OVERSEAS SHIPHOLDING GROUP INC
Form 10-Q
November 09, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

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 1-6479-1

OVERSEAS SHIPHOLDING GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	13-2637623
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1301 Avenue of the Americas, New York, New York	10019
(Address of principal executive offices)	(Zip Code)

(212) 953-4100
Registrant's telephone
number, including area
code

No Change
Former
name, former
address and
former fiscal
year,
if changed
since last
report

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, 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 or a smaller reporting company. See the definitions of “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer x

Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ¨ NO x

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date. The number of shares outstanding of each of the issuer's classes of common stock as of November 3, 2015: Class A common stock, par value $0.01– 311,905,155 shares; Class B common stock, par value $0.01– 7,388,126 shares. Excluded from these amounts are penny warrants, which were outstanding as of November 3, 2015, for the purchase of 208,582,187 shares of Class A common stock and 530,188 shares of Class B common stock.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

DOLLARS IN THOUSANDS

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 628,015	$ 389,226
Restricted cash	17,579	53,085
Voyage receivables, including unbilled of $66,798 and $85,094	74,787	101,513
Income tax recoverable	56,140	55,856
Other receivables	8,092	8,293
Inventories, prepaid expenses and other current assets	22,123	24,290
Deferred income taxes	5,312	5,312
Total Current Assets	812,048	637,575
Restricted cash - non current	8,989	70,093
Vessels and other property, less accumulated depreciation of $706,706 and $625,322	2,115,861	2,213,217
Deferred drydock expenditures, net	80,299	62,413
Total Vessels, Deferred Drydock and Other Property	2,196,160	2,275,630
Investments in and advances to affiliated companies	343,645	334,863
Intangible assets, less accumulated amortization of $40,633 and $37,183	51,367	54,817
Other assets	62,627	63,513
Total Assets	$ 3,474,836	$ 3,436,491
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	$ 85,746	$ 96,066
Income taxes payable	621	906
Current installments of long-term debt	61,314	12,314
Total Current Liabilities	147,681	109,286
Reserve for uncertain tax positions	2,228	34,520
Long-term debt	1,497,400	1,656,353
Deferred income taxes	199,569	283,277
Other liabilities	65,555	66,968
Total Liabilities	1,912,433	2,150,404
Equity:		
Common stock	3,192	3,158
Paid-in additional capital	1,509,755	1,507,334
Retained earnings/(accumulated deficit)	133,668	(141,025)

	1,646,615	1,369,467
Accumulated other comprehensive loss	(84,212)	(83,380)
Total Equity	1,562,403	1,286,087
Total Liabilities and Equity	$ 3,474,836	$ 3,436,491

See notes to condensed consolidated financial statements

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OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Shipping Revenues:				
Pool revenues, including $10,374, $26,726, $36,510 and $63,949 received from companies accounted for by the equity method	$97,797	$44,979	$267,157	$118,456
Time and bareboat charter revenues	111,120	95,733	328,816	287,470
Voyage charter revenues	32,835	65,571	124,808	334,580
	241,752	206,283	720,781	740,506
Operating Expenses:				
Voyage expenses	8,164	30,046	30,348	178,068
Vessel expenses	70,448	68,066	207,966	201,463
Charter hire expenses	31,993	34,650	95,018	120,115
Depreciation and amortization	38,743	38,063	113,731	113,393
General and administrative	21,376	19,119	58,129	63,029
Technical management transition costs	-	854	40	2,686
Severance and relocation costs	-	3,713	5	18,360
Gain on disposal of vessels and other property	(3,185)	(2,753)	(4,258)	(4,234)
Total Operating Expenses	167,539	191,758	500,979	692,880
Income from vessel operations	74,213	14,525	219,802	47,626
Equity in income of affiliated companies	10,978	11,313	35,220	29,444
Operating income	85,191	25,838	255,022	77,070
Other (expense)/income	(1,963)	99	(1,842)	378
Income before interest expense, reorganization items and income taxes	83,228	25,937	253,180	77,448
Interest expense	(29,191)	(29,111)	(86,691)	(203,745)
Income/(loss) before reorganization items and income taxes	54,037	(3,174)	166,489	(126,297)
Reorganization items, net	(1,420)	(49,756)	(6,344)	(165,135)
Income/(loss) before income taxes	52,617	(52,930)	160,145	(291,432)
Income tax benefit	120,737	63,544	114,548	112,629
Net Income/(loss)	$173,354	$10,614	$274,693	$(178,803)
Weighted Average Number of Common Shares Outstanding:				
Basic - Class A	520,678,592	322,529,046	520,622,720	108,691,107

Diluted - Class A	520,731,354	322,529,765	520,710,899	108,691,107
Basic and Diluted - Class B and Common Stock	7,920,566	16,532,116	7,922,754	25,903,529
Per Share Amounts:				
Basic net income/(loss) - Class A and Class B	$0.33	$0.03	$0.52	$(1.33)
Diluted net income/(loss) - Class A and Class B	$0.33	$0.03	$0.52	$(1.33)

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

DOLLARS IN THOUSANDS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income/(Loss)	$ 173,354	$ 10,614	$ 274,693	$ (178,803)
Other Comprehensive Income/(Loss), net of tax:				
Net change in unrealized losses on cash flow hedges	(5,861)	4,853	(1,024)	1,136
Defined benefit pension and other postretirement benefit plans:				
Net change in unrecognized prior service costs	(9)	(1)	(3)	16
Net change in unrecognized actuarial losses	479	25	195	(335)
Other Comprehensive Income/(Loss), net of tax	(5,391)	4,877	(832)	817
Comprehensive Income/(Loss)	$ 167,963	$ 15,491	$ 273,861	$ (177,986)

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

DOLLARS IN THOUSANDS

(UNAUDITED)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash Flow from Operating Activities		
Net income/(loss)	$274,693	$(178,803)
Items included in net income/(loss) not affecting cash flows:		
Depreciation and amortization	113,731	113,393
Amortization of debt discount and other deferred financing costs	8,009	1,689
Compensation relating to restricted stock and stock option grants	2,511	644
Deferred income tax benefit	(83,151)	(76,141)
Undistributed earnings of affiliated companies	(29,497)	(25,947)
Deferred payment obligations on charters-in	590	2,669
Reorganization items, non-cash	225	55,511
Other-net	1,422	1,945
Items included in net income/(loss) related to investing and financing activities:		
Gain on disposal of vessels and other property - net	(4,258)	(4,234)
Payments for drydocking	(38,269)	(29,385)
Bankruptcy claim payments	(7,916)	(786,651)
Deferred financing costs paid for loan modification	(6,187)	-
Changes in operating assets and liabilities	(20,368)	182,689
Net cash provided by/(used in) operating activities	211,535	(742,621)
Cash Flows from Investing Activities:		
Change in restricted cash	96,610	(131,703)
Expenditures for vessels	(769)	(32,068)
Proceeds from disposal of vessels and other property	16,954	16,081
Expenditures for other property	(53)	(345)
Investments in and advances to affiliated companies	(153)	-
Repayments of advances from affiliated companies	25,000	30,197
Other - net	(8)	647
Net cash provided by/(used in) investing activities	137,581	(117,191)
Cash Flows from Financing Activities		
Issuance of common stock, net of issuance costs	-	1,510,000
Issuance of debt, net of issuance and deferred financing costs	-	1,178,760
Payments on debt, including adequate protection payments	(9,235)	(2,134,368)
Repurchase of debt	(101,092)	-
Purchases of treasury stock	-	(162)
Net cash (used in)/provided by financing activities	(110,327)	554,230

