requirements also can result in substantial penalties, fines and other sanctions, including in certain instances, seizure or detention of the Company’s vessels.

OSG could incur significant costs, including cleanup costs, fines, penalties, third-party claims and natural resource damages, as the result of an oil spill or liabilities under environmental laws. The Company is subject to the oversight of several government agencies, including the U.S. Coast Guard, the Environmental Protection Agency and the Maritime Administration of the U.S. Department of Transportation. OPA 90 affects all vessel owners shipping oil or hazardous material to, from or within the United States. OPA 90 allows for potentially unlimited liability without regard to fault for owners, operators and bareboat charterers of vessels for oil pollution in U.S. waters. Similarly, the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, which has been adopted by most countries outside of the United States, imposes liability for oil pollution in international waters. OPA 90 expressly permits individual states to impose their own liability regimes with regard to hazardous materials and oil pollution incidents occurring within their boundaries. Coastal states in the United States have enacted pollution prevention liability and response laws, many providing for unlimited liability.

In order to comply with laws and regulations, shipowners likely will incur substantial additional capital and/or operating expenditures to meet new regulatory requirements, to develop contingency arrangements for potential spills and to obtain insurance coverage. Key regulatory initiatives that are anticipated to require substantial additional capital and/or operating expenditures in the next several years include more stringent limits on the sulfur content of fuel oil for vessels operating in waters not already considered emissions control areas and more stringent requirements for management and treatment of ballast water.

The Company expects to install ballast water treatment systems on its vessels at substantial capital cost and incur increased operating expenses between 2020 and 2023. Although the Company has performed due diligence in choosing the particular systems, there is no assurance that the technologies chosen will perform as expected or be installed without delays.

The Company continues to be in full compliance with the USCG's phase-in schedule for ballast water treatment systems and has received extensions from the USCG for six vessels. The EPA determined in 2013 that it will not issue extensions under the VGP but stated that vessels that meet certain conditions, including having received the USCG extensions, would be a "low enforcement priority". While the six vessels with USCG extensions are not in compliance with the EPA's phase-in schedule, OSG believes that its vessels will meet the conditions for a low enforcement priority." However, no assurance is given that EPA will not change their position. If the EPA determines to enforce the limits for such vessels, such action could have a material adverse effect on OSG. See Item 1, "Business - Environmental, Safety and Security Matters."

Other government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future and require the Company to incur significant capital expenditures on its vessels to keep them in compliance, or even to scrap or sell certain vessels altogether. Such expenditures could result in financial and operational impacts that may be material to OSG's financial statements. Additionally, the failure of a shipowner or bareboat charterer to comply with local, domestic and foreign regulations may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. If any of our vessels are denied access to, or are detained in, certain ports, reputation, business, financial results and cash flows could be materially adversely affected.

Incidents involving highly publicized oil spills and other mishaps involving vessels can be expected in the tanker industry, and such events could be expected to result in the adoption of even stricter laws and regulations, which could limit the Company's operations or its ability to do business and which could have a material adverse effect on OSG's business, financial results and cash flows. In addition, the Company is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations. The Company believes its vessels are maintained in good condition in compliance with present regulatory requirements, are operated in compliance with applicable safety and environmental laws and regulations and are insured against usual risks for such amounts as the Company's management deems appropriate. The vessels' operating certificates and licenses are renewed periodically during each vessel's required annual survey. However, government regulation of tankers, particularly in the areas of safety and environmental impact, may change in the future and require the Company to incur significant capital expenditures with respect to its ships to keep them in compliance.

Due to concern over the risk of climate change, a number of countries, including the United States, and international organizations, including the IMO and the European Union, have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. Such actions could result in significant financial and operational impacts on the Company's business, including requiring OSG to install new emission controls, acquire allowances or pay taxes related to its greenhouse gas emissions, or administer and manage a greenhouse gas emission program. The Company is calculating and reporting greenhouse gas emissions on voyages to and from EU ports under the EU's Monitoring, Reporting and Verification (MRV) scheme, and a similar requirement has been expanded to all vessels engaged on international voyage under a similar IMO program. See Item 1, "Business - Environmental, Safety and Security Matters." In addition to the added costs, the concern over climate change and regulatory measures to reduce greenhouse gas emissions may reduce global demand for oil and oil products, which would have an adverse effect on OSG's business, financial results and cash flows.

The employment of the Company's vessels could be adversely affected by an inability to clear the oil majors' risk assessment process.

Our industry is heavily regulated. In addition, the major oil companies have developed a strict due diligence process for selecting their shipping partners out of concerns for the environmental impact of spills. This vetting process has evolved into a sophisticated and comprehensive risk assessment of both the vessel manager and the vessel. The Company's charterers require that the Company's vessels and the technical managers pass vetting inspections and management audits. The Company's failure to maintain any of its vessels to these standards could put the Company in breach of the applicable charter agreement and lead to termination of such agreement thereby adversely affecting the revenues of the Company.

The Company may be subject to litigation and government inquiries or investigations that, if not resolved in the Company's favor and not sufficiently covered by insurance, could have a material adverse effect on it.

The Company has been and is, from time to time, involved in various litigation matters and is subject to government inquiries and investigations. These matters may include, among other things, contract disputes, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, and other disputes that arise in the ordinary course of the Company's business. The Company believes it has sufficient insurance coverage for the majority, though not all, of these cases.

Although the Company intends to defend these matters vigorously, it cannot predict with certainty the outcome or effect of any such matter, and the ultimate outcome of these matters or the potential costs to resolve them could involve or result in significant expenditures or losses by the Company, or result in significant changes to OSG's rules and practices in dealing with its customers, all of which could have a material adverse effect on the Company's future operating results. Insurance may not be applicable or sufficient in all cases. Because litigation is inherently uncertain, the Company's estimates for contingent liabilities may be insufficient to cover the actual liabilities from such claims, resulting in a material adverse effect on the Company's business, financial condition, results of operations and cash flows. See Item 3, "Legal Proceedings," and Note 18, "Contingencies," to the Company's consolidated financial statements included in Item 8, "Financial Statement and Supplementary Data."

Maritime claimants could arrest OSG's vessels, which could interrupt cash flows.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of the Company's vessels could interrupt OSG's cash flow and require it to pay a significant amount of money to have the arrest lifted. Claimants could try to assert "sister ship" liability against one vessel in the Company's fleet for claims relating to another vessel in its fleet which, if successful, could have an adverse effect on the Company's business, financial condition, results of operations and cash flows.

Transfers or issuances of the Company's equity may impair or reduce the Company's ability to utilize its net operating loss carryforwards and certain other tax attributes in the future.

Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, contains rules that limit the ability of a company that undergoes an "ownership change" to utilize its net operating loss and tax credit carry forwards and certain built-in losses recognized in years after the ownership change. An "ownership change" is generally defined as any change in ownership of more than 50% of a corporation's stock over a rolling three-year period by stockholders that own (directly or indirectly) 5% or more of the stock of a corporation or arising from a new issuance of stock by a corporation. If an ownership change occurs, Section 382 imposes an annual limitation on the use of pre-ownership change NOLs, credits and certain other tax attributes to offset taxable income earned after the ownership change. The annual limitation is equal to the product of the applicable long-term tax-exempt rate and the value of the company's stock immediately before the ownership change. This annual limitation may be adjusted to reflect any unused annual limitation for prior years and certain recognized built-in gains and losses for the year. In addition, Section 383 generally limits the amount of tax liability in any post-ownership change year that can be reduced by pre-ownership change tax credit carryforwards. If the Company were to undergo an "ownership change," it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Risks Related to the Common Stock and Warrants

The market price of the Company's securities fluctuates significantly.

The market price of the Company's securities fluctuates substantially. You may not be able to resell your Class A common stock or Class A warrants at or above the price you paid for such securities due to a number of factors, some of which are beyond the Company's control, including the occurrence of the risks described herein. The falling price of the Company's equity securities may expose the Company to securities class action litigation, which could result in substantial cost and the diversion of management's attention and resources.

The ability to sell warrants may be limited and the exercise of outstanding warrants may result in substantial dilution to the Company's stockholders.

The Company's Class A warrants are currently traded as "restricted securities" in the over-the-counter market and in privately negotiated transactions among individual holders pursuant to exemptions from the Securities Act of 1933, as amended. Transactions are reported as taking place only sporadically. The liquidity of any market that may develop for the Class A warrants, the ability to sell the Class A warrants and the price at which such securities would sell are all uncertain.

The Company has outstanding Class A warrants with an exercise price of \$0.01 per share exercisable into shares of Class A common stock. If exercised, the shares of Class A common stock underlying these warrants would represent approximately 4% of the Company's outstanding Class A common stock. Accordingly, any such exercise may result in substantial dilution to the Company's stockholders.

The Company's common stock is subject to restrictions on foreign ownership, which could have a negative impact on the transferability of the Company's common stock, its liquidity and market value, and on a change of control of the Company.

The Company's Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws authorize its Board of Directors to establish certain rules, policies and procedures, including procedures with respect to transfer of shares, to assist in monitoring and maintaining compliance with the Jones Act ownership restrictions. In order to provide a reasonable margin for compliance with the Jones Act at least 77% (the "Minimum Percentage") of the outstanding shares of each class of capital stock of the Company must be owned by U.S. citizens. To assist the Company in complying with the Jones Act citizenship requirements, the Company participates in the Depository Trust Company's ("DTC") Seg-100 program. Under this system, shares of our common stock beneficially owned by non-U.S. citizens through DTC must be deposited in a segregated account known as Seg-100.

Any purported transfer by a foreign holder of equity interests in the Company that cause the percentage of outstanding shares of a class of capital stock of the Company to fall below the Minimum Percentage will be rendered ineffective to transfer the equity interests or any voting, dividend or other rights associated with such interest in accordance with the rights afforded in the Jones Act and contained in the Company's Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws.

The percentage of U.S. citizenship ownership of the Company's outstanding common stock fluctuates based on daily trading, and at times in the past, has declined to the Minimum Percentage. At and during such time that the Minimum Percentage is reached, the Company will not issue any further shares of such class of common stock or approve transfers of such class of common stock to non-U.S. citizens. If a foreign owner's acquisition causes total foreign ownership of our common stock to exceed the limit set forth in our Citizenship Policies, currently 23%, DTC will not permit additional shares to be deposited in the Company's Seg-100 account. This is an additional risk that foreign owners of our common stock bear.

The existence and enforcement of these ownership restrictions could have an adverse impact on the liquidity or market value of the Company's equity securities. Furthermore, under certain circumstances, the ownership restrictions could discourage, delay or prevent a change of control of the Company.

The Company's outstanding warrants are not subject to the above ownership restrictions, but the warrants include provisions limiting the right of non-U.S. citizens to exercise warrants if the shares of common stock that would be issued upon exercise would cause the percentage of the Company's outstanding common stock held by U.S. citizens to decline below the Minimum Percentage.

OSG is a holding company and depends on the ability of its subsidiaries to distribute funds to it in order to satisfy its financial obligations or pay dividends.

Overseas Shipholding Group, Inc. is a holding company and its subsidiaries conduct all of its operations and own all of its operating assets. It has no significant assets other than the equity interests in its subsidiaries. As a result, its ability to satisfy its financial obligations or pay dividends is dependent on the ability of its subsidiaries to distribute funds to it. In addition, the terms of the term loan, due 2023, term loans, due 2024, and term loan, due 2026, restrict the ability of OBS and its subsidiaries to distribute funds to Overseas Shipholding Group, Inc.

Some provisions of Delaware law and the Company's governing documents could influence its ability to effect a change of control.

Certain provisions of Delaware law and contained in the Company's Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws could have the effect of delaying, deferring or preventing a change of control of the Company. In addition, these provisions could make it more difficult to bring about a change in the composition of the Company's board of directors. For example, the Company's Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws:

- give the sole ability to then-current members of its board of directors to fill a vacancy on the board of directors;
- require the affirmative vote of two-thirds or more of the combined voting power of the outstanding shares of its capital stock in order to amend or repeal certain provisions of its Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws; and
- establish advance notice requirements for nomination for elections to its board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Separately, the Company has elected to opt out of Section 203 (“Section 203”) of the Delaware General Corporation Law (the “DGCL”), which restricts certain business combinations between a Delaware corporation and an “interested stockholder.” Accordingly, the Company will be able to enter into such transactions with its principal stockholders without complying with the requirements of Section 203. The election to opt out of Section 203 could deprive certain stockholders of an opportunity to receive a premium for their common stock as part of a sale of the Company, particularly if it enters into a transaction with an “interested stockholder.”

Securities analysts may not initiate coverage to cover the Company’s securities, and this may have a negative impact on their market price.

The trading market for the Company’s securities will depend in part on the research and reports that securities analysts publish about the Company and its business. The Company does not have any control over securities analysts, and they may not initiate coverage or continue to cover the Company’s securities. If securities analysts do not cover the Company’s securities, the lack of research coverage may adversely affect their market price. If the Company is covered by securities analysts, and the Company’s securities are the subject of an unfavorable report, the Company’s securities prices would likely decline. If one or more of these analysts ceases to cover the Company or fails to publish regular reports on the Company, the Company could lose visibility in the financial markets, which may cause the price or trading volume of the Company’s securities to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease two properties which house offices used in the administration of our operations: a property of approximately 18,300 square feet in Tampa, Florida. We also lease land of 3.2 acres in Tampa, Florida on which two Company-owned buildings aggregating 15,000 square feet sit.

We do not own or lease any production facilities, plants, mines or similar real properties.

Vessels:

At December 31, 2019, the Company owned or operated an aggregate of 21 vessels. See tables presented under Item 1, "Business—Fleet Operations."

ITEM 3. LEGAL PROCEEDINGS

We are party to lawsuits and claims arising out of the normal course of business. In management's opinion, there are no known pending claims or litigation, the outcome of which would, individually or in the aggregate, have a material effect on our consolidated results of operations, financial position, or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information, Holders and Dividends

The Company's Class A common stock was approved for listing on the NYSE MKT on December 1, 2015 and began trading under the symbol "OSG" on December 1, 2015.

The following table summarizes (i) the quarterly high and low closing sales prices of the Company's Class A common stock (OSG) for the periods indicated.

	Class A Common Stock (OSG)	
	High (in dollars)	Low
2019		
First Quarter	2.59	1.68
Second Quarter	2.40	1.50
Third Quarter	2.05	1.59
Fourth Quarter	2.65	1.60
	Class A Common Stock (OSG)	
	High (in dollars)	Low
2018		
First Quarter	2.93	1.70
Second Quarter	4.01	2.92
Third Quarter	3.99	3.04
Fourth Quarter	3.55	1.58

On March 6, 2020, there were 136 stockholders of record of the Company's Class A common stock.

The declaration and timing of future cash dividends, if any, will be at the discretion of the Board of Directors and will depend upon, among other things, our future operations and earnings, capital requirements, general financial condition, contractual restrictions, restrictions imposed by applicable law or the SEC and such other factors as our Board of Directors may deem relevant. In addition, the Company's ability to pay cash dividends in the future may be limited by certain of the Company's loan agreements.

Section 170(a) of the Delaware General Corporation Law ("DGCL") only permits dividends to be declared out of two legally available sources: (1) out of surplus, or (2) if there is no surplus, out of net profits for the year in which the dividend is declared or the preceding year (so-called "nimble dividends"). However, dividends may not be declared out of net profits if "the capital of the corporation, computed in accordance with sections 154 and 244 of the DGCL, shall have been diminished by depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets.

Equity Compensation Plan Information

See Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters,” for further information on the number of shares of the Company’s Class A common stock that may be issued under the 2019 Incentive Compensation Plan for Management and the Non-Employee Director Incentive Compensation Plan.

Purchase of Equity Securities

See Note 13, “Capital Stock and Stock Compensation,” to the Company’s consolidated financial statements set forth in Item 8, “Financial Statements and Supplementary Data,” for a description of Class A warrants exercised in exchange for Class A common stock, which is incorporated by reference in this Part I, Item 5.

During the year ended December 31, 2019, in connection with the vesting of restricted stock units in January, February and March, the Company withheld the following number of shares of Class A common stock from certain members of management to cover withholding taxes:

Period	Total Number Shares of Class A Purchased	Average Price Paid per Share of Class A
January 1, 2019 through January 31, 2019	32,812	\$ 1.66
February 1, 2019 through February 28, 2019	115,510	\$ 1.84
March 1, 2019 through March 31, 2019	11,363	\$ 2.42
	159,685	\$ 1.84

ITEM 6. SELECTED FINANCIAL DATA

Not applicable due to our status as a smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the statements in this item are “forward-looking statements.” For a discussion of those statements and of other factors to consider see the “Forward-Looking Statements” section above.

The following is a discussion and analysis of (i) industry operations that have an impact on the Company’s financial position and results of operations, (ii) the Company’s financial condition at December 31, 2019 and 2018 and its results of operations comparing the years ended December 31, 2019 and 2018, and (iii) critical accounting policies used in the preparation of the Company’s consolidated financial statements. All dollar amounts are presented in thousands, except daily dollar amounts and per share amounts.

GENERAL

We are a leading provider of energy transportation services, delivering crude oil and petroleum products. We own and operate a combined fleet of 21 vessels registered in the United States. Our well-maintained fleet and commitment to high quality, incident-free service positions us as a preferred service provider of major oil companies and refiners.

Incorporated in 1969, we have operated through multiple shipping cycles, making adjustments to our business as needed to compete and succeed. We provide safe, efficient and reliable transportation to customers and strive to ensure the highest standards of safety and environmental compliance throughout our organization.

Our business operates as a single reportable segment. We believe that this is appropriate as our chief operating decision maker and our management team make decisions about resource allocations and review and measure our results as one line of business with similar regulatory requirements, customers and commodities transported. Our fleet consists of two conventional ATBs, two lightering ATBs, three shuttle tankers, 10 conventional MR tankers, two non-Jones Act MR tankers that participate in the U.S. Maritime Security Program, all of which are U.S. flagged, as well as two Marshall Island flagged non-Jones Act MR tankers trading in international markets. Revenues are derived predominantly from time charter agreements, which provide a more predictable level of revenues. We derived approximately 26% of our total shipping revenues and 23% of our total TCE revenues in the spot market for 2019.

OPERATIONS AND OIL TANKER MARKETS

Our revenues are highly sensitive to patterns of supply and demand for vessels of the size and design configurations owned and operated by us and the trades in which those vessels operate. Rates for the transportation of crude oil and refined petroleum products are determined by market forces such as the supply and demand for oil. The demand for oil shipments is significantly affected by the state of the global economy, level of OPEC exports and oil production in the United States. The number of vessels is affected by newbuilding deliveries and by the removal of existing vessels from service, principally because of storage, scrappings or conversions. Our revenues are also affected by the mix of charters between spot (Voyage Charter) and long-term (Time or Bareboat Charter). Because shipping revenues and voyage expenses are significantly affected by the mix between voyage charters and time charters, we manage our vessels based on TCE revenues. Management makes economic decisions based on anticipated TCE rates and evaluates financial performance based on TCE rates achieved.

Estimated TCE rates for prompt Jones Act Product Carriers and large ATBs increased during the year ended December 31, 2019 from 2018 for each class of vessel. The increase can be attributed to higher demand for coastwise crude oil transportation driven by the discount of domestic to international crude prices. In addition, the supply of vessels has tightened through scrapping, lay ups and sales out of Jones Act service and there have been no new deliveries since 2018.

As of December 31, 2019, the industry’s entire Jones Act fleet of Product Carriers and large ATBs (defined as vessels having carrying capacities of between 140,000 barrels and 350,000 barrels, which excludes numerous tank barges below 140,000-barrel capacity and 11 much larger tankers dedicated exclusively to the Alaskan crude oil trade) consisted of 88 vessels, compared with 91 vessels as of December 31, 2018. There were no deliveries and three large ATBs were scrapped during 2019.

The industry's firm Jones Act orderbook as of December 31, 2019 consisted of two ATBs with one delivery each scheduled in the first half and second half of 2020, both of which were our orders. We ordered the new build ATBs in July 2018 and January 2019, respectively. The contract is with Greenbrier Marine (formerly Gunderson Marine LLC) for the construction of these approximately 204,000 BBL oil and chemical tank barges, which will participate in the Jones Act trade.