Net increase/(decrease) in cash and cash equivalents	238,789	(305,582)
Cash and cash equivalents at beginning of year	389,226	601,927
Cash and cash equivalents at end of period	$628,015	$296,345

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICIT)

DOLLARS IN THOUSANDS

(UNAUDITED)

	Common Stock*	Paid-in Additional Capital**	Retained Earnings/ (Accumulated Deficit)	Treasury Stock Shares	Amount	Accumulated Other Comprehensive Loss***	Total
Balance at January 1, 2015	$ 3,158	$ 1,507,334	$ (141,025)	-	$ -	$ (83,380)	$ 1,286,087
Net income			274,693				274,693
Other comprehensive loss						(832)	(832)
Issuance of restricted stock awards	3	(3)					-
Forfeitures of restricted stock awards	-	(56)					(56)
Compensation related Class A options granted		391					391
Compensation related to Class A restricted stock awards		2,120					2,120
Conversion of warrants to common stock	31	(31)					-
Balance at September 30, 2015	$ 3,192	$ 1,509,755	$ 133,668	-	$ -	$ (84,212)	$ 1,562,403
Balance at January 1, 2014	$ 44,291	$ 413,753	$ 386,250	13,575,339	$ (835,197)	$ (69,344)	$ (60,247)
Net loss			(178,803)				(178,803)
Other comprehensive income						817	817
Forfeitures of restricted stock awards		3,110		138,330	(3,110)		-
Cancellation of common stock	(44,291)	(419,176)	(375,002)	(13,743,949)	838,469		-
Issuance of common stock	3,148	1,506,852					1,510,000
	3	(3)					-

Issuance of restricted stock awards							
Compensation related to options granted		278					278
Amortization of restricted stock awards		2,162					2,162
Purchases of treasury stock				30,280	(162)		(162)
Balance at September 30, 2014	$3,151	$1,506,976	$(167,555)	-	$-	$(68,527)	$1,274,045

* Par value $0.01 per share; 1,000,000,000 Class A shares authorized; 311,905,155 Class A shares outstanding as of September 30, 2015; and Par value $0.01 per share; 7,926,805 Class B shares authorized; 7,351,723 shares outstanding as of September 30, 2015.

** Includes outstanding warrants issued at $3.00 per warrant comprised of 209,279,786 Class A warrants and 568,215 Class B warrants as of September 30, 2015.

*** Amounts are net of tax

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Basis of Presentation:

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and notes required by generally accepted accounting principles in the United States. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of the results have been included. Operating results for the three and nine months ended September 30, 2015, are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The condensed consolidated balance sheet as of December 31, 2014 has been derived from the audited financial statements at that date (revised for certain corrections described below), but does not include all of the information and notes required by generally accepted accounting principles in the United States for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 (“Form 10-K”).

The December 31, 2014 balance sheet has been revised from that previously reported in the Form 10-K to reflect the correction of an error identified during the financial close reporting process for the second quarter of 2015 related to the classification of restricted cash for the OIN Term Loan. The Company assessed the materiality of the error on previously issued annual financial statements in accordance with SEC Staff Accounting Bulletin No. 99 and concluded that the revision is not material to the consolidated financial statements taken as a whole. The balance sheet as of December 31, 2014 has been revised to reclassify restricted cash of $70,093 from current assets to non-current assets and to reflect a corresponding reduction in the previously reported amount for total current assets. The error had no impact on the Company’s consolidated statements of operations, comprehensive income/(loss), changes in equity/(deficit) or cash flows. The impact of this error on the March 31, 2015 balance sheet previously reported in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 was an overstatement of total current assets and a corresponding understatement of long term assets by $77,999.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The quarterly information for the three and nine months ended September 30, 2014 has been revised from that previously reported in the September 2014 Quarterly Report on Form 10-Q to reflect the correction of an error related to the overstatement of depreciation expense recorded on certain International Flag vessels. The error was identified and corrected during the 2014 year-end financial close and reporting process. The Company assessed the materiality of the error on previously issued interim financial statements for the quarters ended March 31, June 30, and September 30, 2014, in accordance with SEC Staff Accounting Bulletin No. 99, and concluded that the revisions were not material to the condensed consolidated financial statements for any of the affected quarterly periods. The condensed consolidated statement of operations for the three and nine months ended September 30, 2014 presented herein reflects decreases of $2,169 and $6,446, respectively, in previously reported depreciation and amortization and total operating expenses. Additionally there were increases of $2,169 and $6,446 for the three and nine months ended September 30, 2014, respectively, in each of income from vessel operations, operating income, income before interest expense, reorganization items and income taxes, income before reorganization items and income taxes, income before income taxes and net income, and an increase of $0.01 and $0.05 in previously reported basic and diluted earnings per share. The condensed consolidated statement of comprehensive loss for the three and nine months ended September 30, 2014 reflects increases of $2,169 and $6,446 in previously reported net income and decreases of $2,169 and $6,446 in previously reported comprehensive loss. The condensed consolidated statement of cash flows for the nine months ended September 30, 2014 reflects decreases of $6,466 in previously reported depreciation and amortization and net loss. The condensed consolidated statement of changes in equity for the nine months ended September 30, 2014 reflects a decrease of $6,446 in previously reported net loss and an increase of $6,446 in previously reported total equity.

Dollar amounts, except per share amounts are in thousands.

Note 2 — Chapter 11 Filing and Emergence from Bankruptcy:

On November 14, 2012 (the “Petition Date”), the Company and 180 of its subsidiaries (together with OSG, the “Debtors”) filed voluntary petitions for reorganization under Chapter 11 of the U.S. Code (the “Bankruptcy Code”) in the U.S. Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The Debtors filed with the Bankruptcy Court a plan of reorganization (the “Equity Plan”). The Bankruptcy Court confirmed the Equity Plan by order entered on July 18, 2014 (the “Confirmation Order”). On August 5, 2014 (the “Effective Date”), the Equity Plan became effective and OSG emerged from bankruptcy. As of November 9, 2015, only one of the original 181 Chapter 11 cases remains open.