Delaware Bay lightering volumes averaged 125,000 b/d in 2019 compared with 152,000 b/d in 2018. In June 2019, one of our lightering customers, Philadelphia Energy Solutions ("PES"), suffered an explosion and fire at its refinery in the Delaware Bay. The refinery has been shut down since the fire. In July 2019, PES filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Due to the reduction in lightering volumes, we redeployed one of our two lightering ATBs to the U.S. Gulf of Mexico for alternative employment.

RESULTS FROM VESSEL OPERATIONS

During the year ended December 31, 2019, shipping revenues decreased by \$10,616 or 2.9% compared to 2018. The decrease primarily resulted from three fewer vessels in operation during most of 2019 compared to 2018 and one less Government of Israel voyage in 2019 compared to 2018. This decrease was partially offset by the addition of two new vessels to our fleet at the beginning of the fourth quarter of 2019.

Reconciliations of TCE revenues, a non-GAAP measure, to shipping revenues as reported in the consolidated statements of operations follows:

	Years Ended December 31,	
	2019	2018
Time charter equivalent revenues	\$ 335,133	\$ 326,707
Add: Voyage expenses	20,414	39,456
Shipping revenues	<u><u>\$ 355,547</u></u>	<u><u>\$ 366,163</u></u>

Consistent with general practice in the shipping industry, we use TCE revenues, which represents shipping revenues less voyage expenses, as a measure to compare revenue generated from a voyage charter to revenue generated from a time charter. TCE revenues, a non-GAAP measure, provides additional meaningful information in conjunction with shipping revenues, the most directly comparable GAAP measure, because it assists management in decisions regarding the deployment and use of our vessels and in evaluating their financial performance.

The following table provides a breakdown of TCE rates achieved for the years ended December 31, 2019 and 2018 between spot and fixed earnings and the related revenue days.

	2019		2018	
	Spot Earnings	Fixed Earnings	Spot Earnings	Fixed Earnings
Jones Act Handysize Product Carriers:				
Average rate	\$ 25,036	\$ 57,910	\$ 31,254	\$ 60,252
Revenue days	523	4,052	1,142	3,141
Non-Jones Act Handysize Product Carriers:				
Average rate	\$ 30,671	\$ 13,912	\$ 25,925	\$ 12,097
Revenue days	482	417	707	3
ATBs:				
Average rate	\$ 19,117	\$ 21,861	\$ 15,333	\$ 22,207
Revenue days	255	773	990	998
Lightering:				
Average rate	\$ 63,162	\$ —	\$ 66,041	\$ —
Revenue days	713	—	697	—

During 2019, TCE revenues increased by \$8,426, or 2.6%, to \$335,133 from \$326,707 in 2018. The increase primarily resulted from an increase in average daily rates earned by our fleet and decreased spot market exposure. The total number of revenue days decreased from 7,678 days in 2018 to 7,215 days in 2019. The decrease primarily resulted from three fewer vessels in operation during most of 2019 compared to 2018.

Vessel expenses remained stable at \$134,618 in 2019 from \$134,956 in 2018. Depreciation expense increased by \$1,987 to \$52,499 in 2019 from \$50,512 in 2018. The increase was due to an increase in amortization of drydock costs and an increase in depreciation expense due to the *Overseas Gulf Coast* and *Overseas Sun Coast*, our two new vessels, which entered service at the beginning of the fourth quarter of 2019.

Two reflagged U.S. Flag Product Carriers participate in the U.S. Maritime Security Program, which ensures that privately-owned, military-useful U.S. Flag vessels are available to the U.S. Department of Defense in the event of war or national emergency. Each of the vessel-owning companies receives an annual subsidy, subject in each case to annual congressional appropriations, which is intended to offset the increased cost incurred by such vessels from operating under the U.S. Flag. Such subsidy was \$5,000 for each vessel in 2019 and \$5,000 on one vessel and \$4,600 on one vessel in 2018.

Under the terms of the program, we expect to receive up to \$5,000 annually for each vessel during 2020, and up to \$5,200 for each vessel beginning in 2021. We do not receive a subsidy for any days for which either of the two vessels operate under a time charter to a U.S. government agency.

In June 2019, one of our lightering customers, PES, suffered an explosion and fire at its refinery in the Delaware Bay. The PES refinery complex, which consists of two refineries, has been shut down since the fire. Due to the expected reduction in lightering volumes, we redeployed one of our two lightering ATBs to the U.S. Gulf of Mexico for alternative employment. In July 2019, PES filed a Chapter 11 bankruptcy petition. At December 31, 2019, we had outstanding receivables from PES of approximately \$4,300. The ultimate recovery of these receivables is currently unknown. We established a loss provision of \$4,300. We are working diligently to maximize our recovery.

In June 2018, one of our ATBs was berthed to the dock when a third-party ship transiting the channel hit our ATB, causing structural damage to the ATB and damage to the dock. The cost of repairs has been covered by existing insurance policies. We have filed a lawsuit against the third-party ship seeking recovery of our costs of repairs as well as our lost earnings from the ATB being off-hire for 46 repair days.

General and Administrative Expenses

During 2019, general and administrative expenses decreased by \$3,481 to \$23,399 from \$26,880 in 2018. This decrease was primarily driven by reduced compensation and benefit costs, as well as reduced legal, accounting and consulting fees.

INTEREST EXPENSE

The components of interest expense are as follows:

	Years Ended December 31,	
	2019	2018
Interest before impact of interest rate caps	\$ 25,633	\$ 30,709
Impact of interest rate caps	—	181
Interest expense	\$ 25,633	\$ 30,890

Interest expense, including administrative and other fees, was \$25,633 for 2019 compared with \$30,890 in 2018. The decrease in interest expense was primarily associated with the impact of the refinancing of our term loan at the end of 2018 and interest capitalized during 2019 due to vessels under construction.

INCOME TAX (EXPENSE)/BENEFIT

The effective tax rates for the years ended December 31, 2019 and 2018 were 5.8% and 419.2%, respectively. The effective tax rates varied from 2018 to 2019 because of the audit settlement that occurred in 2018. Our effective tax rate has varied year over year primarily due to fluctuations in our pre-tax book income/(loss), particularly going from losses in 2018 to income in 2019, as well as estimates of our ability to realize certain tax assets and changes in tax law.

As of December 31, 2019, we had U.S. federal net operating loss carryforwards of approximately \$213,800 which are available to reduce future taxes, if any. The existing federal net operating loss carryforwards begin to expire in 2034.

LIQUIDITY AND SOURCES OF CAPITAL

Our business is capital intensive. Our ability to successfully implement our strategy is dependent on the continued availability of capital on attractive terms. In addition, our ability to successfully operate our business to meet near-term and long-term debt repayment obligations is dependent on maintaining sufficient liquidity.

Liquidity

Working capital at December 31, 2019 was approximately \$(104,000) compared with \$54,000 at December 31, 2018. This decrease was due to our recording of the current portion of operating and finance lease liabilities due to the adoption of ASU No. 2016-02, *Leases*, and progress payments we made for the construction of two barges. Excluding the current portion of operating and finance lease liabilities, working capital was approximately \$(9,880).

As of December 31, 2019, we had total liquidity on a consolidated basis comprised of \$41,677 of cash (including \$174 of restricted cash). We manage our cash in accordance with our intercompany cash management system subject to the requirements of our debt facilities. Our cash and cash equivalents, as well as our restricted cash balances, generally exceed Federal Deposit Insurance Corporation insured limits. We place our cash, cash equivalents and restricted cash in what we believe to be credit-worthy financial institutions. In addition, certain of our money market accounts invest in U.S. Treasury securities or other obligations issued or guaranteed by the U.S. government, or its agencies. Restricted cash as of December 31, 2019 was related to requirements under the Unsecured Senior Notes.

As of December 31, 2019, we had total debt outstanding (net of original issue discount and deferred finance costs) of \$368,047 and a total debt to total capitalization of 51.9%, compared to \$345,535 and 51.2%, respectively, at December 31, 2018.

At December 31, 2019, the Company had aggregate capital commitments of \$45,849, net of progress payments already made aggregating to \$55,823, for the construction of two barges scheduled for delivery in the second quarter of 2020 and in the fourth quarter of 2020. The contracts for these barges require progress payments during the construction periods with a final payment due on delivery. The Company has made all required progress payments to date, and the Company expects to make remaining payments, including those due on delivery, with financing that the Company will need to obtain, operating cash flow and cash on hand. The Company is currently in discussion with potential lenders to obtain such financing.

Sources, Uses and Management of Capital

We generate significant cash flows from our complementary mix of time charters, voyage charters and contracts of affreightment. Net cash provided by operating activities in the year ended December 31, 2019 was \$73,449. In addition to operating cash flows, our other current sources of funds are proceeds from issuances of equity securities, additional borrowings and proceeds from the opportunistic sales of our vessels. In the past, we have also obtained funds from the issuance of long-term debt securities. We may in the future complete transactions consistent with achieving the objectives of our business plan.

Our current uses of funds are to fund working capital requirements, maintain the quality of our vessels, comply with U.S. and international shipping standards and environmental laws and regulations, repay or repurchase our outstanding loan facilities and to repurchase our common stock from time to time. We may also use cash generated by operations to finance capital expenditures to modernize and grow our fleet.

On March 12, 2020, the Company entered into a loan with Banc of America Leasing & Capital, LLC and other syndicate lenders in an aggregate principal amount of \$54,000 to finance the purchase of three U.S.-flagged crude oil carrier vessels. The loan is secured by first preferred ship mortgages on the vessels, bears a fixed rate of interest of 4.43% and has a 5-year term maturing on March 12, 2025. The annual principal payments required to be made for the loan are \$3,017 in 2020, \$4,182 in 2021, \$4,371 in 2022, \$4,568 in 2023, \$4,775 in 2024 and \$33,087 thereafter.

In August 2019, two of the Company's subsidiaries entered into loans in an aggregate principal amount of \$50,000 to finance the *Overseas Gulf Coast* and the *Overseas Sun Coast*. The loans are secured by first preferred ship mortgages on the vessels and a guaranty from the Company. Funding occurred on delivery of the vessels on September 30, 2019, with \$45,157 used to fund the final payment for the vessels. The loans bear a fixed rate of interest of 5.54% and have a 5-year term maturing on September 30, 2024 with a 17-year amortization schedule.

On March 16, 2018 and March 29, 2018, we made a mandatory prepayment of \$28,166 and an optional prepayment of \$47,000 on our OBS Term Loan, respectively. The aggregate net loss of \$981 realized on these transactions during the year ended December 31, 2018 reflects a write-off of unamortized original issue discount and deferred financing costs associated with the principal reductions and is included in other expense in the consolidated statements of operations.

On November 19, 2018, two of our subsidiaries closed on a loan from Wintrust Commercial Finance, a division of Wintrust Asset Finance Inc., in the amount of \$27,500. The loan is secured by first preferred ship mortgages on the Overseas Mykonos and Overseas Santorini, and a guaranty from OSG. The loan bears interest at a rate equal to the prevailing 30-Day LIBOR plus 4.00% and matures on November 19, 2026.

In addition, on November 19, 2018, we used the proceeds from the Wintrust loan to make an optional prepayment of \$27,500 on our OBS Term Loan. The aggregate net loss of \$191 realized on this transaction reflects a write-off of unamortized original issue discount and deferred financing costs associated with the principal reductions and is included in other expense in the consolidated statements of operations for the year ended December 31, 2018.

On December 21, 2018, OSG, as the parent company (as guarantor), OSG Bulk Ships, Inc. (“OBS”) and certain OBS subsidiaries closed on a five-year \$325,000 term loan credit facility with The Prudential Insurance Company of America and other syndicate lenders (the “Term Loan Credit Agreement”). We used the proceeds from the Term Loan Credit Agreement, along with a cash payment of \$27,623 to pay off our existing OBS Term Loan. The Term Loan Credit Agreement bears interest at a rate equal to the prevailing 30-Day LIBOR plus 5.00% and matures on December 21, 2023. The aggregate net loss of \$2,227 on this transaction reflects a write-off of original issue discount and deferred financing costs associated with the principal reductions and is included in other expense in the consolidated statements of operations for the year ended December 31, 2018.

Future Commitments

In July 2018 and January 2019, the Company signed binding contracts with Greenbrier Marine (formerly Gunderson Marine LLC) for the construction of two approximately 204,000 BBL, oil and chemical tank barges. The anticipated delivery of the barges to the Company is during the first and second half of 2020, respectively. The Company’s annual commitments under the contracts are \$45,849 in 2020.

Outlook

The Company’s revenues are sensitive to often highly cyclical patterns of supply and demand. In the core Jones Act Trades within which the majority of our vessels operate, demand factors for transportation have historically been affected almost exclusively by supply and distribution of refined petroleum products in the United States. The emergence of demand for domestic crude oil transportation has in recent years added a new dimension to understanding traditional Jones Act trades. Balancing time charter coverage with spot market exposure in an uncertain demand environment is a persistent challenge and considerations about the appropriate amount of capacity to remain active in the spot market are a regular management discussion point. Over the longer term, we consider the “normalized” market in which our vessels trade to be one that should be characterized by stable, longer term chartering relationships with our customer base. Notwithstanding this belief, during periods of surplus of available capacity, as was evident in recent years, low charter rates make medium term charters unattractive or simply unavailable. In such market environments, we have considered the cost of acquiring cash flow visibility by committing vessels to charter contracts at sustained loss-making rates as being too high when measured against what we believed to be an asymmetrical upside potential of being positioned to benefit from a recovery in rates. Increased exposure to spot markets has, and in the future will likely continue to be a consequence of such thinking. Conversely, as supply and demand move more consistently into balance, and time charters become more available at remunerative rates, an increase in both the number and duration of period charters entered into with our customers can be expected.

Earnings volatility which accompanies spot market exposure has important implications for liquidity management. The retention of relatively high cash balances and efforts to reduce overall levels of debt and operating and administrative costs should be understood as a necessary response to heightened uncertainty. Recently, we have witnessed a strong trend towards rebalance of supply, as tightening age restrictions imposed by our core customer base has progressively limited the acceptability for use in service of vessels exceeding 20 years of age. Further, we continue to see sustained demand for domestic crude oil transportation as an important swing factor in restoring a healthy balance between available vessel supply and overall transportation demand. The market transition that has resulted from the improved supply-demand balance during the past year has allowed us to increase both the number and duration of time charter contracts for our vessels, largely restoring the normalized market conditions which we consider to be supportive of our long-term business objectives. The implications of these developments on reducing the volatility and increasing the forward visibility of future earnings should be positive for the Company’s future financial performance.

Off-Balance Sheet Arrangements

INSW entered into guarantee arrangements in connection with the spin-off from OSG on November 30, 2016. On October 7, 2019, INSW sold its ownership interest in their joint venture with Qatar Gas Transport Company Ltd, releasing OSG from all obligations under the guarantee arrangements.

Carrying Value of Vessels

We believe that the availability, quality and reliability of fair market valuations of U.S Flag vessels are limited given the fact that the U.S. Flag market is relatively small and illiquid with very limited second hand sales and purchases activity from which to benchmark vessel values. As discussed in Note 9, “Fair Value Measurements and Fair Value Disclosures,” to our consolidated financial statements set forth in Item 8, “Financial Statements and Supplementary Data,” we monitor for any indicators of impairment in regards to the carrying value of our vessels.

CRITICAL ACCOUNTING POLICIES

The Company’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require the Company to make estimates in the application of its accounting policies based on the best assumptions, judgments, and opinions of management. Following is a discussion of the accounting policies that involve a higher degree of judgment and the methods of their application. For a description of all of the Company’s material accounting policies, see Note 2, “Summary of Significant Accounting Policies” to the Company’s consolidated financial statements set forth in Item 8, “Financial Statements and Supplementary Data.”

Revenue Recognition

The majority of revenue is generated from time charters and is accounted for as operating leases and are thus recognized ratably over the rental periods of such charters, as service is performed. The Company does not recognize time charter revenues during periods that vessels are off hire.

The Company generates a portion of its revenue from voyage charters. Within the shipping industry, there are two methods used to account for voyage charter revenue: (1) ratably over the estimated length of each voyage and (2) completed voyage. The recognition of voyage revenues ratably over the estimated length of each voyage is the most prevalent method of accounting for voyage revenues in the shipping industry and the method used by OSG. Under each method, voyages may be calculated on either a load-to-load or discharge-to-discharge basis.

The Company adopted ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*, on January 1, 2018. Under the standard, the Company recognizes revenue from voyage charters ratably over the estimated length of each voyage, calculated on a load-to-discharge basis.

Under voyage charters, expenses such as fuel, port charges, canal tolls, cargo handling operations and brokerage commissions are paid by the Company whereas, under time and bareboat charters, such voyage costs are generally paid by the Company's customers.

Vessel Lives and Salvage Values

The carrying value of each of the Company's vessels represents its original cost at the time it was delivered or purchased less depreciation calculated using an estimated useful life of 25 years (except for new ATBs for which estimated useful lives of 30 years are used) from the date such vessel was originally delivered from the shipyard or 20 years from the date the Company's ATBs were rebuilt. A vessel's carrying value is reduced to its new cost basis (i.e. its current fair value) if a vessel impairment charge is recorded.

If the estimated economic lives assigned to the Company's vessels prove to be too long because of new regulations, an extended period of weak markets, the broad imposition of age restrictions by the Company's customers, or other future events, it could result in higher depreciation expense and impairment losses in future periods related to a reduction in the useful lives of any affected vessels. See Note 2, "Summary of Significant Accounting Policies" for further details.

The United States has not adopted the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (the "Convention"). While the Convention is not in effect in the United States, the EPA and the Maritime Administration of the U.S. Department of Transportation ("MarAd") have, from time to time, required the owners of U.S. Flag vessels to make certifications regarding the presence of certain toxic substances onboard vessels that they are seeking to sell to parties who (a) are not citizens of the United States and (b) intend to recycle the vessels after they have been purchased (the "Recycling Purchasers"). In the event that more stringent requirements are imposed upon the owners of U.S. Flag vessels seeking to sell their vessels to the Recycling Purchasers, such requirements could (a) negatively impact the sales prices obtainable from the Recycling Purchasers or (b) require companies, including OSG, to incur additional costs in order to sell their U.S. Flag vessels to the Recycling Purchasers or to other foreign buyers intending to use such vessels for further trading.

Vessel Impairment

The carrying values of the Company's vessels may not represent their fair market value or the amount that could be obtained by selling the vessel at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Historically, both charter rates and vessel values tend to be cyclical. Management evaluates the carrying amounts of vessels held and used by the Company for impairment only when it determines that it will sell a vessel or when events or changes in circumstances occur that cause management to believe that future cash flows for any individual vessel will be less than its carrying value. In such instances, an impairment charge would be recognized if the estimate of the undiscounted future cash flows expected to result from the use of the vessel and its eventual disposition is less than the vessel's carrying amount. This assessment is made at the individual vessel level as separately identifiable cash flow information for each vessel is available.

In developing estimates of future cash flows, the Company must make assumptions about future performance, with significant assumptions being related to charter rates, ship operating expenses, utilization, drydocking requirements, residual value and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. Specifically, in estimating future charter rates, management takes into consideration rates currently in effect for existing time charters and estimated daily time charter equivalent rates for each vessel class for the unfixed days over the estimated remaining lives of each of the vessels. The estimated daily time charter equivalent rates used for unfixed days beyond the expiry of any current time charters are based on internally forecasted rates that take into consideration average annual rates published by a third party maritime research service and are consistent with forecasts provided to the Company's senior management and Board of Directors. The internally forecasted rates are based on management's evaluation of current economic data and trends in the shipping and oil and gas industries. Recognizing that the transportation of crude oil and petroleum products is cyclical and subject to significant volatility based on factors beyond the Company's control, management believes the use of estimates based on the internally forecasted rates to be reasonable.

Estimated outflows for operating expenses and drydocking requirements are based on historical and budgeted costs and are adjusted for assumed inflation. Finally, utilization is based on historical levels achieved and estimates of a residual value are consistent with the pattern of scrap rates used in management's evaluation of salvage value.

In estimating the fair value of vessels for the purposes of step 2 of the impairment tests, the Company utilizes estimates of discounted future cash flows for each of the vessels (income approach) since the secondhand sale and purchase market for the type of U.S. Flag vessels owned by OSG is not considered to be robust. See Note 9, "Fair Value Measurements and Fair Value Disclosures," for further discussion.

Intangible Assets

The Company allocates the cost of acquired companies to the identifiable tangible and intangible assets and liabilities acquired, with the remaining amount being classified as goodwill. The Company's intangible assets represent long-term customer relationships acquired as part of the 2006 purchase of Maritrans, Inc. See Note 9, "Fair Value Measurements and Fair Value Disclosures," for further discussion.

Drydocking

Within the shipping industry, there are two methods that are used to account for dry dockings: (1) capitalize drydocking costs as incurred (deferral method) and amortize such costs over the period to the next scheduled drydocking, and (2) expense drydocking costs as incurred. Since drydocking cycles typically extend over two and a half years or five years, management uses the deferral method because management believes it provides a better matching of revenues and expenses than the expense-as-incurred method.

Income Taxes, Deferred Tax Assets and Valuation Allowance

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes only in the U.S. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the financial reporting and the tax basis of assets and liabilities and from events that have been recognized in the financial statements and will result in taxable or deductible amounts based on provisions of the tax law in different periods. In evaluating our ability to recover our net deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. A valuation allowance is established to the extent it is more likely than not that some portion or the entire deferred tax asset will not be realized. Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations across our global operations. ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits of the position. ASC 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We recognize tax liabilities and reductions in deferred tax assets in accordance with ASC 740 and we adjust these liabilities and deferred tax assets when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

Pension Benefits

In connection with the acquisition of Marittrans in November 2006, the Company assumed the obligations under the noncontributory defined benefit pension plan that covered eligible employees of Marittrans (“the Marittrans Plan”). The Company froze the benefits payable under the Marittrans Plan as of December 31, 2006. The Company has recorded pension benefit costs based on assumptions and valuations developed with the support of its actuarial consultants. These valuations are based on estimates and key assumptions, including those related to the discount rates, the rates expected to be earned on investments of plan assets and the life expectancy/mortality of plan participants. OSG is required to consider market conditions in selecting a discount rate that is representative of the rates of return currently available on high-quality fixed income investments. A higher discount rate would result in a lower benefit obligation and a lower rate would result in a higher benefit obligation. The expected rate of return on plan assets is management’s best estimate of expected returns on plan assets. A decrease in the expected rate of return will increase net periodic benefit costs and an increase in the expected rate of return will decrease benefit costs. The mortality assumption is management’s best estimate of the expected duration of future benefit payments at the measurement date. The estimate is based on the specific demographics and other relevant facts and circumstances of the Marittrans Plan and considers all relevant information available at the measurement date. Longer life expectancies would result in higher benefit obligations and a decrease in life expectancies would result in lower benefit obligations.

In determining the benefit obligations at the end of the year measurement date, the Company continues to use the equivalent single weighted-average discount rate, rounded to the nearest 5 basis points, that best matches projected benefit payments. See Note 16, “Pension and Other Postretirement Benefit Plans,” for further discussion on the Company’s pension plans.

Newly Issued Accounting Standards

See Note 2, “Summary of Significant Accounting Policies,” to the Company’s consolidated financial statements set forth in Item 8, “Financial Statements and Supplementary Data.”

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable due to our status as a smaller reporting company.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TABLE OF CONTENTS

Years Ended December 31, 2019 and 2018	Page
<u>Consolidated Balance Sheets at December 31, 2019 and 2018</u>	49
<u>Consolidated Statements of Operations for the Years Ended December 31, 2019 and 2018</u>	50
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019 and 2018</u>	51
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2019 and 2018</u>	52
<u>Consolidated Statements of Changes in Equity/(Deficit) for the Years Ended December 31, 2019 and 2018</u>	53
<u>Notes to Consolidated Financial Statements</u>	54
<u>Reports of Independent Registered Public Accounting Firm</u>	88

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DOLLARS IN THOUSANDS

	December 31, 2019	December 31, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 41,503	\$ 80,417
Restricted cash	60	59
Voyage receivables, including unbilled of \$5,611 and \$10,160, net of reserve for doubtful accounts	9,247	16,096
Income tax recoverable	1,192	439
Other receivables	3,037	3,027
Prepaid expenses	1,292	9,886
Inventories and other current assets	1,178	2,456
Total Current Assets	<u>57,509</u>	<u>112,380</u>
Vessels and other property, less accumulated depreciation and amortization	737,212	597,659
Deferred drydock expenditures, net	23,734	26,099
Total Vessels, Deferred Drydock and Other Property	<u>760,946</u>	<u>623,758</u>
Restricted cash	114	165
Investments in and advances to affiliated companies	3,599	3,585
Intangible assets, less accumulated amortization	31,817	36,417
Operating lease right-of-use assets	286,469	—
Other assets	35,013	51,425
Total Assets	<u>\$ 1,175,467</u>	<u>\$ 827,730</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 35,876	\$ 34,678
Current installments of long-term debt	31,512	23,240
Current portion of operating lease liabilities	90,145	—
Current portion of finance lease liabilities	4,011	—
Total Current Liabilities	<u>161,544</u>	<u>57,918</u>
Reserve for uncertain tax positions	864	220
Long-term debt	336,535	322,295
Deferred income taxes, net	72,833	73,365
Noncurrent operating lease liabilities	219,501	—
Noncurrent finance lease liabilities	23,548	—
Other liabilities	19,097	44,464
Total Liabilities	<u>833,922</u>	<u>498,262</u>
Commitments and contingencies		
Equity:		
Common stock - Class A (\$0.01 par value; 166,666,666 shares authorized; 85,713,610 and 84,834,790 shares issued and outstanding)	857	848
Paid-in additional capital	590,436	587,826
Accumulated deficit	(243,339)	(252,014)
Accumulated other comprehensive loss	347,954	336,660
Total Equity	<u>(6,409)</u>	<u>(7,192)</u>
Total Liabilities and Equity	<u>341,545</u>	<u>329,468</u>
	<u>\$ 1,175,467</u>	<u>\$ 827,730</u>

See notes to consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

	Years Ended December 31,	
	2019	2018
Shipping Revenues:		
Time charter revenues	\$ 263,683	\$ 213,923
Voyage charter revenues	91,864	152,240
	355,547	366,163
Operating Expenses:		
Voyage expenses	20,414	39,456
Vessel expenses	134,618	134,956
Charter hire expenses	90,359	91,350
Depreciation and amortization	52,499	50,512
General and administrative	23,399	26,880
Bad debt expense	4,300	—
Loss/(gain) on disposal of vessels and other property, including impairments, net	106	(877)
Total operating expenses	325,695	342,277
Income from vessel operations	29,852	23,886
Equity in income of affiliated companies	3,552	3,538
Operating income	33,404	27,424
Other income/(expense), net	1,440	(759)
Income before interest expense and income taxes	34,844	26,665
Interest expense	(25,633)	(30,890)
Income/(loss) before income taxes	9,211	(4,225)
Income tax (expense)/benefit	(536)	17,714
Net income	\$ 8,675	\$ 13,489

Weighted Average Number of Common Shares Outstanding:

Basic - Class A	89,251,818	88,394,580
Diluted - Class A	89,658,938	89,045,734

Per Share Amounts:

Basic and diluted net income - Class A	\$ 0.10	\$ 0.15
--	---------	---------

See notes to consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
DOLLARS IN THOUSANDS

	Years Ended December 31,	
	2019	2018
Net income	\$ 8,675	\$ 13,489
Other comprehensive income/(loss), net of taxes:		
Net change in unrealized gains on cash flow hedges	—	112
Defined benefit pension and other postretirement benefit plans:		
Net change in unrecognized prior service costs	(175)	(262)
Net change in unrecognized actuarial gain	958	903
Other comprehensive income	783	753
Comprehensive income	\$ 9,458	\$ 14,242

See notes to consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
DOLLARS IN THOUSANDS

	Years Ended December 31,	
	2019	2018
Cash Flows from Operating Activities:		
Net income	\$ 8,675	\$ 13,489
Items included in net income not affecting cash flows:		
Depreciation and amortization	52,499	50,512
Bad debt expense	4,300	—
Amortization of debt discount and other deferred financing costs	1,965	4,069
Compensation relating to restricted stock, stock unit and stock option grants	1,662	3,785
Deferred income tax benefit	(991)	(18,794)
Interest on finance lease liabilities	1,462	—
Non-cash operating lease expense	90,922	—
Undistributed earnings of affiliated companies	(14)	200
Other – net	—	1,961
Items included in net income related to investing and financing activities:		
Loss on repurchases and extinguishment of debt	72	3,399
Loss/(gain) on disposal of vessels and other property, net	106	(877)
Payments for drydocking	(12,278)	(12,902)
Changes in operating assets and liabilities:		
Operating lease liabilities	(83,608)	—
Decrease in receivables	2,549	6,531
Decrease in income tax recoverable	(601)	(4,797)
Increase in deferred revenue	4,848	1,514
Net change in other operating assets and liabilities	1,881	(2,835)
Net cash provided by operating activities	73,449	45,255
Cash Flows from Investing Activities:		
Expenditures for vessels and vessel improvements	(118,055)	(21,807)
Expenditures for other property	(4,459)	(386)
Proceeds from disposal of vessels and other property	3,404	2,367
Deposit for vessel purchases	(10,800)	—
Net cash used in investing activities	(129,910)	(19,826)
Cash Flows from Financing Activities:		
Extinguishment and repurchases of debt	(3,271)	(427,123)
Issuance of debt, net of issuance and deferred financing costs	47,824	344,801
Payments on debt	(23,866)	(28,166)
Tax withholding on share-based awards	(294)	(569)
Payments on principal portion of finance lease liabilities	(2,896)	—
Net cash provided by/(used in) financing activities	17,497	(111,057)
Net decrease in cash, cash equivalents and restricted cash	(38,964)	(85,628)
Cash, cash equivalents and restricted cash at beginning of year	80,641	166,269
Cash, cash equivalents and restricted cash at end of year	\$ 41,677	\$ 80,641

See notes to consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICIT)
DOLLARS IN THOUSANDS

	Common Stock	Paid-in Additional Capital	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2017	\$ 783	\$ 584,675	\$ (265,758)	\$ (6,462)	\$ 313,238
Adoption of accounting standard - reclassification adjustment to retained earnings	—	—	1,483	(1,483)	—
Adoption of accounting standard - revenue recognition	—	—	(1,228)	—	(1,228)
Net income	—	—	13,489	—	13,489
Other comprehensive income, net of taxes	—	—	—	753	753
Issuance and vesting of restricted stock awards	9	(9)	—	—	—
Forfeitures and cancellation of restricted stock awards	—	(569)	—	—	(569)
Compensation related to Class A options granted	—	838	—	—	838
Compensation related to Class A restricted stock awards	—	2,947	—	—	2,947
Conversion of Class A warrants to Class A common stock	56	(56)	—	—	—
Balance at December 31, 2018	848	587,826	(252,014)	(7,192)	329,468
Net income	—	—	8,675	—	8,675
Other comprehensive income, net of taxes	—	—	—	783	783
Issuance and vesting of restricted stock awards	6	(6)	—	—	—
Taxes withheld and forfeitures of restricted stock awards	—	(300)	—	—	(300)
Compensation related to Class A options granted	—	672	—	—	672
Compensation related to Class A restricted stock awards	—	2,247	—	—	2,247
Conversion of Class A warrants to Class A common stock	3	(3)	—	—	—
Balance at December 31, 2019	<u>\$ 857</u>	<u>\$ 590,436</u>	<u>\$ (243,339)</u>	<u>\$ (6,409)</u>	<u>\$ 341,545</u>

See notes to consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

NOTE 1 — BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

The consolidated financial statements include the accounts of Overseas Shipholding Group, Inc., a Delaware corporation incorporated in 1969, and its wholly owned subsidiaries (the “Company” or “OSG”, or “we” or “us” or “our”). All significant intercompany balances and transactions have been eliminated in consolidation. Investments in 50% or less owned affiliated companies, in which the Company exercises significant influence, are accounted for by the equity method. Dollar amounts, except per share amounts, are in thousands.

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 trade through two wholly owned subsidiaries.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Cash and cash equivalents* - Interest-bearing deposits that are highly liquid investments and have a maturity of three months or less when purchased are included in cash and cash equivalents. Restricted cash as of December 31, 2019 and 2018 was related to the Company’s Unsecured Senior Notes as defined in Note 8, “Debt”.
2. *Vessels, vessel lives, deferred drydocking expenditures and other property* - Vessels are recorded at cost and are depreciated to their estimated salvage value on the straight-line basis over the estimated useful lives of the vessels, which are generally 25 years (except for new ATBs for which estimated useful lives of 30 years are used).

Other property, including leasehold improvements, are recorded at cost and amortized on a straight-line basis over the shorter of the terms of the leases or the estimated useful lives of the assets, which range from three years to 15 years.

Interest costs are capitalized to vessels and other property during the period that vessels are under construction and projects are in progress. During the year ended December 31, 2019, interest costs capitalized were \$3,636. During the year ended December 31, 2018, interest costs capitalized were not material.

Expenditures incurred during a drydocking are deferred and amortized on the straight-line basis over the shorter of the terms of the leases or the period until the next scheduled drydocking, generally two and a half to five years. The Company only includes in deferred drydocking costs those direct costs that are incurred as part of the drydocking to meet regulatory requirements, or are expenditures that add economic life to the vessel, increase the vessel’s earnings capacity or improve the vessel’s efficiency. Direct costs include shipyard costs as well as the costs of placing the vessel in the shipyard. Expenditures for normal maintenance and repairs, whether incurred as part of the drydocking or not, are expensed as incurred.

The carrying value of each of the Company’s vessels represents its original cost at the time it was delivered or purchased less depreciation calculated using estimated useful lives from the date such vessel was originally delivered from the shipyard or from the date (as in the case of certain of the Company’s ATBs) a vessel was rebuilt. A vessel’s carrying value is reduced to its new cost basis (i.e., its current fair value) if a vessel impairment charge is recorded.

If the estimated economic lives assigned to the Company’s vessels prove to be too long because of new regulations, a prolonged weak market environment, a broad imposition of age restrictions by the Company’s customers, or other future events, it could result in higher depreciation expense and impairment losses in future periods related to a reduction in the useful lives of any affected vessels.

3. *Impairment of long-lived assets* - The carrying amounts of long-lived assets held and used by the Company are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In such instances, the requirement for impairment could be triggered if the estimate of the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the asset’s carrying amount. This assessment is made at the individual vessel level since separately identifiable cash flow information for each vessel is available. The impairment charge, if any, would be measured as the amount by which the carrying amount of a vessel exceeded its fair value. A long-lived asset impairment charge results in a new cost basis being established for the relevant long-lived asset. See Note 9, “Fair Value Measurements and Fair Value Disclosures,” for further discussion on the impairment tests performed on our vessels during the two years ended December 31, 2019. Although separate cash flow information is available at the vessel level, the Company’s chief operating decision maker, the CEO, makes operating decisions at a fleet level.

4. *Intangible assets* - Intangible assets with estimable useful lives are amortized over their estimated useful lives and are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may be impaired. See Note 9, “Fair Value Measurements and Fair Value Disclosures,” for further discussion on the impairment test performed on the Company’s intangible assets at December 31, 2019.
5. *Deferred finance charges* - Finance charges incurred in the arrangement and amendment of debt are deferred and amortized to interest expense on an effective interest method over the life of the related debt.

Unamortized deferred financing charges of \$6,821 and \$7,528 relating to the Term Loan Credit Agreement (as defined in Note 8, “Debt”) and \$98 and \$124 relating to the term loan, due 2026, are included in long-term debt in the consolidated balance sheets as of December 31, 2019 and 2018, respectively. In addition, at December 31, 2019, unamortized deferred financing charges of \$1,086 relating to the term loans, due 2024, are included in long-term debt in the consolidated balance sheets. At December 31, 2019 and 2018, unamortized deferred financing charges relating to the Unsecured Senior Notes were included in current installments of long-term debt in the consolidated balance sheets and were not material. Interest expense relating to the amortization of deferred financing charges amounted to \$1,965 in 2019 and \$4,069 in 2018.

6. *Revenue and expense recognition* - Revenues from time charters are accounted for as operating leases and are thus recognized ratably over the rental periods of such charters, as service is performed.

The Company adopted ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*, on January 1, 2018. Under the standard, the Company recognizes revenue from voyage charter contracts ratably over the estimated length of each voyage, calculated on a load-to-discharge basis.

The Company classifies time charter leasing arrangements less than 90 days within the voyage charter revenue financial statement line item because the Company believes the pricing negotiated within these short-term time charter contracts more closely aligns with the Company’s voyage charter spot market.

Under voyage charters, expenses such as fuel, port charges, canal tolls, cargo handling operations and brokerage commissions are paid by the Company whereas, under time and bareboat charters, such voyage costs are generally paid by the Company’s customers.

The Company receives an annual operating-differential subsidy pursuant to the Merchant Marine Act of 1936 for the two U.S. Flag Product Carriers which participate in the U.S. MSP program. This subsidy has been recorded as an offset to vessel expenses which amounted to \$10,000 in 2019 and \$9,600 in 2018.

7. *Voyage receivables* - All customers are granted credit on a short-term basis and related credit risks are considered minimal. The Company routinely reviews its voyage receivables and makes provisions for probable doubtful accounts; however, those provisions are estimates and actual results could differ from those estimates and those differences may be material. Voyage receivables are deemed uncollectible and removed from accounts receivable and the allowance for doubtful accounts when collection efforts have been exhausted.
8. *Concentration of credit risk* - Financial instruments that potentially subject the Company to concentrations of credit risk are voyage receivables due from charterers. With respect to voyage receivables, the Company limits its credit risk by performing ongoing credit evaluations. Voyage receivables reflected in the consolidated balance sheets as of December 31, 2019 and 2018 are net of a reserve for doubtful accounts of \$5,040 and \$774, respectively. In June 2019, one of the Company’s lightering customers, Philadelphia Energy Solutions LLC (“PES”), suffered an explosion and fire at their refinery in the Delaware Bay. In July 2019, PES filed a Chapter 11 bankruptcy petition. The reserve for doubtful accounts at December 31, 2019 includes a provision of \$4,300 on outstanding receivables of \$4,300 from PES as the ultimate recovery of these receivables is currently unknown.

During the years ended December 31, 2019 and 2018, the Company had three and two individual customers, respectively, who accounted for 10% or more of the Company's revenues. The customers and their related percentages were Monroe Energy LLC (16%), SeaRiver Maritime, Inc. (12%) and Shell (10%) for the year ended December 31, 2019 and Shell (12%) and Petrobras America Inc. (11%) for the year ended December 31, 2018.

9. *Income taxes* - The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Net deferred tax assets are recorded to the extent the Company believes these assets will more likely than not be realized. In making such a determination, all available positive and negative evidence is considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. In the event the Company were to determine that it would be able to realize its deferred income tax assets in the future in excess of their net recorded amount, an adjustment would be made to the deferred tax asset valuation allowance, which would reduce the provision for income taxes in the period such determination is made.

Uncertain tax positions are recorded in accordance with ASC 740, *Income Taxes*, on the basis of a two-step process whereby (1) the Company first determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority.

10. *Use of estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, equity, revenues and expenses reported in the financial statements and accompanying notes. The most significant estimates relate to the depreciation of vessels and other property, amortization of drydocking costs, estimates used in assessing the recoverability of vessels, intangible assets and other long-lived assets, liabilities incurred relating to pension benefits, and income taxes. Actual results could differ from those estimates.
11. *Segment information* - Operating segments are defined as components of an enterprise that engage in business activities. The Company has determined that it operates its business as a single segment as its chief operating decision maker and its management team make decisions about resource allocations and review and measure the Company's results as one line of business with similar regulatory requirements, customers and commodities transported.
12. *Inventories* - Inventories are included in the inventories, prepaid expenses and other current assets line item in the consolidated balance sheets. Inventories are accounted for on the first in first out basis and consist of fuel on the Company's vessels.
13. *Recently adopted accounting standards* - In February 2016, the FASB issued ASU 2016-02, *Leases*, which is included in the ASC in Topic 842. ASU 2016-02 is intended to improve transparency and comparability of lease accounting among organizations. For leases with terms greater than 12 months, the amendments require the lease rights and obligations arising from the leasing arrangements, including operating leases, to be recognized as assets and liabilities on the balance sheet. However, the effect on the statement of operations and the statement of cash flows is largely unchanged from prior GAAP. The amendments also expand the required disclosures surrounding leasing arrangements. Subsequently, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, ASU 2018-11, *Targeted Improvements*, ASU 2018-20, *Narrow-Scope Improvements for Lessors*, and ASU 2019-01, *Codification Improvements*, to clarify and amend the guidance in ASU 2016-02.