Reorganization Items, net

The Company prepared its consolidated financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852, *Reorganizations*, which requires that financial statements for periods subsequent to the Petition Date distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly all transactions (including but not limited to, all professional fees and other expenses, realized gains and losses, and provisions for losses) directly associated with the reorganization and restructuring of the business are reported separately as reorganization items in the condensed consolidated statements of operations.

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

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended September 30,	
	2015	2014
Trustee fees	$ 2	$ 1,046
Professional fees	1,418	44,004
Provision for and expenses incurred on rejected executory contracts including post-petition interest	-	652
Provision for post-petition interest on debt facilities	-	3,890
Provision for post-petition interest on other claims	-	145
Other claims adjustments	-	19
	$ 1,420	$ 49,756

	Nine Months Ended September 30,	
	2015	2014
Trustee fees	$ 173	$ 2,574
Professional fees	6,363	106,729
Provision for and expenses incurred on rejected executory contracts including post-petition interest (a)	-	6,864
Provision for post-petition interest on debt facilities (a)	-	15,416
Provision for post-petition interest on other claims	-	1,765
2004 Stock Incentive Plan termination	-	1,796
Provision for class action lawsuit and other subordinated claims	-	17,000
Other claims adjustments	(192)	12,991
	$ 6,344	$ 165,135

(a) Contractual post-petition interest for debt facilities and certain rejected executory contracts of $167,451 and $7,025, respectively, is reported as interest expense in the condensed consolidated statements of operations for the nine months ended September 30, 2014. See Note 5, "Debt."

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The table above reflects a 2014 provision for the Company's agreement to a stipulated settlement for a Class Action claim filed with the Bankruptcy Court, which provides for cash payments of $15,000 and certain payments contingent upon the outcome of the Company's malpractice lawsuit against Proskauer and other events. The Company incurred fees totaling $103 and $2,657 during the three and nine month periods ended September 30, 2015, respectively, and $3,834 and $12,731 during the three and nine month periods ended September 30, 2014, respectively, for financial and reorganization services rendered to the Company by Greylock Partners LLC, a company founded and managed by a former member of the Company's Board of Directors. Such related party expenses are included in professional fees in the table above.

Cash paid for reorganization items was $6,530 and $15,958 for the three and nine month periods ended September 30, 2015, respectively, and $355,692 and $403,000 for the three and nine month periods ended September 30, 2014, respectively.

Note 3 — Significant Accounting Policies:

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. Management has designated cash reserves of $17,579 and $53,085 as of September 30, 2015 and December 31, 2014, respectively, to be utilized for the settlement of certain unsecured claims, including disputed unsecured claims, and other bankruptcy related costs related to the Company's recent emergence from bankruptcy. Such cash reserves, which are considered restricted cash due to management's intent regarding these funds, are included in restricted cash in the current assets section of the condensed consolidated balance sheet based on management's estimate of when these funds are likely to be disbursed. Such restricted cash reserves will be subject to adjustment based upon the settlement of claims and other bankruptcy related costs and changes in estimates of future funding requirements. Additionally, restricted cash as of September 30, 2015 and December 31, 2014 includes $8,989 and $70,093, respectively, of legally restricted cash relating to the OIN Facilities (as defined in Note 5, "Debt"). Such restricted cash reserves are included in the non-current section of the condensed consolidated balance sheet. Prior to its amendment on June 3, 2015, the OIN Facilities stipulated that if annual aggregate cash proceeds of OIN asset sales exceed $5,000, cash proceeds from each such sale were required to be reinvested in vessels within twelve months of such sale or used to prepay the principal balance outstanding of the OIN Facilities. The June 3, 2015 amendment removed the restriction for cash proceeds of specified OIN asset sales prior to the effective date of the amendment. Activity relating to restricted cash is reflected in investing activities in the condensed consolidated statements of cash flow.

Deferred finance charges—Finance charges incurred in the arrangement and amendment of debt are deferred and amortized to interest expense on either an effective interest method or straight-line basis over the life of the related debt.

Unamortized deferred finance charges of $46,739 and $48,186 relating to the Exit Financing Facilities are included in other assets on the consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively. Interest expense relating to the amortization of deferred financing charges amounted to $2,763 and $7,634 for the three and nine month periods ended September 30, 2015, respectively. Interest expense relating to the amortization of deferred financing charges amounted to $1,689 for the three and nine month periods ended September 30, 2014.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Concentration of Credit Risk—Financial instruments that potentially subject the Company to concentrations of credit risk are voyage receivables due from charterers and pools in which the Company participates. During the three and nine month periods ended September 30, 2015 and 2014, the Company did not have any individual customers who accounted for 10% or more of its revenues apart from the pools in which it participates. The pools in which the Company participates accounted in aggregate for 83% and 77% of consolidated voyage receivables at September 30, 2015 and December 31, 2014, respectively.

Vessel Lives—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, the continuation 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. In evaluating various impairment indicators that existed at September 30, 2015 (See Note 7, "Vessels"), management currently believes it is more likely than not that the Company will scrap six of its rebuilt ATBs at the time of their next scheduled drydock special survey date rather than make the significant capital expenditures necessary to comply with regulatory requirements. Accordingly, the remaining useful lives for such ATBs will be adjusted on a prospective basis beginning on October 1, 2015. This reduction in useful lives is expected to increase depreciation expense by approximately $3,390 per quarter or $13,560 per year for the U.S. Flag segment and on a consolidated basis.

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, an impairment charge would be recognized 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 7, "Vessels," for further discussion on the impairment tests performed on certain of our U.S. Flag at September 30, 2015.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes—The Company's quarterly income tax (provision)/benefit and its corresponding annual effective tax rate are based on expected income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates. For interim financial reporting, except in circumstances as described in the following paragraph, the Company estimates the annual effective tax rate based on projected taxable income for the full year and records a quarterly tax provision in accordance with the expected annual effective tax rate. As the year progresses, the Company refines the estimates of the year's taxable income as new information becomes available, including year-to-date financial results. This continual estimation process often results in a change to our expected annual effective tax rate for the year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date income tax provision reflects the expected annual effective tax rate. Significant judgment is required in determining the Company's annual effective tax rate and in evaluating the Company's tax positions.

When the result of the expected annual effective tax rate is not deemed reliable, as was the case for the third quarter of 2014, and distorts the income tax provision for an interim period, the Company calculates the income tax provision or benefit using the cut-off method, which results in an income tax provision or benefit based solely on the year-to-date pretax income or loss as adjusted for permanent differences.

Recently Adopted Accounting Standards

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (ASC 205) and Property Plant and Equipment* (ASC 360), which amends the criteria for reporting discontinued operations. The amendments require that only disposals that represent a strategic shift that has (or will have) a major effect on the entity's operations and financial results would qualify as discontinued operations. Therefore disposals of small groups of assets that are recurring in nature are less likely to qualify for discontinued operations presentation as a result of the amendments. In addition, the new guidance expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. The amendments are effective for public companies for annual periods and interim periods within those annual periods beginning after December 15, 2014. The Company's adoption of this new accounting guidance on January 1, 2015 had no impact on its condensed consolidated financial statements.

Recently Issued Accounting Standards

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

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASC 205), which explicitly requires management to assess an entity's ability to continue as a going concern and disclose going concern uncertainties in connection with each annual and interim period. The new standard requires management to assess if there is substantial doubt about an entity's ability to continue to meet its obligations within one year after the reporting date based upon management's consideration of relevant conditions that are known (and reasonably knowable) at the issuance date. The new standard defines substantial doubt and provides example indicators. Disclosures will be required if conditions give rise to substantial doubt. However, management will need to assess if its plans will alleviate substantial doubt to determine the specific disclosures. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. Earlier application is permitted. Management does not expect the adoption of this accounting standard to have any impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASC 835), which amends the requirement to recognize debt issuance costs as deferred charges. The amendment requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying cost of that debt liability, consistent with debt discounts. The amendments are effective for public companies for annual periods and interim periods within those annual periods beginning after December 15, 2015. The Company expects to adopt this new accounting standard on January 1, 2016. Based on the Company's current unamortized debt issuance costs the impact of the retrospective adoption on its September 30, 2015 and December 31, 2014 balance sheets would be reductions of both other assets and long-term debt by $46,739 and $48,186, respectively.

Note 4 — Earnings per Common Share:

All the shares of our common stock prior to the Effective Date were cancelled pursuant to the Equity Plan. Post-emergence, the Company presents earnings per common share information for the Class A and Class B securities.

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

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

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Class A

There were 349,580 and 333,311 weighted average shares of unvested Class A restricted common stock shares considered to be participating securities for the three and nine month periods ended September 30, 2015, respectively, and 324,997 weighted average shares of unvested Class A restricted common stock shares considered to be participating securities for the three and nine months ended September 30, 2014. Such participating securities were allocated a portion of income under the two-class method for the three and nine months ended September 30, 2015 and for the three months ended September 30, 2014. Holders of the participating securities do not participate in losses.

The computation of diluted earnings/(losses) per share assumes the issuance of common stock for all potentially dilutive stock options and restricted stock units. There were 1,409,531 and 853,037 weighted average shares of unvested Class A stock options outstanding and 1,694,410 and 822,028 weighted average shares of unvested Class A restricted stock units outstanding for the three and nine month periods ended September 30, 2015, respectively, which are considered to be potentially dilutive securities.

Class B

There are no participating securities or potentially dilutive securities relating to the Class B Common Stock.

Pre-reorganized OSG common shares

All shares of our common stock outstanding prior to the Effective Date were cancelled pursuant to the Equity Plan. Although earnings per share information for the three and nine months ended September 30, 2014 is presented, it is not comparable to the information presented for the three and nine months ended September 30, 2015 due to the changes in our capital structure.

The components of the calculation of basic earnings/(loss) per share and diluted earnings/(loss) per share are as follows:

		Three Months Ended September 30, 2015	2014
Net income		$173,354	$10,614
Weighted average common shares outstanding:			
Class A common stock - basic	(1)	520,678,592	322,529,046
Class A common stock - diluted	(2)	520,731,354	322,529,765
Class B and common stock - basic and diluted	(3)(4)	7,920,566	16,532,116

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		Nine Months Ended September 30,	
		2015	2014
Net income/(loss)		$274,693	$(178,803)
Weighted average common shares outstanding:			
Class A common stock - basic	(1)	520,622,720	108,691,107
Class A common stock - diluted	(2)	520,710,899	108,691,107
Class B and common stock - basic and diluted	(3)(4)	7,922,754	25,903,509

(1) The basic weighted average common shares outstanding for Class A common stock for the three and nine month periods ended September 30, 2015 were calculated using the Class A common stock outstanding and the Class A warrants outstanding for the three and nine months periods ending September 30, 2015, respectively. As of September 30, 2015 there were 311,905,152 shares of Class A common stock outstanding and 209,279,786 Class A warrants outstanding.

(2) The diluted weighted average common shares outstanding for Class A common stock for the quarter ended September 30, 2015 was calculated using the Class A common stock outstanding and Class A warrants outstanding for the period July 1, 2015 through September 30, 2015 and the dilutive securities for such three month period.

(3) The basic and diluted weighted average common shares outstanding for Class B common stock for the three and nine month periods ended September 30, 2015 were calculated using Class B common stock outstanding and Class B warrants outstanding for the three and nine month periods ended September 30, 2015. As of September 30, 2015 there were 7,351,723 shares of Class B common stock outstanding and 568,215 Class B warrants outstanding.

(4) The basic and diluted weighted average shares outstanding for Class B common stock and common stock for the three and nine months ended September 30, 2014 was calculated using the common stock outstanding for the period January 1, 2014 through August 4, 2014 and for the period August 5, 2014 through September 30, 2014, the calculation includes outstanding Class B common stock and Class B warrants.

There were 52,762 and 88,179 dilutive equity awards outstanding for the three and nine month periods ended September 30, 2015. Awards of stock options for 1,409,531 and 853,037 shares of Class A common stock for the three and nine months ended September 30, 2015 were not included in the computation of diluted earnings per share because inclusion of these awards would be anti-dilutive. For earnings per share calculations for the three and nine months ended September 30, 2014, there were 196,349 shares of Class A restricted stock units and 453,586 Class A stock options outstanding and considered to be potentially dilutive.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 5 — Debt:

Debt consists of the following:

As of	September 30, 2015	December 31, 2014
8.125% notes due 2018	$ 238,151	$ 300,000
OBS term loan due 2019, net of unamortized discount of $1,262 and $1,480	594,201	598,505
OIN term loan due 2019, net of unamortized discount of $915 and $1,071	619,605	624,162
7.50% Election 1 notes due 2021	3,508	6,508
7.50% Election 2 notes due 2021	102,565	138,708
7.50% notes due 2024	684	784
Total debt	1,558,714	1,668,667
Less current portion	61,314	12,314
Long-term debt	$ 1,497,400	$ 1,656,353

The weighted average interest rate for debt outstanding as of September 30, 2015 and December 31, 2014 was 6.1% and 6.21%, respectively.