The Company adopted the standard using the modified retrospective approach effective January 1, 2019. See Note 15, "Leases," for additional information.

14. *Recently issued accounting standards* — In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)*, *Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*, which amends ASC 715 to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The new guidance is effective for fiscal years ending after December 15, 2020 and is required to be applied on a retrospective basis to all periods presented. Early adoption is permitted. The Company plans to adopt this standard on January 1, 2021. The adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. The new guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. The Company will adopt this standard on January 1, 2020. The adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which adds a new Topic 326 and removes the thresholds that companies apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities. Under current U.S. GAAP, entities generally recognize credit losses when it is probable that the loss has been incurred. The revised guidance will remove all recognition thresholds and will require entities to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the entity expects to collect over the instrument's contractual life. Subsequently, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326*, to clarify that receivables arising from operating leases are within the scope of lease accounting standards.

In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates*, which allows a two-bucket approach for determining the effective dates of these accounting standards. Under this approach, the buckets would be defined as follows:

Bucket 1— All public business entities ("PBEs") that are SEC filers (as defined in U.S. GAAP), excluding smaller reporting companies ("SRCs") (as defined by the SEC). The credit losses standard would be effective January 1, 2020.

Bucket 2— All other entities, including SRCs, other PBEs that are not SEC filers, private companies, not-for-profit organizations, and employee benefit plans. The credit losses standard would be effective January 1, 2023.

At the annual evaluation date on June 30, 2019, the Company met the SEC definition of a smaller reporting company. Accordingly, the Company plans on adopting the credit losses standard on January 1, 2023.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions for investments, intraperiod allocations and interim calculations, and adds guidance to reduce complexity in accounting for income taxes. The new guidance is effective for fiscal years beginning after December 15, 2020 and for interim periods within those fiscal years. The Company will adopt this standard on January 1, 2021. Management is currently reviewing the impact of the adoption of this accounting standard on the Company's consolidated financial statements.

NOTE 3 — 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 of \$0.01 per share to be nominal, warrant proceeds are ignored and the shares issuable upon Class A warrant exercise are included in the calculation of Class A basic weighted average common shares outstanding for all periods.

The computation of diluted earnings per share assumes the issuance of common stock for all potentially dilutive stock options and restricted stock units.

Class A

As of December 31, 2019 and 2018, there were no weighted average shares of unvested Class A restricted common stock shares considered to be participating securities.

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 December 31, 2019, there were 1,718,865 shares of Class A restricted stock units and 1,478,756 Class A stock options outstanding and considered to be potentially dilutive securities. As of December 31, 2018, there were 912,315 shares of Class A restricted stock units and 866,011 Class A stock options outstanding and considered to be potentially dilutive securities.

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

	Years Ended December 31,	
	2019	2018
Net income	\$ 8,675	\$ 13,489
Weighted average common shares outstanding:		
Class A common stock - basic	89,251,818	88,394,580
Class A common stock - diluted	89,658,938	89,045,734

For annual earnings per share calculations, there were 407,120 and 651,154 dilutive equity awards outstanding for the years ended December 31, 2019 and 2018. Awards of 920,845 and 469,112 shares of common stock for 2019 and 2018, respectively, were not included in the computation of diluted earnings per share because inclusion of these awards would be anti-dilutive.

NOTE 4 — REVENUE RECOGNITION

Adoption of ASC 606

On January 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, applying the modified retrospective method to all contracts not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

The impact of adopting the standard primarily related to a change in the timing of revenue recognition for voyage charter contracts. In the past, the Company recognized revenue from voyage charters ratably over the estimated length of each voyage, calculated on a discharge-to-discharge basis. Under the new standard, the Company recognizes revenue from voyage charters ratably over the estimated length of each voyage, calculated on a load-to-discharge basis. In addition, the adoption of ASC 606 resulted in a corresponding change in the timing of recognition of voyage expenses for voyage charter contracts.

The cumulative effect of the changes made to the Company's consolidated January 1, 2018 balance sheet for the adoption of ASC 606 was as follows:

	Balance at December 31, 2017	Adjustments Due to ASC 606	Balance at January 1, 2018
Assets			
Voyage receivables	\$ 24,209	\$ 1,336	\$ 25,545
Liabilities			
Deferred income taxes	83,671	(108)	83,563
Equity			
Accumulated deficit	(265,758)	(1,228)	(266,986)

For the year ended December 31, 2018, revenues increased by \$1,418, net income increased by \$1,101 and basic and diluted net income per share increased by \$0.01 as a result of applying ASC 606.

Shipping Revenues

Time Charter Revenues

The Company enters into time charter contracts under which a customer pays a fixed daily or monthly rate for a fixed period of time for use of a vessel. The Company recognizes revenues from time charters as operating leases ratably over the noncancelable contract term. Customers generally pay voyage expenses such as fuel, canal tolls and port charges. The Company also provides the charterer with services such as technical management expenses and crew costs. While there are lease and service (non-lease) components related to time charter contracts, the predominant component of the contract is the charterer's lease of the vessel. The non-lease components of the contract have the same timing and pattern of transfer as the underlying lease component; therefore, the Company applied the practical expedient to combine lease and non-lease components and recognizes revenue related to this service ratably over the life of the contract term.

Voyage Charter Revenues

The Company enters into voyage charter contracts, under which the customer pays a transportation charge (voyage freight) for the movement of a specific cargo between two or more specified ports. The Company's performance obligation under voyage charters, which consists of moving cargo from a load port to a discharge port, is satisfied over time. Accordingly, under ASC 606, the Company recognizes revenue from voyage charters ratably over the estimated length of each voyage, calculated on a load-to-discharge basis. The transaction price is in the form of a fixed fee at contract inception, which is the transportation charge. Voyage charter contracts also include variable consideration primarily in the form of demurrage, which is additional revenue the Company receives for delays experienced in loading or unloading cargo that are not deemed to be the responsibility of the Company. The Company does not include demurrage in the transaction price for voyage charters as it is considered constrained since it is highly susceptible to factors outside the Company's influence. Examples of when demurrage is incurred include unforeseeable weather conditions and security regulations at ports. The uncertainty related to this variable consideration is resolved upon the completion of the voyage, the duration of which is generally less than 30 days.

U.S. Maritime Security Program

Two of the Company's U.S. Flag Product Carriers participate in the U.S. Maritime Security Program ("MSP"), which ensures that privately-owned, military-useful U.S. Flag vessels are available to the U.S. Department of Defense in the event of war or national emergency. The Company considers the MSP contract with the U.S. government a service arrangement under ASC 606. Under this arrangement, the Company receives an annual operating-differential subsidy pursuant to the Merchant Marine Act of 1936 for each participating vessel, subject in each case to annual congressional appropriations. The subsidy is intended to reimburse owners for the additional costs of operating U.S. Flag vessels; therefore, the Company has presented this subsidy as an offset to vessel expenses.

Contracts of Affreightment

The Company enters into contracts of affreightment ("COA") to provide transportation services between specified points for a stated quantity of cargo over a specific time period, but without designating voyage schedules. The Company has COA arrangements to provide for lightering services and other arrangements based on the number of voyages. These contracts are service contracts within the scope of ASC 606 for which the underlying performance obligation is satisfied as a series of distinct services.

The Company's COA include minimum purchase requirements from customers that are expressed in either fixed monthly barrels, annual minimum barrel volume requirements or annual minimum number of voyages to complete. The Company is required to transport and the charterer is required to provide the Company with a minimum volume requirement. These contract minimums represent fixed consideration within the contract which is recognized as the distinct services of delivering barrels or voyages are performed in the series over time. The Company will adjust revenue recognized for any minimum volume unexercised right.

COA provide the charterer with the opportunity to purchase additional transportation services above the minimum. If this is not considered a material right, the Company recognizes revenue related to the additional services at the contractual rate as the product is transferred over time. If the additional transportation service is considered a material right, the Company applies the practical alternative to allocate the transaction price to the material right. As a result, the Company may recognize revenue related to COA at an amount which is different than the invoiced amount if the Company's estimated volume to be transported under the contract exceeds the contractual minimum.

COA also include variable consideration primarily related to demurrage. The Company does not include this variable consideration in the transaction price for these contracts as the consideration is constrained since the obligation to deliver this service is outside the control of the Company. The uncertainty related to this variable consideration is resolved with the customer over the course of the contract term as individual voyages discharge. Revenue generated by COA is included within voyage charter revenues on the consolidated statements of operations.

At December 31, 2019, the Company did not have deferred revenue related to the Company's COA.

Disaggregated Revenue

The Company has disaggregated revenue from contracts with customers into categories which depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Consequently, the disaggregation below is based on contract type. Since the terms within these contract types are generally standard in nature, the Company does not believe that further disaggregation would result in increased insight into the economic factors impacting revenue and cash flows.

The following table shows the Company's shipping revenues disaggregated by nature of the charter arrangement for the years ended December 31, 2019 and 2018:

	Years Ended December 31,	
	2019	2018
Time and bareboat charter revenues	\$ 263,683	\$ 213,923
Voyage charter revenues ⁽¹⁾	33,275	83,542
Contracts of affreightment revenues	58,589	68,698
Total shipping revenues	\$ 355,547	\$ 366,163

(1) Voyage charter revenues include approximately \$10,152 and \$7,600 of revenue related to short-term time charter contracts for the years ended December 31, 2019 and 2018, respectively.

Voyage Receivables

As of December 31, 2019 and 2018, contract balances from contracts with customers consisted of voyage receivables, including unbilled receivables, of \$5,831 and \$12,515, respectively, net of reserve for doubtful accounts for voyage charters and lightering contracts. For voyage charters, voyage freight is due to the Company upon completion of discharge at the last discharge port. For lightering contracts, the Company invoices the customer monthly based on the actual barrels of cargo lightered. The Company routinely reviews its voyage receivables and makes provisions for probable doubtful accounts; however, those provisions are estimates and actual results could differ from those estimates and those differences may be material. Voyage receivables are removed from accounts receivable and the reserve for doubtful accounts when they are deemed uncollectible. The Company deems voyage receivables uncollectible when the Company has exhausted collection efforts.

Costs to Fulfill a Contract

Under ASC 606, for voyage charters and contracts of affreightment, the Company capitalizes the direct costs, which are voyage expenses, of relocating the vessel to the load port to be amortized during transport of the cargo. At December 31, 2019, the costs related to voyages that were not yet completed were not material.

Additionally, these contracts include out-of-pocket expense (i.e. fuel, port charges, canal tolls) incurred by the Company in fulfilling its performance obligation, which are reimbursed by the charterer at cost. The reimbursement for these fulfillment costs have been included in the Company's estimated transaction price for the contract and recognized as revenue when performance obligations are satisfied.

Transaction Price Allocated to the Remaining Performance Obligations

As of December 31, 2019, there was an aggregate amount of \$38,459 of revenue under COA which the Company will be entitled to providing services in the future. The Company expects to recognize revenue of approximately \$34,664 in 2020 and \$3,795 in 2021 under these contracts. These estimated amounts relate to the fixed consideration of contractual minimums within the contracts based on the Company's best estimate of future services.

Practical Expedients and Exemptions

The Company's voyage charter contracts and some of the Company's COA have an original expected duration of one year or less; therefore, the Company has elected to apply the practical expedient, which permits the Company to not disclose the portion of the transaction price allocated to the remaining performance obligations within these contracts.

The Company expenses broker commissions for voyage charters, which are costs of obtaining a contract, as they are incurred because the amortization period is less than one year or are otherwise amortized as the underlying performance obligation is satisfied. The Company records these costs within voyage expenses in the consolidated statements of operations.

The Company has not retrospectively restated contracts that were modified before the January 1, 2018 adoption date.

NOTE 5 — VESSELS, OTHER PROPERTY AND DEFERRED DRYDOCK

Vessels and other property consist of the following:

	Years Ended December 31,	
	2019	2018
Vessels, at cost	\$ 919,212	\$ 845,868
Accumulated depreciation	(274,900)	(248,939)
Vessels, net	<u>644,312</u>	<u>596,929</u>
Construction in progress	65,697	—
Finance lease right-of-use asset, at cost (Note 15)	28,993	—
Accumulated amortization (Note 15)	(2,053)	—
Finance lease right-of use asset, net (Note 15)	<u>26,940</u>	<u>—</u>
Other property, at cost	5,552	5,895
Accumulated depreciation and amortization	(5,289)	(5,165)
Other property, net	<u>263</u>	<u>730</u>
Total vessels and other property	<u>\$ 737,212</u>	<u>\$ 597,659</u>

On September 30, 2019, the Company took delivery of two 50,000 DWT class product and chemical tankers at Hyundai Mipo Dockyard Co., Ltd. The tankers, named the *Overseas Gulf Coast* and *Overseas Sun Coast*, are operating in the international market under the Marshall Islands flag, with both vessels having entered into one-year time charters.

In September 2019, the Company sold one of its ATBs for \$1,234, net of broker commissions. As a result of the sale, the Company recognized an immaterial gain, which is included in loss/(gain) on disposal of vessels and other property, including impairments, net on the consolidated statements of operations.

In May and June 2019, the Company sold two of its ATBs for \$1,101 and \$1,069, respectively, net of broker commissions. As a result of the sales, the Company recognized an immaterial loss, which is included in loss/(gain) on disposal of vessels and other property, including impairments, net on the consolidated statements of operations.

In July 2018 and January 2019, the Company signed binding contracts with Greenbrier Marine (formerly Gunderson Marine LLC) for the construction of two approximately 204,000 BBL, oil and chemical tank barges. The anticipated delivery of the barges to the Company is during the first and second half of 2020, respectively. The Company's remaining commitments under the contracts are \$45,849 in 2020.

On December 6, 2018, the Company sold one ATB and one barge for \$2,367, net of broker commissions. As a result of the sale, the Company recognized a gain of \$877, which is included in loss/(gain) on disposal of vessels and other property, including impairments, net on the consolidated statements of operations.

In June 2018, one of the Company's ATBs was berthed to the dock when a third-party ship transiting the channel hit the Company's ATB causing structural damage to the Company's ATB and damage to the dock. The cost of repairs has been covered by existing insurance policies. The Company has filed a lawsuit against the third-party ship seeking recovery of its costs of repairs as well as its lost earnings from the ATB being off-hire for 46 repair days.

At December 31, 2019, the Company's owned vessel fleet with a weighted average age of 8.2 years, consisted of six Handysize Product Carriers, two lightering ATBs and two clean ATBs. These vessels are pledged as collateral under the term loan agreements and have an aggregate carrying value of \$634,379.

Vessel activity, excluding construction in progress, for the two years ended December 31, 2019 is summarized as follows:

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance at December 31, 2017	\$ 849,713	\$ (217,633)	\$ 632,080
Depreciation	—	(33,851)	
Disposals	<u>(3,845)</u>	<u>2,545</u>	
Balance at December 31, 2018	845,868	(248,939)	596,929
Transfers from construction in progress	82,625	—	
Depreciation	—	(32,284)	
Disposals	<u>(9,281)</u>	<u>6,323</u>	
Balance at December 31, 2019	<u><u>\$ 919,212</u></u>	<u><u>\$ (274,900)</u></u>	<u><u>\$ 644,312</u></u>

The total of vessel additions can differ from expenditures for vessels as shown in the consolidated statements of cash flows because of the timing of when payments were made. For the year ended December 31, 2019, the Company had approximately \$3,866 of non-cash investing activities for the accrual of capital expenditures related to the Company's newbuilds.

Drydocking activity for the two years ended December 31, 2019 is summarized as follows:

	2019	2018
Balance at January 1	\$ 26,099	\$ 23,914
Additions	11,074	14,031
Drydock amortization	<u>(13,439)</u>	<u>(11,846)</u>
Balance at December 31	<u><u>\$ 23,734</u></u>	<u><u>\$ 26,099</u></u>

NOTE 6 — INVESTMENT IN ALASKA TANKER COMPANY, LLC

At December 31, 2019, investment in affiliated company was comprised of the Company's 37.5% interest in Alaska Tanker Company, LLC ("ATC"), which manages vessels carrying Alaskan crude for BP West Coast Products, LLC ("BP"). Each member in ATC has been entitled to receive its respective share of any incentive charter hire payable by BP to ATC. The Company has accounted for the investment in ATC as an equity-method investment because the Company has not individually retained the power to significantly impact the economic performance of ATC and the Company's maximum exposure to losses in ATC has been limited to its initial capital investment in ATC, which is not material. As of December 31, 2019, the carrying value of the Company's investment in ATC was \$3,599, which includes the Company's respective share of distribution[s] of \$3,562.

On December 26, 2019, the Company announced that its subsidiaries entered into agreements with BP Oil Shipping Company USA and BP AMI Leasing Inc. ("BP") to purchase three U.S.-flagged crude oil carrier vessels operated by ATC for total consideration of \$54,000. The Company made a \$10,800 deposit upon execution of the vessel purchase agreements. Additionally, the Company would acquire the remaining 62.5% interest of ATC, from its partners, that it does not own for approximately \$19,100.

On March 12, 2020, the Company's subsidiaries completed the purchase of three U.S.-flagged crude oil carrier vessels, the *Alaskan Explorer*, *Alaskan Legend*, and *Alaskan Navigator* from BP and have entered into a bareboat charter with BP for a fourth vessel, the *Alaskan Frontier*. In connection with these transactions, the Company also completed the acquisition of ATC, making ATC a wholly owned subsidiary of the Company.

Due to the timing of the closing, and the limited information available prior to closing, the Company's accounting for the purchase of the vessels and the acquisition of ATC is incomplete at the time of this filing. As a result, information pertaining to the amounts recognized for the assets acquired and liabilities assumed will be disclosed by the Company in future filings.

A condensed summary of the assets and liabilities of the equity method investment follows:

	Years Ended December 31,	
	2019	2018
Current assets	\$ 38,531	\$ 38,949
Total assets	<u><u>\$ 38,531</u></u>	<u><u>\$ 38,949</u></u>
Current liabilities	\$ 20,667	\$ 21,652
Non-current liabilities	18,867	17,286
(Deficiency)/equity	<u><u>(1,003)</u></u>	<u><u>11</u></u>
Total liabilities and equity	<u><u>\$ 38,531</u></u>	<u><u>\$ 38,949</u></u>

A condensed summary of the results of operations of the equity method investments follows:

	Years Ended December 31,	
	2019	2018
Shipping revenues	\$ 109,006	\$ 105,115
Ship operating expenses	(100,437)	(95,315)
Income from vessel operations	<u><u>8,569</u></u>	<u><u>9,800</u></u>
Net income	<u><u>\$ 9,342</u></u>	<u><u>\$ 9,461</u></u>

NOTE 7 — INTANGIBLE ASSETS

Intangible assets activity for the two years ended December 31, 2019 is summarized as follows:

	Total
Balance at December 31, 2017	\$ 41,017
Amortization	(4,600)
Balance at December 31, 2018	<u><u>36,417</u></u>
Amortization	(4,600)
Balance at December 31, 2019	<u><u>\$ 31,817</u></u>

As discussed in Note 2, "Summary of Significant Accounting Policies," the Company's intangible assets at December 31, 2019 and 2018 consist of long-term customer relationships acquired as part of the 2006 purchase of Maritrans, Inc. The gross intangible assets were \$92,000 at December 31, 2019 and 2018. The unamortized balance of the Company's intangible assets at December 31, 2019 will be recognized over the remaining useful life, which is seven years. Amortization of intangible assets for the five years subsequent to December 31, 2019 is expected to approximate \$4,600 per year.