Exit Financing Facilities

Capitalized terms used hereafter have the meanings given in this Quarterly Report on Form 10-Q or in the respective transaction documents referred to below, including subsequent amendments thereto. On the Effective Date, to support the Equity Plan, OSG and certain of its subsidiaries entered into secured debt facilities consisting of: (i) a secured asset-based revolving loan facility of $75,000, among the Parent Company, OBS, certain OBS subsidiaries, Wells Fargo Bank, National Association, as Administrative Agent, and the other lenders party thereto (the "OBS ABL Facility"), secured by a first lien on substantially all of the U.S. Flag assets of OBS and its subsidiaries and a second lien on certain other specified U.S. Flag assets; (ii) a secured term loan of $603,000, among the Parent Company, OBS, certain OBS subsidiaries, Jefferies Finance LLC ("Jefferies"), as Administrative Agent, and other lenders party thereto (the "OBS Term Loan"), secured by a first lien on certain specified U.S. Flag assets of OBS and its subsidiaries and a second lien on substantially all of the other U.S. Flag assets of OBS and its subsidiaries; and (iii) a secured term loan facility of $628,375 (the “OIN Term Loan”) and a revolving loan facility of $50,000 (the “OIN Revolver Facility” and, together with the OIN Term Loan, the “OIN Facilities” and collectively with the OBS ABL Facility and the OBS Term Loan, the “Exit Financing Facilities”), among OSG, OIN, OIN Delaware LLC, the sole member of which is OIN, certain OIN subsidiaries, Jefferies, as Administrative Agent, and other lenders party thereto, both secured by a first lien on substantially all of the International Flag assets of OIN and its subsidiaries. The OBS Term Loan and the OIN Facilities require that a portion of Excess Cash Flow (as defined in the respective loan agreements) be used to prepay outstanding principal balance of such loans, commencing in the case of the OBS Term Loan, with the annual period beginning January 1, 2015 and, in the case of the amended OIN Facilities (as further described below), with the six-month period beginning July 1, 2015, and annual periods thereafter. On August 5, 2014, the available amounts under each of the aforementioned secured term loans were drawn in full. As of September 30, 2015, no amounts had been drawn under the OBS or the OIN revolving loan facilities.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

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The OBS Term Loan and the OIN Term Loan amortize in equal quarterly installments in aggregate annual amounts equal to 1% of the original principal amount of the loans. Each of the OBS Term Loan and the OIN Facilities stipulates if annual aggregate net cash proceeds of asset sales exceed $5,000, net cash proceeds from each such sale are required to be reinvested in fixed or capital assets within twelve months of such sale or be used to prepay the principal balance outstanding of the respective facility. Beginning with the annual period commencing January 1, 2015, the OBS Term Loan and the OIN Term Loan, as modified by the amendments to the Exit Financing Facilities noted in the following paragraph, are subject to additional mandatory annual prepayments in an aggregate principal amount of up to 50% of Excess Cash Flow.

On June 3, 2015, the Company entered into amendments to the Exit Financing Facilities. The amendment to the OIN Facilities among other things, provided for the following, subject to certain conditions described therein: (i) it permitted OIN to pay a cash dividend of up to $200,000 to OSG no later than June 30, 2015; (ii) it permitted OIN to retain net cash proceeds of up to $78,000 from the sales of certain assets that occurred prior to June 3, 2015; and (iii) it altered the periods during which Excess Cash Flow (as defined in the loan agreement for the OIN Facilities) must be used to prepay the outstanding balance of the OIN Facilities, from an annual period beginning January 1, 2015 to a six-month period beginning July 1, 2015 and annual periods thereafter. The Company paid fees aggregating $6,187 in connection with the amendments to the Exit Financing Facilities that have been capitalized as deferred finance charges.

Management determined that it had Excess Cash Flow for the nine months ended September 30, 2015 and has projected the amount of Excess Cash Flow for the three months ended December 31, 2015 based on the facts at September 30, 2015. The first mandatory prepayment, which is estimated to be approximately $49,000 for the OBS Term Loan, will be due during the first quarter of 2016, and is therefore included in current installments of long-term debt on the consolidated balance sheet as of September 30, 2015. Management estimates that no prepayment will be required for the OIN Term Loan as a result of estimated Excess Cash Flow for the six month period ended December 31, 2015.

Drawdowns under the OBS ABL Facility are subject to certain limitations based upon the available Borrowing Base, as described therein. Furthermore, each Exit Financing Facility contains certain restrictions relating to new borrowings, and the movement of funds between the borrowers and OSG (as Parent Company), who is not a borrower under the Exit Financing Facilities, as set forth in the respective loan agreements. The Parent Company's ability to receive cash dividends, loans or advances from OBS and OIN is restricted under their respective facilities. As of December 31, 2014, these restrictions permitted the payment of an amount equal to $25,000 in respect to each of the OBS and OIN Term Loan. As a result, all but approximately $50,000 of the $1,851,617 reflected as investments in affiliates and subsidiaries on the Parent Company's (separate company) balance sheet as of December 31, 2014 were deemed to be restricted net assets.

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Pursuant to the June 3, 2015 amendments to the Exit Financing Facilities, OIN paid a cash dividend of $200,000 to OSG on June 26, 2015. For the OIN Facilities, the amendments reduced the base Available Amount (as defined in the loan agreement for the OIN Facilities) from $25,000 to $0. The amendments did not alter the definition of Available Amount under the OBS Term Loan.

The OIN Facilities have a covenant to maintain the aggregate Fair Market Value (as defined in the loan agreement for the OIN Facilities) of the Collateral Vessels at greater than or equal to $500,000 at the end of each fiscal quarter. The Company had substantial headroom under this covenant at both September 30, 2015 and December 31, 2014. None of the other Exit Financing Facilities have financial covenants.

Interest expense, including amortization of issuance and deferred financing costs (for additional information related to deferred financing costs (see Note 3, “Significant Accounting Policies”), commitment, administrative and other fees for the three months ended September 30, 2015 was $20,365 for the Exit Financing Facilities, comprised of $9,352 relating to the OBS Term Loan and OBS ABL Facility and $11,013 relating to the OIN Facilities. Interest expense for the nine month period ended September 30, 2015 was $59,997 for the Exit Financing Facilities, comprised of $28,174 relating to the OBS Term Loan and OBS ABL Facility and $31,823 relating to the OIN Facilities. Interest paid for the three months ended September 30, 2015 was $8,022 and $9,155 for the OBS Term Loan and the OIN Term Loan, respectively and interest paid for the nine months ended September 30, 2015 was $23,863 and $27,236 for the OBS Term Loan and the OIN Term Loan, respectively.

Unsecured Revolving Credit Facility

In 2006, the Company entered into a $1,800,000 seven year unsecured revolving credit agreement with a group of banks. Borrowings outstanding under this facility were $1,489,000 immediately prior to Emergence. The Company repaid the principal outstanding and contractual interest thereon (which includes default interest) on the Effective Date.

For the nine months ended September 30, 2014, the Company recorded a charge of $73,637 to interest expense in the condensed consolidated statement of operations for a change in estimate of the allowed claim for the Unsecured Revolving Credit Facility relating to post-petition contractual interest (which includes default interest).

Unsecured Senior Notes

The Company has the following separate series of unsecured notes (the “Unsecured Senior Notes”) issued and outstanding as of both September 30, 2015 and December 31, 2014.

8.125% Notes (the “8.125% Notes”) – These notes were issued on March 29, 2010 and consist of $300,000 in face value, which are due on March 30, 2018.

7.5% Notes (the “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, on the Effective Date, 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

During the nine months ended September 30, 2015, the Company repurchased Unsecured Senior Notes in an aggregate principal amount of $101,092. The aggregate net loss of $2,051 and $2,039 realized on these transactions during the three and nine months ended September 30, 2015, respectively, is included in other (expense)/income in the accompanying condensed consolidated statements of operations.

Prior to Emergence, the Company also had the following unsecured notes issued and outstanding:

8.75% Debentures – These notes were issued on December 1, 1993 and the remaining balance consisted of $63,603 in face value, which matured on December 1, 2013. Borrowings under this facility and contractual interest thereon were paid on the Effective Date.

For the three and nine months ended September 30, 2015, interest expense, including administrative and other fees, of $8,636 and $26,460, respectively, was recorded relating to the Unsecured Senior Notes and $17,755 and $35,720 of interest was paid during the three and nine months ended September 30, 2015, respectively. For the nine months ended September 30, 2014, the Company recorded a charge of $73,660 to interest expense for post-petition contractual interest (including default interest, as applicable) due on the Unsecured Senior Notes and charges totaling $10,765 to reorganization items to write off unamortized original issue discount and unamortized deferred financing charges and to accrue for a change in estimate of allocated claims relating to the Unsecured Senior Notes pursuant to the Equity Plan.

Secured Term Loan Facilities

The pre-reorganized OSG loan facilities included floating rate (based on LIBOR) secured terms loans with Danish Ship Finance (“DSF”) and the Export-Import Bank of China (“CEXIM”), with principal outstanding as of the Petition Date aggregating $266,936 and $311,751, respectively. These facilities provided that the market values of the vessels pledged as collateral be compared with the outstanding loan balance semi-annually. The Company believed that the value of the collateral securing these loans as of the Petition Date was less than the outstanding balance of such loans and therefore classified these secured term loans and related accrued interest as liabilities subject to compromise in the consolidated balance sheet at December 31, 2013. As of December 31, 2013, the loan-to-value ratios were estimated to approximate 97% and 91%, respectively. Pursuant to the Bankruptcy Court orders [D.I. 0459 and 0460] issued on February 5, 2013, the Company made Adequate Protection Interest payments to CEXIM and DSF during the post-petition period in consideration for the lenders not repossessing the secured vessels. In accordance with ASC 852, no interest is accrued and/or paid on secured debt when the fair value of the underlying collateral is below the outstanding principal of the secured debt. Accordingly, the Adequate Protection Interest Payments had been classified as reductions of outstanding principal through the quarter ended March 31, 2014. Pursuant to the Equity Plan that provided for payment in full of principal outstanding under the Secured Loan Facilities as of the Petition Date, Adequate Protection Interest Payments made during the period from April 1, 2014 to September 30, 2014 are reflected as a component of operating activities in the consolidated statement of cash flows for the nine months ended September 30, 2014. For the three months ended September 30, 2014, the Company disbursed Adequate Protection Interest Payments relating to the DSF and CEXIM secured term loans aggregating $4,129. For the nine months ended September 30, 2014, the Company disbursed Adequate Protection Interest Payments relating to the DSF and CEXIM secured term loans aggregating $9,466. The principal outstanding and unpaid accrued interest for the DSF and CEXIM secured term loans were repaid on the Effective Date.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2014 the Company recorded charges of $342 and $5,545, respectively, to interest expense relating to (a) $4,662 of Adequate Protection Interest Payments, which had previously been classified as reductions of outstanding principal and (b) $882 of post-petition interest for the period from the Company’s last Adequate Protection Interest Payment dates through August 5, 2014 at the contractual interest rate for the DSF secured term loans. For the three and nine months ended September 30, 2014, the Company also recorded charges of $230 and $4,627, respectively, to reorganization items relating to a settlement of disputed default interest for the DSF secured term loans for the period from November 14, 2012 through August 5, 2014.

For the three and nine months ended September 30, 2014, the Company recorded charges of $835 and $14,915, respectively, to interest expense relating to (a) $10,452 of Adequate Protection Interest Payments, which had previously been classified as reductions of outstanding principal and (b) $4,462 of post-petition interest for the period from the Company’s last Adequate Protection Interest Payment date through August 5, 2014 at the contractual interest rate for the CEXIM secured term loans. For the three and nine months ended September 30, 2014, the Company also recorded charges of $269 and $5,456, respectively, to reorganization items for a settlement of disputed default interest for the CEXIM secured term loans for the period from November 14, 2012 through August 5, 2014.

Note 6 — Business and Segment Reporting:

The Company has three reportable segments: International Crude Tankers, International Product Carriers and U.S. Flag vessels. Income/(loss) from vessel operations for segment purposes is defined as income/(loss) from vessel operations before general and administrative expenses, technical management transition costs, severance and relocation costs and gain/(loss) on disposal of vessels. The accounting policies followed by the reportable segments are the same as those followed in the preparation of the Company’s consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Information about the Company’s reportable segments as of and for the three and nine months ended September 30, 2015 and 2014 follows:

Three months ended	International Crude Tankers	Product Carriers	Other	U.S.	Totals
September 30, 2015:					
Shipping revenues	$80,896	$50,220	$5	$110,631	$241,752
Time charter equivalent revenues	76,222	49,980	5	107,381	233,588
Depreciation and amortization	12,817	7,306	281	18,339	38,743
Gain/(loss) on disposal of vessels and other property	(4)	3,236	6	(53)	3,185
Income from vessel operations	38,945	22,452	521	30,486	92,404
Equity in income of affiliated companies	8,537	-	2,441	-	10,978
Investments in and advances to affiliated companies at September 30, 2015	280,678	13,964	48,965	38	343,645
Total assets at September 30, 2015	1,156,097	513,208	48,965	1,020,108	2,738,378
September 30, 2014:					
Shipping revenues	71,489	30,916	(1)	103,879	206,283
Time charter equivalent revenues	49,443	28,812	10	97,972	176,237
Depreciation and amortization	14,305	6,942	683	16,133	38,063
Gain/(loss) on disposal of vessels and other property	233	(108)	1,970	658	2,753
Income/(loss) from vessel operations	11,957	(340)	(703)	24,544	35,458
Equity in income of affiliated companies	8,379	-	2,546	388	11,313
Investments in and advances to affiliated companies at September 30, 2014	269,951	7,525	48,539	1,192	327,207
Total assets at September 30, 2014	1,265,183	549,085	48,539	1,049,385	2,912,192