NOTE 8 — DEBT

Debt consists of the following:

	December 31,	
	2019	2018
Term loan, due 2023, net of unamortized discount and deferred costs of \$6,821 and \$7,528	\$ 291,994	\$ 317,472
Term loans, due 2024, net of unamortized discount and deferred costs of \$1,086	48,289	—
Term loan, due 2026, net of unamortized discount and deferred costs	27,075	27,376
Unsecured senior notes, net of unamortized discount and deferred costs	689	687
Total debt	368,047	345,535
Less current installments of long-term debt	31,512	23,240
Total long-term debt	\$ 336,535	\$ 322,295

The weighted average interest rate for debt outstanding at December 31, 2019 and 2018 was 6.55% and 7.49%, respectively.

Term Loans

Capitalized terms used hereafter have the meaning given in this Annual Report on Form 10-K or in the respective transaction documents referred to below, including subsequent amendments thereto.

On March 12, 2020, the Company entered into a loan with Banc of America Leasing & Capital, LLC and other syndicate lenders in an aggregate principal amount of \$54,000 to finance the purchase of three U.S.-flagged crude oil carrier vessels. The loan is secured by first preferred ship mortgages on the vessels, bears a fixed rate of interest of 4.43% and has a 5-year term maturing on March 12, 2025. The annual principal payments required to be made for the loan are \$3,017 in 2020, \$4,182 in 2021, \$4,371 in 2022, \$4,568 in 2023, \$4,775 in 2024 and \$33,087 thereafter.

During September 2019, in connection with the Company's sale of one of its ATBs, the Company made a mandatory prepayment of \$1,132 on its term loan due in 2023. The aggregate loss realized on this transaction, which related to the write-off of unamortized deferred finance costs, was not material.

In August 2019, two of the Company's subsidiaries entered into term loans in an aggregate principal amount of \$50,000, due 2024, to finance the *Overseas Gulf Coast* and the *Overseas Sun Coast*. The loans are secured by first preferred ship mortgages on the vessels and a guaranty from the Company. Funding occurred on delivery of the vessels on September 30, 2019, with \$45,157 used to fund the final payment for the vessels. The loans bear a fixed rate of interest of 5.54% and have a 5-year term maturing on September 30, 2024 with a 17-year amortization schedule.

During May 2019 and June 2019, in connection with the Company's sale of two of its ATBs, the Company made mandatory prepayments of \$1,086 and \$1,054, respectively, on its term loan due in 2023. The aggregate losses realized on these transactions, which related to the write-off of unamortized deferred finance costs, were not material.

On March 16, 2018 and March 29, 2018, the Company made a mandatory prepayment of \$28,166 and optional prepayment of \$47,000 on its OBS Term Loan, respectively. The aggregate net loss of \$981 realized on these transactions during the year ended December 31, 2018 reflects a write-off of unamortized original issue discount and deferred financing costs associated with the principal reductions and is included in other income/(expense), net on the consolidated statements of operations.

On November 19, 2018, two of the Company's subsidiaries closed on a loan from Wintrust Commercial Finance, a division of Wintrust Asset Finance Inc. ("Wintrust"), in the amount of \$27,500, term loan, due 2026. The loan is secured by first preferred ship mortgages on the Overseas Mykonos and Overseas Santorini, and a guaranty from the Company. The loan bears interest at a rate equal to the prevailing 30-Day LIBOR plus 4.00% and matures on November 19, 2026.

The Company used the proceeds from the Wintrust loan to make a voluntary prepayment of \$27,500 on its OBS Term Loan. The aggregate net loss realized on this transaction reflects a write-off of unamortized original issue discount and deferred financing costs associated with the principal reductions and was not material.

On December 21, 2018, OSG, as the Parent Company (as a guarantor), OSG Bulk Ships, Inc. (“OBS”) and certain OBS subsidiaries (the “Borrowers”) closed on a five-year \$325,000 term loan credit facility with The Prudential Insurance Company of America and other syndicate lenders (the “Term Loan Credit Agreement”), term loan, due 2023. The Company used the proceeds from the Term Loan Credit Agreement, along with a cash payment of \$27,623 to pay off its existing OBS Term Loan. The Term Loan Credit Agreement bears interest at a rate equal to the prevailing 30-Day LIBOR plus 5.00% and matures on December 21, 2023. The aggregate net loss of \$2,227 on this transaction reflects a write-off of original issue discount and deferred financing costs associated with the principal reductions and is included in other income/(expense), net on the consolidated statements of operations for the year ended December 31, 2018.

The Borrowers’ obligations under the Term Loan Credit Agreement (the “Guaranteed Obligations”) are guaranteed by OSG, and OSG has pledged the issued and outstanding shares of capital stock of OBS as security for the Guaranteed Obligations pursuant to a pledge agreement between the Company and PGIM, Inc. as collateral agent. The Borrowers’ obligations are also secured by security interests in all of the Borrowers’ assets and by mortgages covering two tankers, eight tugs and seven barges.

Upon 30 days’ prior written notice, the Borrowers may prepay the outstanding indebtedness in full (or in part) at par plus accrued interest and an additional sum as a premium that varies based on the date of the prepayment. Any amount prepaid under the Term Loan Credit Agreement may not be reborrowed. Additionally, certain events, such as the sale of vessels serving as collateral, will require a mandatory partial or full repayment. No prepayment premium shall apply to any such mandatory prepayment.

In connection with the Term Loan Credit Agreement, OSG and its affiliates also entered into an amendment to the OBS ABL Facility among OSG, OBS as administrative borrower, certain subsidiaries of OBS as co-borrowers, other guarantors, lender, Wells Fargo Bank, National Association, as administrative agent. Pursuant to such amendment, the OBS ABL Facility agreement was amended to permit the transactions contemplated under the Term Loan Credit Agreement, reduce the maximum credit line from \$75,000 to \$30,000, reduce the number of vessels that serve as collateral and extend the term through its termination date of August 2, 2019.

The applicable margins and floor interest rates for the Company’s term loan, due 2023, and term loan, due 2026, are as follows:

Debt Facility	Term loan, due 2023		Term loan, due 2026	
	ABR	LIBOR	ABR	LIBOR
Rate	None	0.00%	None	0.00%
Floor	None	4.00%	None	5.00%
Applicable Margin				

Unsecured Senior Notes

7.5% Notes – These notes were issued on March 7, 2003 and consisted of \$146,000 in face value, which were due on February 15, 2024. Pursuant to the Equity Plan, the Company issued two series of 7.50% Notes due February 15, 2021, one series in an aggregate principal amount of \$6,508 (the “Election 1 Notes”) and the other series in an aggregate principal amount of \$138,708 (the “Election 2 Notes” and together with the Election 1 Notes, the “Election Notes”) to holders of the 7.50% Notes due 2024 (the “2024 Notes”) that elected to receive Election 1 Notes or Election 2 Notes, as the case may be. The outstanding Election 1 notes were repurchased and retired during the year ended December 31, 2015.

The Election 2 Notes have substantially the same terms as the 2024 Notes, other than the (i) the maturity date and (ii) definitions and provisions related to a holder’s right to require the Company to repurchase such holder’s Election 2 Notes upon the occurrence of certain changes in the ownership or control of OSG. The Election 2 Notes accrue interest at the rate of 7.50% per annum.

Interest Expense

The following table summarizes interest expense, including amortization of issuance and deferred financing costs, commitment, administrative and other fees, recognized during the two years ended December 31, 2019 with respect to the Company's debt facilities:

Debt Facility	Years Ended December 31,	
	2019	2018
OBS Facilities	\$ 428	\$ 29,769
Term loan, due 2023	24,667	801
Term loan, due 2026	1,772	210
Unsecured senior notes	156	252
Term loans, due 2024	785	—
Total interest expense on debt facilities	\$ 27,808	\$ 31,032

Cash paid for interest expense was \$24,593 and \$29,052 in December 31, 2019 and 2018, respectively.

As of December 31, 2019, the aggregate annual principal payments required to be made on the Company's debt are as follows:

2020	\$ 31,514
2021	31,962
2022	31,817
2023	230,793
2024	42,436
Thereafter	7,530
Total	\$ 376,052

NOTE 9 — FAIR VALUE MEASUREMENTS AND FAIR VALUE DISCLOSURES

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

Financial Instruments that are not Measured at Fair Value on a Recurring Basis

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 consolidated balance sheets 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.

The estimated fair values of the Company's financial instruments that are not measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, at December 31, 2019 and 2018, are as follows:

	Carrying Value	Fair Value		
		Level 1	Level 2	
December 31, 2019:				
Assets				
Cash ⁽¹⁾	\$ 41,677	\$ 41,677	\$ —	
Total	<u><u>\$ 41,677</u></u>	<u><u>\$ 41,677</u></u>	<u><u>\$ —</u></u>	
Liabilities				
Term loan agreement, due 2023	\$ 291,994	\$ —	\$ 299,974	
Term loan agreements, due 2024	48,289	—	49,015	
Term loan agreement, due 2026	27,075	—	27,359	
Unsecured senior notes	689	—	722	
Total	<u><u>\$ 368,047</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 377,070</u></u>	

	Carrying Value	Fair Value		
		Level 1	Level 2	
December 31, 2018:				
Assets				
Cash ⁽¹⁾	\$ 80,641	\$ 80,641	\$ —	
Total	<u>\$ 80,641</u>	<u>\$ 80,641</u>	<u>\$ —</u>	
Liabilities				
Term loan agreement, due 2023	\$ 317,472	\$ —	\$ 325,000	
Term loan agreement, due 2026	27,376	—	26,500	
Unsecured senior notes	687	—	525	
Total	<u>\$ 345,535</u>	<u>\$ —</u>	<u>\$ 352,025</u>	

(1) Includes current and non-current restricted cash totaling \$174 and \$224 at December 31, 2019 and 2018, respectively. Restricted cash as of December 31, 2019 and 2018 was related to the Company's Unsecured Senior Notes.

Nonfinancial Instruments that are Measured at Fair Value on a Nonrecurring Basis

Vessel Impairments

During the years ended December 31, 2019 and 2018, the Company gave consideration as to whether events or changes in circumstances had occurred that could indicate the carrying amounts of the vessels in the Company's fleet may not be recoverable. The Company concluded that no such events or changes in circumstances had occurred.

Valuation of Intangible Assets

The Company's intangible assets at December 31, 2019 and 2018 consisted of long-term customer relationships acquired as part of the 2006 purchase of Maritrans, Inc. The long-term customer relationships are being amortized on a straight-line basis over 20 years.

During the years ended December 31, 2019 and 2018, the Company gave consideration as to whether events or changes in circumstances had occurred that could indicate the carrying value of the Company's intangible assets may not be recoverable. The Company concluded that no such events or changes in circumstances had occurred.

NOTE 10 — ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Years Ended December 31,	
	2019	2018
Accounts payable	\$ 5,944	\$ 3,360
Payroll and benefits	8,660	12,454
Interest	1,828	1,010
Insurance	673	639
Accrued drydock and repair costs	115	900
Bunkers and lubricants	852	953
Charter revenues received in advance	11,580	6,731
Accrued vessel expenses	3,441	3,304
Accrued general and administrative, primarily professional fees	799	1,998
Accrued deferred payment obligation for chartered in vessels	—	1,944
Other	1,984	1,385
	<u>\$ 35,876</u>	<u>\$ 34,678</u>

NOTE 11 —TAXES

The (expense)/benefit for income taxes on income before income taxes consists of the following:

	Years Ended December 31,	
	2019	2018
Current	\$ (1,527)	\$ (1,080)
Deferred	991	18,794
Total	<u><u>\$ (536)</u></u>	<u><u>\$ 17,714</u></u>

The current income tax expense is primarily attributable to state income taxes and the deferred income tax benefit is primarily attributable to a change in state deferred tax rate.

The reconciliations between the U.S. federal statutory income tax rate and the effective tax rate follows:

	Years Ended December 31,	
	2019	2018
U.S. federal statutory income tax rate	21.0%	21.0%
Adjustments due to:		
State taxes, net of federal benefit	(8.9)%	(21.4)%
Change in valuation allowance	0.6%	(59.0)%
Equity awards	(1.8)%	(14.2)%
Return to provision	(4.5)%	(13.8)%
Nondeductible expenses	0.4%	(11.4)%
Uncertain tax positions and tax examination settlement	6.8%	505.7%
U.S. income subject to tonnage tax	(6.5)%	14.0%
Other	(1.3)%	(1.7)%
Effective tax rate	<u><u>5.8%</u></u>	<u><u>419.2%</u></u>

During 2019, changes in state tax rates and changes in apportionment from the addition of new vessels, resulted in state tax having a (8.9)% impact on the Company's effective tax rate.

The significant components of the Company's deferred tax liabilities and assets follow:

	December 31,	
	2019	2018
Deferred tax liabilities:		
Vessels and other property ⁽¹⁾	\$ 128,026	\$ 128,226
Prepaid expenditures	5,621	7,108
Operating lease right-of-use assets	72,298	—
Other-net	2	4
Total deferred tax liabilities	<u>205,947</u>	<u>135,338</u>
Deferred tax assets:		
Loss carryforwards	68,917	66,737
Operating lease liability	71,779	—
Finance lease liability	6,333	—
Employee compensation and benefit plans	3,869	4,287
Financing and professional fees	2,003	1,859
Accrued expenses and other	1,165	51
Total deferred tax assets	<u>154,066</u>	<u>72,934</u>
Valuation allowance	20,952	10,961
Net deferred tax assets	<u>133,114</u>	<u>61,973</u>
Net deferred tax liabilities	<u>\$ 72,833</u>	<u>\$ 73,365</u>

(1) Includes deferred tax liabilities related to finance lease right-of-use assets totaling \$6,190 and \$0 at December 31, 2019 and 2018, respectively.

As of December 31, 2019, the Company had U.S. federal net operating loss carryforwards of \$213,800 which are available to reduce future taxes, if any. The federal net operating loss carryforwards begin to expire in 2034. Additionally, as of December 31, 2019, the Company had U.S. state net operating loss carryforwards of \$445,936. This includes net operating losses previously unrecorded due to minimal projected income in those jurisdictions. These U.S. state net operating loss carryforwards expire in various years ending from December 31, 2019 through December 31, 2035. Included in the financing and professional fees deferred income assets above are U.S. federal interest expense deductions with an indefinite carryforward period.

There was a change of control in the Company during 2014 that limited the annual usage of pre-ownership change net operating losses. All pre-ownership change net operating losses were fully utilized in 2019.

The Company assessed all available positive and negative evidence to determine whether sufficient future taxable income will be generated to permit use of existing deferred tax assets. For U.S. federal deferred tax assets, the Company concluded that sufficient positive evidence existed, primarily the result of reversing deferred tax liabilities during the carryover period. However, for certain state deferred tax assets, the negative evidence has outweighed the positive evidence which has resulted in the Company establishing a valuation allowance of \$20,952 and \$10,961 as of December 31, 2019 and 2018, respectively, to recognize only the portion of the deferred tax asset that is more likely than not to be realized.

During the years ended December 31, 2019 and 2018, the Company paid (net of refunds received) \$1,293 and \$1,313, respectively, of income taxes.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits (excluding interest and penalties):

	Years Ended December 31,	
	2019	2018
Balance of unrecognized tax benefits as of January 1,	\$ 1,226	\$ 37,240
Increases for positions taken in prior years	1,353	657
Rate change	(84)	—
Amount of decreases related to settlements	—	(36,671)
Balance of unrecognized tax benefits as of December 31,	<u>\$ 2,495</u>	<u>\$ 1,226</u>

Included in the balance of unrecognized tax benefits as of December 31, 2019 and 2018 are \$2,495 and \$220, respectively, of tax benefits that, if recognized would affect the effective tax rate.

The Company records interest and penalties on unrecognized tax benefits in its provision for income taxes. Accrued interest and penalties are included within the related liability for unrecognized tax benefit line on the consolidated balance sheets. During the years ended December 31, 2019 and 2018, the Company accrued interest of \$114 and \$0, respectively, and recorded liabilities for interest and penalties of \$252 and \$0, respectively.

After taking into consideration tax attributes, such as net operating loss carryforwards and interest, the Company's unrecognized tax benefits represent a noncurrent reserve for uncertain tax positions of \$864 and \$220 as of December 31, 2019 and 2018, respectively.

The U.S. Internal Revenue Service completed exams on the Company's U.S. federal income tax returns for years 2012 - 2015. With few exceptions, the Company is no longer subject to state and local income tax examinations by tax authorities for years before 2015. The Company conducts business and files income tax returns in numerous states. Currently, one of the Company's state tax returns is under examination by a state as part of routine audits conducted in the ordinary course of business. The future utilization of state net operating losses could potentially subject the Company to state examinations prior to the otherwise applicable statute of limitation. States vary in carryforward periods but generally extend up to 20 years or a period consistent with the federal limits under the Tax Cuts and Jobs Act.

NOTE 12 — RELATED PARTIES

Guarantees

International Seaways, Inc. ("INSW") entered into guarantee arrangements in connection with the spin-off from OSG on November 30, 2016. On October 7, 2019, INSW sold its ownership interest in their joint venture with Qatar Gas Transport Company Ltd, releasing OSG from all obligations under the guarantee arrangements.

NOTE 13 — CAPITAL STOCK AND STOCK COMPENSATION

Ownership Restrictions

In order to preserve the status of OSG as a Jones Act company, the percentage of each class of its common stock that may be owned by non-U.S. citizens is limited. In addition, the Company has established policies and procedures to ensure compliance with the Jones Act. In order to provide a reasonable margin for compliance with the Jones Act, our Board of Directors has determined that until further action by our Board, at least 77% of the outstanding shares of each class of capital stock of the Company must be owned by U.S. citizens. At and during such time that the limit is reached with respect to shares of Class A common stock as applicable, we will be unable to issue any further shares of such class of common stock or approve transfers of such class of common stock to non-U.S. citizens until the holdings of non-U.S. citizens falls below the maximum percentage allowable.

Share Repurchases

During the year ended December 31, 2019, in connection with the vesting of restricted stock units ("RSUs") in January, February and March, the Company withheld 159,685 shares of Class A common stock at an average price of \$1.84 per share (based on the market prices on the dates of vesting) from certain members of management to cover withholding taxes.

During the year ended December 31, 2018, in connection with the vesting of RSUs in January, February, March and December, the Company withheld 296,822 shares of Class A common stock at an average cost of \$2.15 per share (based on the market prices on the dates of vesting) from certain members of management to cover withholding taxes.

Warrant Conversions

Each Class A warrant represents the right to purchase one share of Class A common stock, subject in each case to the adjustments as provided pursuant to the terms thereof. The warrants may be exercised at a price per share of Class A common stock, as applicable, of \$0.01, which shall be paid pursuant to a cashless exercise procedure. Warrants may be exercised at any time or from time to time on or before August 5, 2039 and will expire thereafter. Until they exercise their warrants, except as otherwise provided in the warrants, the holders of the warrants will not have the rights or privileges of holders of the Company's common stock, including any voting rights. Warrants may only be exercised by holders who establish to OSG's reasonable satisfaction that they or the person designated to receive the shares is a U.S. person or to the extent shares deliverable upon exercise would not constitute Non-Complying Shares (as defined in OSG's Amended and Restated Certificate of Incorporation). As of December 31, 2019, the Company had 19,238,262 Class A warrants outstanding, convertible into 3,655,270 shares of Class A common stock.

During the years ended December 31, 2019 and 2018, the Company issued 257,963 and 5,628,650 shares of Class A common stock, respectively, as a result of the exercise of 1,365,392 and 29,461,648 Class A warrants, respectively.

Incentive Plans

On September 23, 2014, the Company's Compensation Committee ("the Committee") approved the Overseas Shipholding Group, Inc. Management Incentive Compensation Plan (the "Management Compensation Plan") and the Overseas Shipholding Group, Inc. Non-Employee Director Incentive Compensation Plan (the "Director Plan"). OSG stockholders approved these plans on June 9, 2015. On June 6, 2017, at the annual stockholders meeting, the Company's stockholders approved an increase to the maximum number of shares for issuance under the Director Plan by 1,500,000 shares. The 2019 Incentive Compensation Plan for Management was approved by the Committee on March 22, 2019, by our Board on April 4, 2019 and then by the Company's stockholders at the annual meeting on May 30, 2019 (together with the Management Compensation Plan and Non-employee Director Incentive Compensation Plan, the "Incentive Plans").