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	International				
	Crude	Product			
Nine months ended	Tankers	Carriers	Other	U.S.	Totals
September 30, 2015:					
Shipping revenues	$235,843	$136,758	$61	$348,119	$720,781
Time charter equivalent revenues	220,012	135,863	59	334,499	690,433
Depreciation and amortization	37,982	21,206	998	53,545	113,731
Gain/(loss) on disposal of vessels and other property	4	3,231	1,139	(116)	4,258
Income/(loss) from vessel operations	113,245	51,679	(156)	108,950	273,718
Equity in income/(loss) of affiliated companies	25,908	-	9,318	(6)	35,220
Expenditures for vessels	-	716	-	53	769
Payments for drydocking	8,334	2,261	-	27,674	38,269
September 30, 2014:					
Shipping revenues	300,291	117,078	21	323,116	740,506
Time charter equivalent revenues	177,059	82,342	30	303,007	562,438
Depreciation and amortization	42,902	19,808	1,650	49,033	113,393
Gain/(loss) on disposal of vessels other property	1,751	(108)	1,970	621	4,234
Income/(loss) from vessel operations	45,749	(3,018)	(1,361)	86,097	127,467
Equity in income of affiliated companies	23,433	-	4,857	1,154	29,444
Expenditures for vessels	1,404	19,752	-	10,912	32,068
Payments for drydocking	5,143	6,159	-	18,083	29,385

Reconciliations of time charter equivalent revenues of the segments to shipping revenues as reported in the consolidated statements of operations follow:

	Three Months Ended	
	September 30,	
	2015	2014
Time charter equivalent revenues	$233,588	$176,237
Add: Voyage expenses	8,164	30,046
Shipping revenues	$241,752	$206,283

	Nine Months Ended	
	September 30,	
	2015	2014
Time charter equivalent revenues	$690,433	$562,438

Add: Voyage expenses	30,348	178,068
Shipping revenues	$720,781	$740,506

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Consistent with general practice in the shipping industry, the Company uses time charter equivalent 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. Time charter equivalent revenues, a non-GAAP measure, provides additional meaningful information in conjunction with shipping revenues, the most directly comparable GAAP measure, because it assists Company management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance.

Reconciliations of income from vessel operations of the segments to income/(loss) before reorganization items and income taxes, as reported in the condensed consolidated statements of operations follow:

	Three Months Ended September 30,	
	2015	2014
Total income from vessel operations of all segments	$92,404	$35,458
General and administrative expenses	(21,376)	(19,119)
Technical management transition costs	-	(854)
Severance costs	-	(3,713)
Gain on disposal of vessels and other property	3,185	2,753
Consolidated income from vessel operations	74,213	14,525
Equity in income of affiliated companies	10,978	11,313
Other (expense)/income	(1,963)	99
Interest expense	(29,191)	(29,111)
Income/(loss) before reorganization items and income taxes	$54,037	$(3,174)

	Nine Months Ended September 30,	
	2015	2014
Total income from vessel operations of all segments	$273,718	$127,467
General and administrative expenses	(58,129)	(63,029)
Technical management transition costs	(40)	(2,686)
Severance costs	(5)	(18,360)
Gain on disposal of vessels and other property	4,258	4,234
Consolidated income from vessel operations	219,802	47,626
Equity in income of affiliated companies	35,220	29,444
Other (expense)/income	(1,842)	378
Interest expense	(86,691)	(203,745)

Income/(loss) before reorganization items and income taxes	$166,489	$(126,297)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Reconciliations of total assets of the segments to amounts included in the condensed consolidated balance sheets follow:

As of September 30,	2015	2014
Total assets of all segments	$2,738,378	$2,912,192
Corporate unrestricted cash	628,015	296,345
Corporate restricted cash	26,568	140,879
Other unallocated amounts	81,875	97,926
Consolidated total assets	$3,474,836	$3,447,342

Note 7 — Vessels:

Vessel Impairments and Change in Useful Lives of Vessels

The Company gave consideration as to whether events or changes in circumstances had occurred since December 2014 that could indicate that the carrying amounts of the vessels in the Company’s International Flag fleet may not be recoverable as of September 30, 2015. The Company concluded that no such events or changes in circumstances had occurred to warrant a change in the assumptions utilized in the December 2014 impairment tests of its International Flag fleet.

In evaluating whether or not certain events or circumstances existing during the third quarter of 2015 resulted in a triggering event for impairment testing of the U.S. Flag fleet, management gave consideration to various indicators of a weakening of the Jones Act crude oil transportation market that began to materialize during the period. Such indicators included a decline in U.S crude oil production beginning in May 2015 (with further decreases observed in August and September 2015) following a decrease in oil prices beginning in late 2014, which quickly led to steep cuts in drilling activity. The resulting decrease in demand for the coastwise transportation of crude oil led to a decline in average daily spot rates for Jones Act tankers during the quarter ended September 30, 2015 and the redeployment of several Jones Act vessels, including some of the Company’s vessels, from the crude oil transportation trade to the clean oil transportation trade. In addition, the decline in U.S. crude oil production coupled with the large orderbook for Jones Act vessels scheduled for delivery through late 2017 has increased uncertainty around the likelihood of being able to renew or extend the time charters on the Company’s fleet of eight rebuilt Jones Act ATBs, which are currently scheduled to expire between the second quarters of 2016 and 2017. If the current weakness in the market continues for a prolonged period of time, it will become increasingly difficult for the Company's older ATBs to find employment at attractive rates that justify the expenditure required to put these vessels through their next drydock special surveys.

Management concluded that the above indicators constituted impairment triggering events for six of the eight vessels in the Company's fleet of rebuilt ATBs at September 30, 2015. In addition, given the uncertainty around how long the weak market conditions discussed above could last, management believes it is more likely than not that the rebuilt ATBs will be scrapped before the end of their estimated useful lives, which currently range between 2021 and 2028. The indicators discussed above were not considered to be impairment triggering events for the other U.S. Flag ATBs and tankers in the Company's fleet as these vessels are (i) fairly recently built and do not face the same commercial obsolescence issues faced by the rebuilt ATBs, and (ii) currently operating under long-term charters or contracts of affreightment agreements.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES

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Management prepared undiscounted cash flows models, which utilized weighted probabilities assigned to possible outcomes for the six rebuilt ATBs. In developing estimates of future cash flows, management made 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, with a significant probability assigned to the possibility that the estimated remaining useful life of each ATB would end at its next drydock special survey date, as management currently believes it is more likely than not that the Company will scrap these vessels rather than make the significant capital expenditure necessary to comply with regulatory requirements. The estimated daily time charter equivalent rates used for days beyond the expiry of the current time charters were based on internally forecasted rates that are consistent with forecasts provided to the Company’s senior management and Board of Directors, which took into consideration average annual rates published by a third party maritime research service. 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 combination of internally forecasted rates and rates projected by an independent third party maritime research service to be reasonable. Based on tests performed, the sum of the undiscounted cash flows for each of the six rebuilt ATBs were in excess of their September 30, 2015 carrying values and no impairment was therefore recorded at September 30, 2015.