The Incentive Plans contain anti-dilution provisions whereby in the event of any change in the capitalization of the Company, the number and type of securities underlying outstanding share-based payment awards must be adjusted, as appropriate, in order to prevent dilution or enlargement of rights. The impact of these provisions resulted in a modification of all outstanding share-based payment awards upon the stock dividend, reverse stock split and spin-off transactions described above. As the fair value of the awards immediately after the stock dividend, reverse stock split and spin off transactions, did not increase when compared to the fair value of such awards immediately prior to such transactions, no incremental compensation costs were recognized as a result of such modifications.

The purpose of the Incentive Plans is to promote the interests of the Company and its stockholders by providing certain employees and members of the Board, who are largely responsible for the management, growth and protection of the business of the Company, with incentives and rewards to encourage them to continue in the service of the Company. The Incentive Plans permit the Committee to grant to eligible employees and directors of the Company, as applicable, any of the following types of awards (or any combination thereof): cash incentive awards, nonqualified stock options, incentive stock options and other stock-based awards, including, without limitation, stock appreciation rights, phantom stock, restricted stock, restricted stock units, performance shares, deferred share units and share-denominated performance units.

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 Stock Units

The Company awarded a total of 357,866 and 170,400 RSUs for the years ended December 31, 2019 and 2018, respectively, to its non-employee directors. The weighted average fair value of the Company's stock on the measurement date of such awards was \$1.78 (2019) and \$3.61 (2018) per share. Such RSUs 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 RSUs granted may not be transferred, pledged, assigned or otherwise encumbered prior to vesting. Upon vesting, a holder of restricted share awards has all the rights of a stockholder 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 stockholders generally. RSUs which have not become vested as of the date the grantee's service on the Board of Directors terminates will be forfeited and the grantee will have no further rights with respect to the RSUs.

Management Compensation

Restricted Stock Units

During the years ended December 31, 2019 and 2018, the Company awarded 552,598 and 365,584 time-based RSUs to certain of its employees, including senior officers. The average grant date fair value of these awards was \$2.02 (2019) and \$1.70 (2018), 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. RSUs may not be transferred, pledged, assigned or otherwise encumbered until they are settled. Settlement of vested RSUs may be in either shares of Class A common stock or cash, as determined at the discretion of the Human Resources and Compensation Committee, and will occur as soon as practicable after the vesting date. If the RSUs are settled in shares of common stock, following the settlement of such shares, the grantee will be the record owner of the shares of Class A common stock and will have all the 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 of Class A common stock. RSUs which have not become vested as of the date of a grantee's termination from the Company will be forfeited without the payment of any consideration, unless otherwise provided for.

In addition, during the years ended December 31, 2019 and 2018, the Company awarded 329,121 and 688,877 shares, respectively, to certain of its senior officers of the Company's common stock, net of all taxes, which vested immediately. The average grant date fair value of these awards was \$1.82 and \$1.91.

During the years ended December 31, 2019 and 2018, the Company awarded 352,258 and 142,060 performance-based RSUs to its senior officers, respectively. Each performance-based RSU represents a contingent right to receive RSUs based upon continuous employment through the end of a three-year performance period (the "Performance Period") and will vest as follows: (i) one-half of the target RSUs will vest and become nonforfeitable 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 Target") performance relative to that of a performance index over a three-year TSR performance period. The performance index consists of companies that comprise a combination of the oil and gas storage and transportation and marine GICS sub-industries indexes during the Performance Period. Vesting is subject in each case to the Human Resources and Compensation Committee's certification of achievement of the performance measures and targets.

The ROIC Target RSU award and the TSR Target RSU award is subject to an increase up to a maximum of 176,129 and 106,545 target RSUs combined, respectively, (528,387 and 213,090 RSUs in total, respectively) or decrease depending on performance against the applicable measure and targets. The ROIC performance goal is a performance condition which, as of December 31, 2019, management believed was probable of being achieved. Accordingly, for financial reporting purposes, compensation costs have been recognized for these awards. The grant date fair value of the TSR based performance awards, which have a market condition, was determined to be \$2.02 and \$1.70 per RSU, respectively.

Stock Options

During the year ended December 31, 2019 and 2018, the Company awarded 612,745 and 494,118, respectively, stock options to one of its senior officers, which vested immediately. Each stock option represents an option to purchase one share of Class A common stock for an exercise price of \$1.89 and \$1.70 per share, respectively. The call option value of the options was \$1.02 and \$0.92 per option, respectively. Under the grant agreement, the stock options have a holding requirement until the earliest to occur of (i) a change in control; (ii) the separation from service date, in the event of a termination of the grantee's employment by the Company without cause or by the grantee for good reason and (iii) the third anniversary of the grant date. The stock options expire on the business day immediately preceding the tenth anniversary of the award date. If a stock option grantee's employment is terminated for cause (as defined in the applicable Form of Grant Agreement), stock options (whether then vested or exercisable or not) will lapse and will not be exercisable. If a stock option grantee's employment is terminated for reasons other than cause, the option recipient may exercise the vested portion of the stock option but only within such period of time ending on the earlier to occur of (i) the 90th day ending after the option holder's employment terminated and (ii) the expiration of the options, provided that if the option holder's employment terminates for death or disability the vested portion of the option may be exercised until the earlier of (i) the first anniversary of employment termination and (ii) the expiration date of the options.

The fair values of the options granted were estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions for 2019 and 2018 grants: risk free interest rates of 2.50% and 2.72%, respectively, dividend yields of 0.0%, expected stock price volatility factors of .55 and expected lives of 6.0 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Since the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For the Incentive Plans, compensation expense is recognized over the vesting period, contingent or otherwise, applicable to each grant, using the straight-line method. Compensation expense as a result of the RSUs described above was \$1,615 and \$1,646 during the years ended December 31, 2019 and 2018, respectively.

Activity with respect to restricted stock units under the Incentive Plans during the two years ended December 31, 2019 is summarized as follows:

Activity for the two years ended December 31, 2019	Class A common shares
Nonvested Shares Outstanding at December 31, 2017	660,999
Granted	1,366,921
Vested (\$1.70 to \$2.74 per share)	(1,108,180)
Forfeited (\$2.39 to \$2.44 per share)	(7,425)
Nonvested Shares Outstanding at December 31, 2018	912,315
Granted	1,591,839
Vested (\$1.66 to \$2.32 per share)	(780,542)
Forfeited (\$1.63 per share)	(4,747)
Nonvested Shares Outstanding at December 31, 2019	1,718,865

Activity with respect to stock options under the Incentive Plans during the two years ended December 31, 2019 is summarized as follows:

	Class A common shares
Activity for the two years ended December 31, 2019	
Options Outstanding at December 31, 2017	371,893
Granted	494,118
Options Outstanding at December 31, 2018	866,011
Granted	612,745
Options Outstanding at December 31, 2019	<u>1,478,756</u>
Options Exercisable at December 31, 2019	1,454,063

The weighted average remaining contractual life of the outstanding stock options at December 31, 2019 was 8.18 years. The range of exercise prices of the stock options outstanding at December 31, 2019 was between \$1.70 and \$5.57 per share. The weighted average exercise prices of the stock options outstanding at December 31, 2019 and 2018 were \$2.67 and \$3.23 per share, respectively. Stock options of 612,745 which vested during the year ended December 31, 2019 were “in-the-money.”

Compensation expense as a result of the grants of stock options described above was not material for the years ended December 31, 2019 and 2018.

As of December 31, 2019, there was \$1,993 of unrecognized compensation cost related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 1.57 years.

NOTE 14 — ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss, net of related taxes, in the consolidated balance sheets follow:

	Years Ended December 31,	
	2019	2018
Items not yet recognized as a component of net periodic benefit cost (pension and other postretirement benefit plans)	(6,409)	(7,192)
	\$ (6,409)	\$ (7,192)

The following tables present the changes in the balances of each component of accumulated other comprehensive loss, net of related taxes, for the two years ended December 31, 2019.

	Unrealized losses on cash flow hedges	Items not yet recognized as a component of net periodic benefit cost (pension and other postretirement plans)	Total
Balance as of December 31, 2018	\$ —	\$ (7,192)	\$ (7,192)
Current period change, excluding amounts reclassified from accumulated other comprehensive loss	—	501	501
Amounts reclassified from accumulated other comprehensive loss	—	282	282
Total change in accumulated other comprehensive loss	—	783	783
Balance as of December 31, 2019	<u><u>\$ —</u></u>	<u><u>\$ (6,409)</u></u>	<u><u>\$ (6,409)</u></u>
Balance as of December 31, 2017	\$ (112)	\$ (6,350)	\$ (6,462)
Current period change, excluding amounts reclassified from accumulated other comprehensive loss	—	300	300
Amounts reclassified from accumulated other comprehensive loss	112	341	453
Adoption of accounting standard - reclassification adjustment to retained earnings	—	(1,483)	(1,483)
Total change in accumulated other comprehensive loss	<u><u>112</u></u>	<u><u>(842)</u></u>	<u><u>(730)</u></u>
Balance as of December 31, 2018	<u><u>\$ —</u></u>	<u><u>\$ (7,192)</u></u>	<u><u>\$ (7,192)</u></u>

The following table presents information with respect to amounts reclassified out of accumulated other comprehensive loss for the two years ended December 31, 2019.

Accumulated Other Comprehensive Loss Component	Years Ended December 31,		Statement of Operations Line Item
	2019	2018	
Unrealized losses on cash flow hedges:			
Interest rate caps entered into by the Company's subsidiaries	—	(181)	Interest expense
Items not yet recognized as a component of net periodic benefit cost (pension and other postretirement plans):			
Net periodic benefit costs associated with pension and postretirement benefit plans for shore-based employees	(570)	(465)	Other income/ (expense), net
Net periodic benefit costs associated with pension and postretirement benefit plans for seagoing employees	200 (370) 652 <u><u>\$ 282</u></u>	166 (480) 933 <u><u>\$ 453</u></u>	Other income/ (expense), net Total before tax Tax provision Total net of tax

The following amounts are included in accumulated other comprehensive loss at December 31, 2019, which have not yet been recognized in net periodic cost: unrecognized prior service credits of \$1,616 (\$1,277 net of tax) and unrecognized actuarial losses \$9,868 (\$7,796 net of tax). The prior service credit and actuarial loss included in accumulated other comprehensive loss and expected to be recognized in net periodic cost during 2020 are a gain of \$229 (\$181 net of tax) and a loss of \$465 (\$367 net of tax), respectively.

The income tax (expense)/benefit allocated to each component of other comprehensive income follows:

	<u>Unrealized gains/(losses) on cash flow hedges</u>	<u>Items not yet recognized as a component of net periodic benefit cost</u>
For the year ended December 31, 2019:		
Current period change excluding amounts reclassified from accumulated other comprehensive loss	\$ —	\$ (154)
Amounts reclassified from accumulated other comprehensive loss	<u>—</u>	<u>(87)</u>
Total change in accumulated other comprehensive loss	<u><u>\$ —</u></u>	<u><u>\$ (241)</u></u>
For the year ended December 31, 2018:		
Current period change excluding amounts reclassified from accumulated other comprehensive loss	\$ —	\$ —
Amounts reclassified from accumulated other comprehensive loss	<u>69</u>	<u>—</u>
Total change in accumulated other comprehensive loss	<u><u>\$ 69</u></u>	<u><u>\$ —</u></u>

NOTE 15 — LEASES

On January 1, 2019, the Company adopted ASC 842 applying the modified retrospective method. Results for reporting periods beginning after January 1, 2019 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

The Company's lease portfolio is comprised of vessels chartered-in, office space and equipment under agreements with contractual periods ranging from less than 1 year to 16 years. Many of the Company's leases contain one or more options to extend. The Company includes options that it is reasonably certain to exercise in its evaluation of the lease term after considering all relevant economic and financial factors. The impact of adopting this standard resulted in the recording of right-of-use assets of \$264,546 and lease liabilities of \$280,407 at January 1, 2019. The adoption of the standard did not impact the Company's accumulated deficit, consolidated statements of operations or consolidated statements of cash flows. The Company calculates the initial lease liability as the present value of fixed payments, or in substance fixed payments, not yet paid and variable payments that are based on an index (e.g., CPI), measured at commencement. The Company's leases are discounted using its incremental borrowing rate adjusted for risk based on the length of the lease term because the rate implicit in the lease is not readily determinable.

The Company applied the package of practical expedients that allows companies not to reassess whether any expired or expiring contracts are or contain leases, lease classification for any expired or expiring leases and initial direct costs for any expired or expiring leases. Also, the Company made the accounting policy election to keep leases with a term of 12 months or less off the balance sheet. Finally, the Company implemented changes to processes and internal controls to meet the standard's updated reporting and disclosure requirements.

The Company's lease right-of-use assets and lease liabilities at December 31, 2019 were as follows:

	<u>December 31, 2019</u>
Operating leases	
Vessels chartered-in noncurrent operating lease assets	\$ 283,871
Office space noncurrent operating lease assets	2,598
Total noncurrent operating lease assets	<u>\$ 286,469</u>
Vessels chartered-in operating lease liabilities	\$ 89,537
Current portion of operating lease liabilities	217,511
Noncurrent operating lease liabilities	<u>307,048</u>
Office space operating lease liabilities	608
Current portion of operating lease liabilities	1,990
Noncurrent operating lease liabilities	<u>2,598</u>
Total operating lease liabilities	<u>\$ 309,646</u>
Finance lease	
Vessels and other property	\$ 28,993
Accumulated amortization	(2,053)
Vessels and other property, less accumulated amortization	<u>\$ 26,940</u>
Current portion of finance lease liabilities	\$ 4,011
Noncurrent finance lease liabilities	23,548
Total finance lease liabilities	<u>\$ 27,559</u>

Charters-in

As of December 31, 2019, the Company had commitments to charter-in 11 vessels, which are all bareboat charters. During the second quarter of 2019, the Company commenced a bareboat charter for the *Overseas Key West* for a lease term of 10 years. Based on the length of the lease term and the remaining economic life of the vessel, it is accounted for as a finance lease. The remaining 10 chartered-in vessels are accounted for as operating leases. The right-of-use asset accounted for as a finance lease arrangement is reported in vessels and other property, less accumulated depreciation on our consolidated balance sheets. The Company holds options for 10 of the vessels chartered-in that can be exercised for one, three or five years with the one-year option only usable once, while the three- and five-year options are available indefinitely. The lease payments for the charters-in are fixed throughout the option periods and the options are on a vessel-by-vessel basis that can be exercised individually. The Company exercised its option on one of its vessels to extend the term until June 2025. On December 10, 2018, the Company exercised its options to extend the terms of the other nine vessels. Terms for five of the vessels were extended for an additional three years, with terms ending in December 2022, and terms for four of the vessels were extended for an additional year, with terms ending December 2020. On December 11, 2019, the terms for the four vessels ending December 2020 were extended for an additional three years, with terms ending in December 2023.

Five of the Company's chartered in vessels contain a deferred payment obligation ("DPO") which relates to charter hire expense incurred by the Company in prior years and payable to the vessel owner in future periods. This DPO is due in quarterly installments with the final quarterly payment due upon lease termination.

The future minimum commitments under these leases are as follows:

At December 31, 2019	Operating Leases	Finance Lease
2020	\$ 92,404	\$ 4,172
2021	91,164	4,161
2022	107,654	4,161
2023	43,015	4,161
2024	9,168	4,172
Thereafter	4,534	17,180
Net minimum lease payments	<hr/> 347,939	<hr/> 38,007
Less: present value discount	40,891	10,448
Total lease liabilities	<hr/> <hr/> \$ 307,048	<hr/> <hr/> \$ 27,559

The bareboat charters-in provide for variable lease payments in the form of profit share to the owners of the vessels calculated in accordance with the respective charter agreements or based on time charter sublease revenue. Because such amounts and the periods impacted are not reasonably estimable, they are not currently reflected in the table above. Due to reserve funding requirements and current rate forecasts, no profits are currently expected to be paid to the owners in respect of the charter term within the next year.

For the year ended December 31, 2019, lease expense for the 10 chartered-in vessels accounted for as operating leases was \$90,359, which is included in charter hire expense on the consolidated statements of operations and operating cash flows on the consolidated statements of cash flows. The Company recognized sublease income of \$188,163 for the year ended December 31, 2019. For the year ended December 31, 2019, the Company had non-cash operating activities of \$93,407 for obtaining operating right-of-use assets and liabilities that resulted from exercising lease renewals not assumed in the initial lease term.

For the year ended December 31, 2019, lease expense related to the Company's finance lease was \$2,052 related to amortization of the right-of-use asset and \$1,462 related to interest on the lease liability. These are included in operating cash flows on the consolidated statements of cash flows. For the year ended December 31, 2019, the Company had non-cash financing activities of \$28,993 for obtaining finance right-of-use assets.

For the year ended December 31, 2018, lease expense relating to charters-in was \$91,350, which is included in charter hire expense on the consolidated statements of operations.

Office space

The Company has lease obligations for office space that generally require fixed annual rental payments and may also include escalation clauses and renewal options.

The future minimum commitments under lease obligations for office space, which are operating leases, as of December 31, 2019 are as follows:

At December 31, 2019	Amount
2020	\$ 630
2021	631
2022	649
2023	474
2024	98
Thereafter	1,088
Net minimum lease payments	3,570
Less: present value discount	972
Total lease liabilities	\$ 2,598

For the year ended December 31, 2019, the rental expense for office space, which is included in general and administrative expenses on the consolidated statements of operations, was \$648. For the year ended December 31, 2019, cash paid for office space rental was \$604, which is included in operating cash flows on the consolidated statements of cash flows.

For the year ended December 31, 2018, rental expense for office space, which is included in general and administrative expenses on the consolidated statements of operations was \$659.

At December 31, 2019, the weighted average remaining lease term for the Company's operating leases and finance lease was 3.7 years and 9.1 years, respectively, and the weighted average discount rate was 6.7% and 7.3%, respectively.

Charters-out

The Company enters into time charter contracts under which a customer pays a fixed daily or monthly rate for a fixed period of time for use of a vessel. The Company recognizes revenues from time charters as operating leases ratably over the noncancelable contract term. Under certain time charter contracts, the Company receives variable lease payments based on a defined profit share arrangement, which are recognized as revenue in the period in which the changes in facts and circumstances on which the variable lease payments are based occur. Customers generally pay voyage expenses such as fuel, canal tolls and port charges. The Company also provides the charterer with services such as technical management and crew costs. Services are recognized ratably over the life of the contract term.

The Company is the lessor under its time charter contracts. For time charters, the Company applied the practical expedient to combine the lease and non-lease components for these contracts. Total time charter revenue for the year ended December 31, 2019 was equal to lease income from lease payments of \$263,416 plus straight-line adjustments of \$267. The net book value of owned vessels on noncancelable time charters was equal to \$419,793 at December 31, 2019.

The future minimum revenues, including rent escalations, which is equal to lease payments expected to be received over the noncancelable time charters term are as follows:

At December 31, 2019	Amount
2020	\$ 239,865
2021	72,929
2022	51,675
2023	31,405
2024	30,395
Thereafter	15,575
Net minimum lease receipts	\$ 441,844

Revenues from a time charter are not generally received when a vessel is off-hire, including time required for normal periodic maintenance of the vessel. In arriving at the minimum future charter revenues, an estimated time off-hire to perform periodic maintenance on each vessel has been deducted, although it cannot be assured that such estimate will be reflective of the actual off-hire in the future.

NOTE 16 — PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

For the years ended December 31, 2019 and 2018, pension and other benefit liabilities are included in other liabilities in the consolidated balance sheets.

Pension Plans

In connection with the November 2006 acquisition of Maritrans, the Company assumed the obligations under the defined benefit retirement plan of Maritrans Inc. (“the Maritrans Plan”). As of December 31, 2006, the Company froze the benefits under the Maritrans Plan. At December 31, 2019, the Maritrans Plan is the only domestic defined benefit pension plan in existence at the Company. The Maritrans Plan was noncontributory and covered substantially all shore-based employees and substantially all of the seagoing supervisors who were supervisors in 1984, or who were hired in, or promoted into, supervisory roles between 1984 and 1998 for that period of time. Beginning in 1999, the seagoing supervisors’ retirement benefits are provided through contributions to an industry-wide, multiemployer union sponsored pension plan. Upon retirement, those seagoing supervisors are entitled to retirement benefits from the Maritrans Plan for service periods between 1984 and 1998 and from the multiemployer union sponsored plan for other covered periods. Retirement benefits are based primarily on years of service and average compensation for the five consecutive plan years that produce the highest results.

Multiemployer Pension and Postretirement Benefit Plans

The Company’s subsidiaries are parties to collective-bargaining agreements that require them to make contributions to three jointly managed (Company and union) multiemployer pension plans covering seagoing personnel of U.S. Flag vessels. All three plans, the American Maritime Officers (“AMO”) Pension Plan, the Seafarers Pension Plan (“SIU”) and the Marine Engineers’ Beneficial Association (“MEBA”) Defined Benefit Pension Plan, are deemed individually significant by management.

Plan level information is available in the public domain for each of the multiemployer pension plans the Company participates in. The table below provides additional information about the Company's participation in the above multi-employer pension plans:

Pension Plan	EIN / Pension Plan Number	Pension Protection Act Zone Status		Rehabilitation Plan Status	Contributions made by the Company	
		2019	2018		2019	2018
AMO Pension Plan	13-1936709	Yellow ⁽¹⁾	Yellow ⁽¹⁾	Implemented	\$ 650	\$ 880
MEBA Pension Plan	51-6029896	Green ⁽¹⁾	Green ⁽¹⁾	None	2,353	1,450
Seafarers Pension Plan	13-6100329	Green ⁽¹⁾	Green ⁽¹⁾	None	288	345
				Total contributions	\$ 3,291	\$ 2,675

(1) A "Yellow" Zone Status plan is a plan that has a funding ratio between 65% and 80%. A "Green" Zone Status plan is a plan that is 80% funded or more.

The plan years for the three union plans end as follows: MEBA and SIU on December 31 and AMO on September 30. The Company has no future minimum contribution requirements under the three multiemployer pension plans shown above as of December 31, 2019 and any future contributions are subject to negotiations between the employers and the unions.

ERISA requires employers who are contributors to U.S. multiemployer plans to continue funding their allocable share of each plan's unfunded vested benefits in the event of withdrawal from or termination of such plans. Based on information received from the trustees of the SIU Pension Plan, the Company is not subject to withdrawal liabilities under that plan. Based on the actuarial report received from the trustees of the MEBA Pension Plan, as of December 31, 2018, the Company's estimated withdrawal liability would have been approximately \$25,309 had the Company elected to withdraw from the plan in 2019. Based on the actuarial report received from the trustees of the AMO Pension Plan, as of September 30, 2018, the Company's estimated withdrawal liability would have been approximately \$19,591 had the Company elected to withdraw from the plan in 2019. The Company has no intentions of terminating its participation in any of the three multiemployer pension plans and has no expectations that the plans will be terminated. Accordingly, no provisions have been made for the estimated withdrawal liability as of December 31, 2019.

The SIU – Tanker Agreement, SIU – Tug Agreement, AMO and MEBA collective bargaining agreements expire in June 2022 and March 2021, respectively. The collective bargaining agreements also require the Company to make contributions to certain other postretirement employee benefit plans the unions offer to their members. Such contributions were not material during the two years ended December 31, 2019.

Postretirement Benefit Plans

The Company also provides certain postretirement health care and life insurance benefits to qualifying domestic retirees and their eligible dependents. The health care plan for shore-based employees and their dependents and seagoing licensed deck officers ("Deck Officers") and their dependents is contributory at retirement, while the life insurance plan for all employees is noncontributory. In general, postretirement medical coverage is provided to shore-based employees hired prior to January 1, 2005 and all Deck Officers who retire and have met minimum age and service requirements under a formula related to total years of service. The Company no longer provides prescription drug coverage to its retirees or their beneficiaries once they reach age 65. The Company does not currently fund these benefit arrangements and has the right to amend or terminate the health care and life insurance benefits at any time.

Information with respect to the domestic pension and postretirement benefit plans for which the Company uses a December 31 measurement date, follow:

At December 31,	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 44,015	\$ 48,500	\$ 3,401	\$ 4,548
Cost of benefits earned (service cost)	—	—	105	119
Interest cost on benefit obligation	1,802	1,673	140	142
Actuarial losses/(gains)	3,805	(3,456)	84	(1,206)
Benefits paid	(2,686)	(2,702)	(158)	(202)
Benefit obligation at year end	<u>46,936</u>	<u>44,015</u>	<u>3,572</u>	<u>3,401</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	31,929	35,591	—	—
Actual return on plan assets	6,790	(1,882)	—	—
Employer contributions	721	922	158	202
Benefits paid	(2,686)	(2,702)	(158)	(202)
Fair value of plan assets at year end	<u>36,754</u>	<u>31,929</u>	<u>—</u>	<u>—</u>
Unfunded status at December 31	<u>\$ (10,182)</u>	<u>\$ (12,086)</u>	<u>\$ (3,572)</u>	<u>\$ (3,401)</u>

Information for defined benefit pension plans with accumulated benefit obligations in excess of plan assets follows:

At December 31,	2019	2018
Projected benefit obligation	\$ 46,936	\$ 44,015
Accumulated benefit obligation	46,936	44,015
Fair value of plan assets	36,754	31,929

Information for defined benefit pension plans and other postretirement benefit plans net periodic cost/(benefit) follows:

For the year ended December 31,	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Components of expense:				
Cost of benefits earned	\$ —	\$ —	\$ 105	\$ 119
Interest cost on benefit obligation	1,802	1,673	140	142
Expected return on plan assets	(2,246)	(2,517)	—	—
Amortization of prior-service costs	—	—	(229)	(229)
Recognized net actuarial loss	588	483	11	45
Net periodic benefit cost	<u>\$ 144</u>	<u>\$ (361)</u>	<u>\$ 27</u>	<u>\$ 77</u>

The weighted-average assumptions used to determine benefit obligations follow:

At December 31,	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Discount rate	3.20%	4.25%	3.55%	4.40%

The selection of a single discount rate for the Maritrans Plan was derived from bond yield curves, which the Company believed as of such dates to be appropriate for ongoing plans with a long duration, such as the Maritrans Plan, and that generally mirror the type of high yield bond portfolio the Company could acquire to offset its obligations under the Maritrans Plan.

The weighted-average assumptions used to determine net periodic benefit cost follow:

For the year ended December 31,	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Discount rate	4.25%	3.55%	4.40%	3.70%
Expected (long-term) return on plan assets	7.25%	7.25%	—	—

The assumed health care cost trend rate for measuring the benefit obligation included in Other Benefits above is an increase of 6.50% as of December 31, 2019, with the rate of increase declining to an ultimate trend rate of 4.75% per annum by 2027. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effects:

	1% increase	1% decrease
Effect on total of service and interest cost components in 2019	\$ 38	\$ (31)
Effect on postretirement benefit obligation as of December 31, 2019	\$ 384	\$ (313)

Expected benefit payments are as follows:

	Pension Benefits	Other Benefits
2020	\$ 2,867	\$ 156
2021	2,946	157
2022	2,978	159
2023	3,024	164
2024	3,090	165
Years 2025-2029	15,335	804
Total	\$ 30,240	\$ 1,605

The expected long-term rate of return on plan assets is based on the current and expected asset allocations. Additionally, the long-term rate of return is based on historical returns, investment strategy, inflation expectations and other economic factors. The expected long-term rate of return is then applied to the market value of plan assets.

The fair values of the Company's pension plan assets at December 31, 2019, by asset category are as follows:

Description	Fair Value	Level 1
Cash and cash equivalents	\$ 595	\$ 595
Equity securities:		
Large cap exchange traded fund	13,994	13,994
Small company - mid value	2,222	2,222
Small company - mid growth	2,167	2,167
International value	2,634	2,634
International growth	2,656	2,656
Fixed income and preferred stock:		
Intermediate term bond fund	12,418	12,418
Small company - mid value - preferred stock	68	68
Total	\$ 36,754	\$ 36,754

Plan fiduciaries of the Retirement Plan of Maritrans, Inc. set investment policies, strategies and oversee its investment allocation, which includes selecting investment managers and setting long term strategic targets. The primary strategic investment objective is to maximize total return while maintaining a broadly diversified portfolio for the primary purpose of satisfying obligations for future benefit payments. Equities are the primary holdings of the Retirement Plan of Maritrans, Inc. Other investments, including fixed income investments, provide diversification, and, in certain cases, lower the volatility of returns. In general, equity can range from 55 to 75 percent of total plan assets, fixed income securities can range from 25 to 45 percent of total plan assets and cash can be held in amounts up to 5 percent of plan assets. Actual asset allocation within the approved ranges varies from time to time based on economic conditions (both current and forecast) and the advice of professional advisors.

The Company contributed \$721 and \$921 to the Marittrans Plan in 2019 and 2018, respectively. The Company expects to make contributions of approximately \$1,619 to the Marittrans Plan in 2020.

Defined Contribution Plans

The Company also had defined contribution plans covering all eligible employees. Contributions are limited to amounts allowable for income tax purposes. Commencing in 2006, employer contributions include both employer contributions made regardless of employee contributions and matching contributions to the plans. All contributions to the plans are at the discretion of the Company. The Company's contributions to the plan were \$2,414 and \$1,956 for the years ended December 31, 2019 and 2018, respectively.

The Company also has an unfunded, nonqualified supplemental savings plan covering highly compensated U.S. shore-based employees of the Company, which was terminated in connection with the Company's filing for bankruptcy in 2012. This plan provided for levels of hypothetical employer contributions that would otherwise have been made under the Company's defined contribution plans in the absence of limitations imposed by income tax regulations. The Company's unfunded obligations under this plan at December 31, 2019 and 2018 were not material.

NOTE 17 — OTHER INCOME/(EXPENSE), NET

Other income/(expense), net consists of:

	Years Ended December 31,	
	2019	2018
Interest income	\$ 1,177	\$ 1,970
Loss on repurchases and extinguishment of debt ⁽¹⁾	(72)	(3,399)
Pension and post retirement items ⁽²⁾	(26)	532
OSG LNG performance guarantee fees	110	135
Miscellaneous-net	251	3
	\$ 1,440	\$ (759)

(1) See Note 8, "Debt," for disclosures relating to loss on mandatory prepayments of debt and loss on repurchases of debt.

(2) The Company includes the service cost component for net periodic benefit cost/(income) in vessel expenses and general and administrative expenses and other components in other income/(expense) on the consolidated statements of operations.

NOTE 18 — COMMITMENTS AND CONTINGENCIES

At December 31, 2019, the Company had aggregate capital commitments of \$45,849, net of progress payments already made aggregating to \$55,823, for the construction of two barges scheduled for delivery in the second quarter of 2020 and in the fourth quarter of 2020. The contracts for these barges require progress payments during the construction periods with a final payment due on delivery. The Company has made all required progress payments to date, and the Company expects to make remaining payments, including those due on delivery, with financing that the Company will need to obtain, operating cash flow and cash on hand. The Company is currently in discussion with potential lenders to obtain such financing.

Legal Proceedings Arising in the Ordinary Course of Business

The Company is a party, as plaintiff or defendant, to various suits in the ordinary course of business for monetary relief arising principally from personal injuries (including without limitation exposure to asbestos and other toxic materials), wrongful death, collision or other casualty and to claims arising under charter parties. A substantial majority of such personal injury, wrongful death, collision or other casualty claims against the Company are covered by insurance (subject to deductibles not material in amount). Each of the claims involves an amount which, in the opinion of management, are not expected to be material to the Company's financial position, results of operations and cash flows.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Overseas Shipholding Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Overseas Shipholding Group, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, cash flows and changes in equity/(deficit) for each of the two years ended in the period December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 13, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), and the related amendments.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ *Ernst & Young LLP*

We have served as the Company’s auditor since 2017.

Tampa, Florida
March 13, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Overseas Shipholding Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Overseas Shipholding Group, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Overseas Shipholding Group, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, cash flows and changes in equity/(deficit) for each of the two years in the period ended December 31, 2019, and the related notes and our report dated March 13, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tampa, Florida
March 13, 2020

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of December 31, 2019 to ensure that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's report on internal control over financial reporting

Management of the Company is responsible for the establishment and maintenance of adequate internal control over financial reporting for the Company. Internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, is a process designed 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. The Company's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, with participation of the CEO and CFO, has performed an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, based on the provisions of "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management has concluded the Company's internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 has been audited by Ernst & Young LLP, the Company's independent registered public accounting firm, as stated in their report included in Item 8, "Financial Statements and Supplementary Data."

(c) Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting during the fourth quarter of fiscal year 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

Dollar amounts in Part III are expressed in whole dollars unless otherwise noted.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

See Item 14 below.

Executive Officers

The table below sets forth the name and age of each executive officer of the Company and the date such executive officer was elected to his or her current position with the Company. The term of office of each executive officer continues until the first meeting of the Board of Directors of the Company immediately following the next annual meeting of its stockholders, and until the election and qualification of his or her successor. There are no family relationships between the executive officers.

Name	Age	Position Held	Date Assumed Executive Officer Position
Samuel H. Norton	61	President and CEO	December 2016
Richard Trueblood	74	Vice President and Chief Financial Officer	July 2017
Susan Allan	57	Vice President, Secretary and General Counsel	November 2016
Patrick O'Halloran	50	Vice President and Chief Operations Officer	December 2016
Damon Mote	52	Vice President and Chief Administrative Officer	December 2016

Samuel H. Norton was appointed CEO and President of OSG in December 2016. Prior to this, he served as Senior Vice President of OSG and President and CEO of the U.S. Flag Strategic Business Unit from July 2016 and has served on the Company's Board of Directors since August 2014. Prior to joining OSG, Mr. Norton Co-Founded SeaChange Maritime, LLC in 2006 and served as its Chairman and Chief Executive Officer. Mr. Norton spent the seventeen-year period ending July 2005 as a senior executive officer at Tanker Pacific Management (Singapore) Pte. Ltd. In 1995, Mr. Norton initiated and led the entry of the Sammy Ofer Group into the container segment, and acquired and operated the first container vessels in the group's fleet. While at Tanker Pacific, Mr. Norton also conceived and started a related business, Tanker Pacific Offshore Terminals (TPOT), which owns and operates a fleet of floating, offshore oil storage terminals (FSO). Prior to joining the Ofer group, Mr. Norton played a lead role in the Asian distressed assets group of the First National Bank of Boston, a position which acquainted him with the shipping industry and the Ofer family. Mr. Norton holds a BA in Chinese Language and Literature from Dartmouth College where he graduated in 1981.

Richard Trueblood, CPA, was appointed as Chief Financial Officer of OSG in December 2017, following his appointment as our interim CFO in July 2017. Mr. Trueblood has been the interim CFO for OSG since July 2017. Prior to OSG, he was a Partner in the Florida CFO Group providing interim and project Chief Financial Officer services to companies such as the technology start-up Heliotrope Technologies, Inc. He has been CFO at Advent Solar Inc. and Troon Golf LLC. He has extensive experience with equity and debt financing with companies at all stages of development including NYSE listed Promus Hotel Corporation where he was Senior Vice President - Finance. Mr. Trueblood was a partner at KPMG where he provided extensive services to clients in strategic business management, mergers and acquisitions, divestitures and SEC compliance. While at KPMG, he led the real estate practices in Boston, Massachusetts and Orange County, California. He also served as a director for UMB Bank Arizona, N.A. for eight years. Mr. Trueblood holds a Bachelor of Science degree from Bentley University.

Susan Allan joined OSG in November 2016 as OSG's Vice President, General Counsel and Corporate Secretary. Ms. Allan has extensive experience in corporate governance and SEC matters from her positions as Vice President, Assistant Corporate Secretary at Jabil Circuit, Inc. from 2009 until September 2016, and as Director, Senior Counsel at Tech Data Corporation from 1997 to 2009. Prior to that, Ms. Allan worked as Director, Senior Counsel at Anchor Glass Container, as an Assistant County Attorney in the Hillsborough County Attorney's Office, and as an associate attorney at Barkan and Neff law firm, all in Tampa. Ms. Allan received her law degree from the University of Southern California Gould School of Law in Los Angeles and her undergraduate degree from George Mason University.

Patrick O'Halloran was appointed as Vice President and Chief Operations Officer of OSG in December 2016 with oversight of all operations, maintenance, SQE and commercial operations for the Company's Fleet. Prior to that, Mr. O'Halloran served as Vice President Marine Operations for the Company since December 2014. Mr. O'Halloran joined OSG in November 2006 as Fleet Manager as part of the acquisition of Maritran Inc., where he served as Fleet Maintenance Manager. He joined Maritran, Inc. in 2002 as Technical Superintendent. Prior to joining Maritran, Mr. O'Halloran was a Surveyor for the American Bureau of Shipping for ten years. Mr. O'Halloran holds a Bachelor of Science degree in Mechanical Engineering from State University of New York – Maritime College and a Master's in Business Administration from the University of South Florida. He sits on the Board of Directors for Alaska Tanker Company LLC, and the Chamber of Shipping of America.

Damon Mote was appointed as Vice President and Chief Administrative Officer of OSG in December 2016 with oversight of the Company's marine labor relations, human resources, and insurance functions. Prior to that, Mr. Mote served as Vice President of Marine Labor Relations since December 2014. Mr. Mote joined the Company in 2004 as Manager, Major Projects and then served as Director, New Construction beginning in 2006. In 2011 he was appointed as the Regional Manager of the Technical Services Group, which included responsibilities for engineering, purchasing, and the fleet management software system. Prior to joining OSG, he worked for fourteen years with Crowley Maritime. Mr. Mote holds a Bachelor of Science in Marine Engineering from California Maritime Academy.

ITEM 11. EXECUTIVE COMPENSATION

See Item 14 below.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

See Item 14 below.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

See Item 14 below.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Except for the information set forth in item 10, the information called for under Items 10, 11, 12, 13 and 14 is incorporated herein by reference from the definitive Proxy Statement to be filed by the Company in connection with its 2020 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a)(1) The following consolidated financial statements of the Company are filed in response to Item 8.
- Consolidated Balance Sheets at December 31, 2019 and 2018.
- Consolidated Statements of Operations for the Years Ended December 31, 2019 and 2018.
- Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019 and 2018.
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2019 and 2018.
- Consolidated Statements of Changes in Equity for the Years Ended December 31, 2019 and 2018.
- Notes to Consolidated Financial Statements.
- Reports of Independent Registered Public Accounting Firms.
- (a)(2) The schedules of the Company have been omitted since they are not applicable or are not required.
- (a)(3) The following exhibits are included in response to Item 15(b):
- 2.1 [Separation and Distribution Agreement, dated as of November 30, 2016, by and between Overseas Shipholding Group, Inc. and International Seaways, Inc. \(filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated December 2, 2016 and incorporated herein by reference\).](#)
- 3.1 [Amended and Restated Certificate of Incorporation of the Registrant \(filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q dated August 9, 2016 and incorporated herein by reference\).](#)
- 3.2 [Amended and Restated Bylaws of the Registrant \(filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on August 8, 2014, dated August 5, 2014 and incorporated herein by reference\).](#)
- 4.1 [Class A Warrant Agreement, dated as of August 5, 2014, between the Registrant and Computershare Trust Company, N.A., as Warrant Agent \(filed as Exhibit 4.1 to Registrant's Current Report on Form 8-K filed on August 8, 2014, dated August 5, 2014 and incorporated herein by reference\).](#)
- 4.2 [Form of Class A Warrant Certificate \(included in Exhibit 4.1\).](#)

- 4.3 [Class B Warrant Agreement, dated as of August 5, 2014, between the Registrant and Computershare Trust Company, N.A., as Warrant Agent \(filed as Exhibit 4.2 to Registrant's Current Report on Form 8-K filed on August 8, 2014, dated August 5, 2014 and incorporated herein by reference\).](#)
- 4.4 [Form of Class B Warrant Certificate \(included in Exhibit 4.2\).](#)
- 4.5 [Registration Rights Agreement, dated as of May 2, 2014, between the Registrant and certain stockholders party thereto \(filed as Exhibit 4.5 to Registrant's Registration Statement on Form S-1 filed on August 20, 2014 and incorporated herein by reference\).](#)
- 4.6 [Amendment to Registration Rights Agreement, dated as of May 26, 2014, between the Registrant and certain stockholders party thereto \(filed as Exhibit 4.6 to Registrant's Statement on Form S-1 filed on August 20, 2014 and incorporated herein by reference\).](#)
- 4.7 [Indenture dated as of March 7, 2003 between the Registrant and Wilmington Trust Company, as trustee, providing for the issuance of debt securities of the Registrant from time to time \(filed as Exhibit 4\(e\)\(1\) to the Registrant's Registration Statement on Form S-4 filed May 5, 2003 and incorporated herein by reference\) \(No. 333-105018\) \(filed May 5, 2003\). Such Indenture is hereby modified, effective as of January 13, 2004, by deleting all references therein to "Wilmington Trust Company", "March 7, 2003" and any specific day, month and/or year and substituting therefore blank spaces.](#)
- 4.8 [Form of First Supplemental Indenture dated as of February 19, 2004 between the Registrant and Wilmington Trust Company, as trustee \(filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated February 18, 2004 and incorporated herein by reference\) \(No. 001-06479\) \(filed February 18, 2004\).](#)
- 4.9 [Second Supplemental Indenture dated as of August 5, 2014 between the Registrant and Wilmington Trust Company, as trustee \(filed as Exhibit 4.3 to Registrant's Current Report on Form 8-K dated August 8, 2014 and incorporated herein by reference\).](#)
- 4.1 [Third Supplemental Indenture dated as of August 5, 2014 between the Registrant and Wilmington Trust Company, as trustee \(filed as Exhibit 4.4 to Registrant's Current Report on Form 8-K dated August 8, 2014 and incorporated herein by reference\).](#)
- 4.11 [Fifth Supplemental Indenture, dated as of December 16, 2015, relating to the 7.50% Senior Notes I due 2021, between Overseas Shipholding Group, Inc. and Wilmington Trust Company, as Trustee \(filed as Exhibit 4.2 to Registrant's Current Report on Form 8-K dated December 16, 2015 and incorporated herein by reference\).](#)
- 4.12 [Sixth Supplemental Indenture, dated as of December 16, 2015, relating to the 7.50% Senior Notes II due 2021, between Overseas Shipholding Group, Inc. and Wilmington Trust Company, as Trustee \(filed as Exhibit 4.3 to Registrant's Current Report on Form 8-K dated December 16, 2015 and incorporated herein by reference\).](#)
- 4.13 [Indenture dated as of March 29, 2010, between the Registrant and the Bank of New York Mellon, as trustee, for the issuance of debt securities of the Registrant from time to time \(filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated March 29, 2010 and incorporated herein by reference\).](#)
- 4.14 [Form of 8 1/8% Senior Notes due 2018 of the Registrant \(filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated March 29, 2010 and incorporated herein by reference\).](#)
- 4.15 [First Supplemental Indenture, dated as of December 16, 2015, relating to the 8.125% Senior Notes due 2018, between Overseas Shipholding Group, Inc. and The Bank of New York Mellon, as Trustee \(filed as Exhibit 4.1 to Registrant's Current Report on Form 8-K dated December 16, 2015 and incorporated herein by reference\).](#)
- 4.16** [Description of Company's Common Stock.](#)

- 10.1 [ABL Credit Agreement dated as of August 5, 2014, among the Registrant, OSG Bulk Ships, Inc. \(“OBS”\), certain subsidiaries of OBS as other guarantors, various lenders, Jefferies Finance LLC, Barclays Bank PLC and UBS Securities LLC, as joint lead arrangers and joint book running managers, Wells Fargo Bank, National Association, as administrative agent, Barclays Bank PLC and UBS Securities LLC, as co-documentation agents, Jefferies Finance LLC, as syndication agent, Wells Fargo Bank, National Association, as collateral agent and mortgage trustee, swingline lender and issuing bank \(the “ABL Credit Agreement”\) \(filed as Exhibit 10.1 to Registrant’s Registration Statement on Form S-1 filed on August 20, 2014 and incorporated herein by reference\).](#)
- 10.2 [First Amendment, dated as of June 3, 2015, to the ABL Credit Agreement \(filed as Exhibit 10.1 to Registrant’s Current Report on Form 8-K dated June 9, 2015 and incorporated herein by reference\).](#)
- 10.3 [DTL Credit Agreement dated as of August 5, 2014, among the Registrant, OBS, certain subsidiaries of OBS as other guarantors, various lenders, Jefferies Finance LLC, Barclays Bank PLC and UBS Securities LLC, as joint lead arrangers and joint book running managers, Jefferies Finance LLC, as administrative agent, Barclays Bank PLC and UBS Securities LLC, as co-documentation agents, Jefferies Finance LLC, as syndication agent, collateral agent and mortgage trustee \(the “DTL Credit Agreement”\) \(filed as Exhibit 10.2 to Registrant’s Registration Statement on Form S-1 filed on August 20, 2014 and incorporated herein by reference\).](#)
- 10.4 [First Amendment, dated as of June 3, 2015, to the DTL Credit Agreement \(filed as Exhibit 10.2 to Registrant’s Current Report on Form 8-K dated June 9, 2015 and incorporated herein by reference\).](#)
- *10.5 [Supplemental Executive Savings Plan of the Registrant dated as of December 22, 2005, as amended by Amendment One effective as of January 1, 2006 \(filed as Exhibit 10\(iii\)\(a\) to the Registrant’s Annual Report on Form 10-K for 2008 and incorporated herein by reference\) \(No. 001-06479\) \(filed March 2, 2009\).](#)
- *10.6 [Form of Director Indemnity Agreement for the directors of the Registrant \(filed as Exhibit 10.8 to Registrant’s Registration Statement on Form S-1 filed on August 20, 2014 and incorporated herein by reference\).](#)
- 10.7 [Incentive Compensation Recoupment Policy for Executive Officers \(filed as Exhibit 99.2 to the Registrant’s Current Report on Form 8-K dated January 25, 2010 and incorporated herein by reference\).](#)
- *10.8 [Engagement letter dated as of November 1, 2012 by and between the Registrant and Greylock Partners, LLC \(filed as Exhibit 99.2 to the Registrant’s Current Report on Form 8-K dated November 15, 2012 and incorporated herein by reference\) \(No. 001-06479\) \(filed 11/14/12\).](#)
- *10.9 [Engagement letter dated as of August 6, 2014 by and between Registrant and Greylock Partners, LLC \(filed as Exhibit 10.12 to Amendment No. 1 to Registrant’s Registration Statement on Form S-1 filed on September 30, 2014 and incorporated herein by reference\).](#)
- *10.10 [Severance Plan of the Registrant effective April 1, 2013 \(filed as Exhibit 10.11 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference\).](#)
- *10.11 [Management Incentive Compensation Plan \(filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated September 23, 2014 and incorporated herein by reference\).](#)
- *10.12 [Non-Employee Director Incentive Compensation Plan \(filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated September 23, 2014 and incorporated herein by reference\).](#)
- *10.13 [Management Incentive Compensation Plan Stock Option Grant Agreement \(Subject to stockholder approval\) \(filed as Exhibit 10.3 to the Registrant’s Current Report on Form 8-K dated September 23, 2014 and incorporated herein by reference\).](#)
- *10.14 [Management Incentive Compensation Plan Stock Option Grant Agreement \(Not subject to stockholder approval\) \(filed as Exhibit 10.4 to the Registrant’s Current Report on Form 8-K dated September 23, 2014 and incorporated herein by reference\).](#)

- *10.15 [Management Incentive Compensation Plan Restricted Stock Unit Grant Agreement \(Subject to stockholder approval\) \(filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K dated September 23, 2014 and incorporated herein by reference\).](#)
- *10.16 [Management Incentive Compensation Plan Restricted Stock Unit Grant Agreement \(Not subject to stockholder approval\) \(filed as Exhibit 10.6 to the Registrant's Current Report on Form 8-K dated September 23, 2014 and incorporated herein by reference\).](#)
- *10.17 [Form of Officers Indemnity Agreement for the officers of the Registrant \(filed as Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference\).](#)
- *10.18 [Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.13 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and incorporated herein by reference\).](#)
- *10.19 [Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.14 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and incorporated herein by reference\).](#)
- *10.20 [Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.15 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and incorporated herein by reference\).](#)
- *10.21 [Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference\).](#)
- *10.22 [Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.23 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference\).](#)
- *10.23 [Amendment No. 1 dated as of March 2, 2015 to Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference\).](#)
- *10.24 [Employment Agreement dated as of December 19, 2014 between the Registrant and an executive \(filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference\).](#)
- *10.25 [Employment Agreement dated as of January 20, 2015 between the Registrant and an executive \(filed as Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference\).](#)
- *10.26 [Employment Agreement dated as of February 13, 2015 between the Registrant and an executive \(filed as Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference\).](#)
- *10.27 [Letter Agreement dated as of August 31, 2015 between the Registrant and a former director \(filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 and incorporated herein by reference\).](#)
- *10.28 [Letter Agreement dated as of August 31, 2015 between the Registrant and a former director \(filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 and incorporated herein by reference\).](#)

- *10.29 [Letter Agreement dated August 11, 2014 with an executive officer \(filed as Exhibit 10.7 to Registrant's Registration Statement on Form S-1 filed on August 20, 2014 and incorporated herein by reference\).](#)
- *10.30 [Settlement, Release and Indemnity Agreement dated as of February 3, 2015 between the Registrant, certain subsidiaries of the Registrant and an executive \(filed as Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference\).](#)
- *10.31 [Amendment No. 1 dated as of March 30, 2016 to Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated April 5, 2016 and incorporated herein by reference\).](#)
- *10.32 [Amendment No. 2 dated as of August 3, 2016 to Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 and incorporated herein by reference\).](#)
- *10.33 [Amendment No. 3 dated as of November 7, 2016 to Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated November 14, 2016 and incorporated herein by reference\).](#)
- *10.34 [Amendment No. 1 dated as of March 30, 2016 to Employment Agreement dated as of February 13, 2015 between the Registrant and an executive \(filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K dated April 5, 2016 and incorporated herein by reference\).](#)
- *10.35 [Amendment No. 2 dated as of August 3, 2016 to Employment Agreement dated as of February 13, 2015 between the Registrant and an executive \(filed as Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 and incorporated herein by reference\).](#)
- *10.36 [Amendment No. 3 dated as of November 7, 2016 to Employment Agreement dated as of February 13, 2015 between the Registrant and an executive \(filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated November 14, 2016 and incorporated herein by reference\).](#)
- *10.37 [Amendment No. 1 dated as of March 30, 2016 to Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated April 5, 2016 and incorporated herein by reference\).](#)
- *10.38 [Amendment No. 2 dated as of August 3, 2016 to Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 and incorporated herein by reference\).](#)
- *10.39 [Letter Agreement dated November 7, 2016 with an executive officer \(filed as Exhibit 10.3 to Registrant's Current Report on Form 8-K dated November 14, 2016 and incorporated herein by reference\).](#)
- *10.40 [Amendment No. 1 dated as of March 30, 2016 to Employment Agreement dated as of December 19, 2014 between the Registrant and an executive \(filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K dated April 5, 2016 and incorporated herein by reference\).](#)
- *10.41 [Amendment No. 2 dated as of August 3, 2016 to Employment Agreement dated as of December 19, 2014 between the Registrant and an executive \(filed as Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 and incorporated herein by reference\).](#)
- *10.42 [Letter Agreement dated November 7, 2016 with an executive officer \(filed as Exhibit 10.4 to Registrant's Current Report on Form 8-K dated November 14, 2016 and incorporated herein by reference\).](#)
- *10.43 [Amendment No. 1 dated as of March 30, 2016 to Employment Agreement dated as of September 29, 2014 between the Registrant and an executive \(filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated April 5, 2016 and incorporated herein by reference\).](#)

- *10.44 [Separation Agreement dated July 29, 2016 between the Registrant and a former executive \(filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 and incorporated herein by reference\).](#)
- *10.45 [Employment Agreement dated as of July 17, 2016 between the Registrant and an executive \(filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 and incorporated herein by reference\).](#)
- *10.46 [Employment Agreement dated as of November 10, 2016 between the Registrant and an executive \(filed as Exhibit 10.47 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference\).](#)
- *10.47 [Employment Agreement dated as of November 29, 2016 between the Registrant and an executive \(filed as Exhibit 10.48 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference\).](#)
- *10.48 [Amendment No. 1 to Employment Agreement dated as of December 12, 2016 between the Registrant and an executive \(filed as Exhibit 10.49 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference\).](#)
- 10.49 [Transition Services Agreement, dated as of November 30, 2016, between Overseas Shipholding Group, Inc. and International Seaways, Inc. \(filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated December 2, 2016 and incorporated herein by reference\).](#)
- 10.50 [Employee Matters Agreement, dated as of November 30, 2016, between Overseas Shipholding Group, Inc. and International Seaways, Inc. \(filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated December 2, 2016 and incorporated herein by reference\).](#)
- *10.51 [Form of Overseas Shipholding Group, Inc. Management Incentive Comprehensive Plan Performance Restricted Stock Unit Grant Agreement \(filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 and incorporated herein by reference\).](#)
- *10.52 [Overseas Shipholding Group, Inc. Management Incentive Comprehensive Plan Performance Restricted Stock Unit Grant Agreement, Form PB-TSR 2017 \(filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference\).](#)
- *10.53 [Overseas Shipholding Group, Inc. Management Incentive Comprehensive Plan Performance Restricted Stock Unit Grant Agreement, Form PB-ROIC 2017 \(filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference\).](#)
- *10.54 [Overseas Shipholding Group, Inc. Management Incentive Comprehensive Plan Time-Based Restricted Stock Unit Grant Agreement, Form TB-Officer 2017 \(filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference\).](#)
- *10.55 [Overseas Shipholding Group, Inc. Management Incentive Comprehensive Plan Stock Option Grant Agreement, Form StOp 2017 \(filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference\).](#)
- *10.56 [Overseas Shipholding Group, Inc. Non-Employee Director Incentive Compensation Plan approved by the stockholders at the Annual Meeting of Stockholders held on June 6, 2017, effective June 6, 2017.](#)
- *10.57 [Letter Agreement dated as of July 17, 2017 between the Registrant and an executive \(filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated July 17, 2017 and incorporated herein by reference\).](#)
- *10.58 [Employment Agreement dated as of November 30, 2017 between the Registrant and an executive \(filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated December 4, 2017 and incorporated herein by reference\).](#)

- *10.59 [Employment Agreement dated as of November 30, 2017 between the Registrant and an executive.](#)
- *10.60 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Stock Bonus Grant Agreement, Form “Stock Bonus Shares”.](#)
- *10.61 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Stock Option Grant Agreement.](#)
- *10.62 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Stock Bonus Grant Agreement.](#)
- *10.63 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Time-Based Restrictive Stock Unit Grant Agreement, Form “TB-Officer”.](#)
- *10.64 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Performance-Based Restrictive Stock Unit Grant Agreement, Form “PB-TSR”.](#)
- *10.65 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Performance-Based Restrictive Stock Unit Grant Agreement, Form “PB-ROIC”.](#)
- *10.66 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Stock Bonus Grant Agreement.](#)
- *10.67 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Stock Option Grant Agreement.](#)
- *10.68 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Time-Based Restricted Stock Unit Grant Agreement Form TB-Officer 20.](#)
- *10.69 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Performance-Based Restricted Stock Unit Grant Agreement Form PB 20 -ROIC.](#)
- *10.70 [Form of Overseas Shipholding Group, Inc. Management Incentive Compensation Plan Performance-Based Restricted Stock Unit Grant Agreement Form PB-TSR 20.](#)
- *10.71 [Employment Agreement dated as of December 15, 2018 between the Registrant and an executive \(filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated December 15, 2018 and incorporated herein by reference\).](#)
- 10.72 [Term Loan Credit Agreement dated as of December 21, 2018, among the Registrant, certain subsidiaries of the Registrant, various lenders, PGIM, Inc., as arranger and administrative agent, The Prudential Insurance Company of America and Ally Bank, as co-syndication agents, AB Private Credit Investors Corporation, as documentation agent, PGIM, Inc., as collateral agent and mortgage trustee \(the “Term Loan Credit Agreement”\) \(filed as Exhibit 10.1 to Registrant’s Current Report on Form 10-K dated December 21, 2018 and incorporated herein by reference\).](#)
- 10.73 [Second Amendment, dated as of December 21, 2018, to the ABL Credit Agreement \(filed as Exhibit 10.2 to Registrant’s Current Report on Form 8-K dated December 21, 2018 and incorporated herein by reference\).](#)
- 10.74 [2019 Incentive Compensation Plan for Management \(filed as Appendix A to the Registrant’s Form DEF 14A dated May 30, 2019 and incorporated herein by reference\).](#)
- 10.75 [Form of Overseas Shipholding Group, Inc. Non-Employee Director Incentive Compensation Plan Time-Based Restricted Stock Unit Award Agreement Form Non-Employee Director.](#)

- 10.76 [Loan and Security Agreement dated as of August 7, 2019 between Overseas Gulf Coast LLC, subsidiary of Registrant, as borrower, and Banc of America Leasing & Capital, LLC, as lender.](#)
- 10.77 [Loan and Security Agreement dated as of August 7, 2019 between Overseas Sun Coast LLC, subsidiary of Registrant, as borrower, and Pacific Western Bank, as lender.](#)
- 10.78 [First Amendment to Loan and Security Agreement dated as of September 30, 2019 between Overseas Gulf Coast LLC, subsidiary of Registrant, as borrower, and Banc of America Leasing & Capital, LLC, as lender.](#)
- 10.79 [First Amendment to Loan and Security Agreement dated as of September 30, 2019 between Overseas Sun Coast LLC, subsidiary of Registrant, as borrower, and Pacific Western Bank, as lender.](#)
- 21** [List of subsidiaries of the Registrant.](#)
- 23.1** [Consent of Independent Registered Public Accounting Firm.](#)
- 31.1** [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) and 15d-14\(a\), as amended.](#)
- 31.2** [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) and 15d-14\(a\), as amended.](#)
- 32** [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Schema.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase.
- 101.LAB XBRL Taxonomy Extension Label Linkbase.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase.
- (1) The Exhibits marked with one asterisk (*) are a management contract or a compensatory plan or arrangement required to be filed as an exhibit.
- (2) The Exhibits which have not previously been filed or listed are marked with two asterisks (**).

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 13, 2020

OVERSEAS SHIPHOLDING GROUP, INC.

By: /s/ RICHARD TRUEBLOOD
Richard Trueblood
Vice President
and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. Each of such persons appoints Samuel H. Norton and Richard Trueblood, and each of them, as his agents and attorneys-in-fact, in his name, place and stead in all capacities, to sign and file with the SEC any amendments to this report and any exhibits and other documents in connection therewith, hereby ratifying and confirming all that such attorneys-in-fact or either of them may lawfully do or cause to be done by virtue of this power of attorney.

Name	Date
<u>/s/ SAMUEL H. NORTON</u> Samuel H. Norton, Principal Executive Officer and Director	March 13, 2020
<u>/s/ DOUGLAS D. WHEAT</u> Douglas D. Wheat, Director	March 13, 2020
<u>/s/ JOHN P. REDDY</u> John P. Reddy, Director	March 13, 2020
<u>/s/ JOSEPH I. KRONBERG</u> Joseph I. Kronsberg, Director	March 13, 2020
<u>/s/ JULIE E. SILCOCK</u> Julie E. Silcock, Director	March 13, 2020
<u>/s/ ANJA L. MANUEL</u> Anja L. Manuel, Director	March 13, 2020
<u>/s/ GARY EUGENE TAYLOR</u> Gary Eugene Taylor, Director	March 13, 2020
<u>/s/ TY E. WALLACH</u> Ty E. Wallach, Director	March 13, 2020