Vessel Sales

During the three months ended September 30, 2015, the Company sold a 1998-built International Flag Handysize Product Carrier. The vessel was delivered to buyers in July 2015 and the Company recognized a gain of $3,236 on the sale of this vessel during the three and nine months ended September 30, 2015. During the nine months ended September 30, 2014, the Company sold two International Flag Aframaxes, which had been deployed in Lightering operations. The Company recognized gains of $2,583 and $4,083 on the sales of these vessels during the three and nine months ended September 30, 2014, respectively.

Vessel Acquisitions and Deliveries

There were no vessel acquisitions or newbuild deliveries during either the nine months ended September 30, 2015 or September 30, 2014.

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Note 8 — Equity Method Investments:

Investments in affiliated companies include joint ventures accounted for using the equity method. As of September 30, 2015, the Company had an approximate 50% interest in two joint ventures. One joint venture operates four LNG Carriers. The other joint venture converted two ULCCs to Floating Storage and Offloading Service (“FSO”) vessels. In addition, the Company has a 37.5% interest in Alaska Tanker Company, LLC, which manages vessels carrying Alaskan crude for BP.

Floating Storage and Offloading Service Vessels Joint Venture

Maersk Oil Qatar AS awarded two service contracts to a joint venture between OSG and Euronav NV to provide two vessels, the FSO Asia and the FSO Africa, to perform FSO services in the Al Shaheen Field off the shore of Qatar. The Company has a 50% interest in this joint venture, held indirectly by OIN. The joint venture financed the purchase of the vessels from each of Euronav NV and OSG and their conversion costs through partner loans and a long-term bank financing, which is secured by, among other things, the service contracts and the FSOs themselves. Approximately $104,200 and $145,396 was outstanding under this facility as of September 30, 2015 and December 31, 2014, respectively, with the outstanding amount of this facility being subject to acceleration, in whole or in part, on termination of one or both of such service contracts. In connection with the secured bank financing, the partners severally issued 50% guarantees. As of September 30, 2015 and December 31, 2014, the carrying value of the Company’s guaranty in the accompanying condensed consolidated balance sheet was $0.

The joint venture entered into floating-to-fixed interest rate swaps with major financial institutions. These agreements have maturity dates ranging from July to September 2017. The interest rate swaps, covering notional amounts aggregating $201,346 and $254,308 as of September 30, 2015 and December 31, 2014, respectively, pay fixed rates of approximately 3.9% and receive floating rates based on LIBOR. All of the interest rate swaps were being accounted for as cash flow hedges through December 31, 2009. As a result of the delays in the completion of conversion and commencement of the service contract for the FSO Africa, in the first quarter of 2010 the joint venture concluded that it was no longer probable that the forecasted transaction applicable to the FSO Africa swaps would occur. Accordingly, as a result of the de-designation of the FSO Africa swaps, all changes in the market value of the swaps have been recognized in the joint venture’s statement of operations since the first quarter of 2010. The Company’s share of amounts recognized in equity in income from affiliated companies were a loss of $235 and a gain of $147 for the three months ended September 30, 2015 and 2014, respectively, and losses of $606 and $244 for the nine months ended September 30, 2015 and 2014, respectively. As of September 30, 2015 and December 31, 2014, the joint venture had a liability of $9,655 and $13,665, respectively, for the fair value of the swaps associated with the FSO Africa and FSO Asia. The Company's share of the effective portion of such amounts, aggregating $1,937 and $2,944 at September 30, 2015 and December 31, 2014, respectively, is included in accumulated other comprehensive loss in the accompanying balance sheet and is associated with the FSO Asia swaps only, since the swaps associated with the FSO Africa have been de-designated and deemed to be ineffective.

LNG Joint Venture

In November 2004, the Company formed a joint venture with Qatar Gas Transport Company Limited (Nakilat) ("QGTC") whereby companies in which OSG holds a 49.9% interest ordered four 216,200 cbm LNG Carriers. Upon delivery in late 2007 and early 2008, these vessels commenced 25-year time charters to Qatar Liquefied Gas Company Limited (2). QGTC subsequently contributed its ownership interests in the joint venture to its wholly owned subsidiary, Nakilat Marine Services Ltd. The aggregate construction cost for such newbuildings was financed by the joint venture through long-term bank financing that is nonrecourse to the partners and partner contributions. Approximately $687,562 and $715,378 was outstanding under this secured facility as of September 30, 2015 and December 31, 2014, respectively.

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The joint venture has entered into floating-to-fixed interest rate swaps with a group of major financial institutions pursuant to which it pays fixed rates of approximately 4.9% and receives a floating rate based on LIBOR. The interest rate swap agreements have maturity dates ranging from July to November 2022 and cover notional amounts aggregating $665,687 and $693,072 at September 30, 2015 and December 31, 2014, respectively. These swaps are being accounted for as cash flow hedges. As of September 30, 2015 and December 31, 2014, the joint venture recorded a liability of $118,114 and $116,819, respectively, for the fair value of these swaps. The Company's share of the effective portion of the fair value of these swaps, $58,882 and $58,240 at September 30, 2015 and December 31, 2014, respectively, is included in accumulated other comprehensive loss in the accompanying condensed consolidated balance sheet.

See Note 13, "Accumulated Other Comprehensive Loss," for additional disclosures relating to the FSO and LNG joint venture interest rate swap agreements.

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

	Three Months Ended September 30,	
	2015	2014
Shipping revenues	$94,365	$95,946
Ship operating expenses	(61,081)	(61,671)
Income from vessel operations	33,284	34,275
Other expense	(240)	(437)
Interest expense	(12,075)	(12,283)
Net income	$20,969	$21,555

	Nine Months Ended September 30,	
	2015	2014
Shipping revenues	$274,383	$282,158
Ship operating expenses	(171,764)	(186,304)
Income from vessel operations	102,619	95,854
Other income/(expense)	990	(1,308)

Interest expense	(36,117)	(38,279)
Net income	$67,492	$56,267

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Note 9 – Variable Interest Entities ("VIEs"):

As of September 30, 2015, the Company participates in six commercial pools and three joint ventures. One of the pools and the FSO joint venture, described in Note 8, "Equity Method Investments," above, were determined to be VIEs. The Company is not considered a primary beneficiary of either the pool or the joint venture.

The following table presents the carrying amounts of assets and liabilities in the condensed consolidated balance sheet related to the VIEs as of September 30, 2015:

	Condensed Consolidated Balance Sheet
Investments in Affiliated Companies	$ 275,728

In accordance with accounting guidance, the Company evaluated its maximum exposure to loss related to these VIEs by assuming a complete loss of the Company's investment in these VIEs and that it would incur an obligation to repay the full amount of the VIE's outstanding secured debt. The table below compares the Company's liability in the condensed consolidated balance sheet to the maximum exposure to loss at September 30, 2015:

	Condensed Consolidated Balance Sheet	Maximum Exposure to Loss
Other liabilities	$ -	$ 332,700

In addition, as of September 30, 2015, the Company had approximately $7,607 of trade receivables from the pool that was determined to be a VIE. These trade receivables, which are included in voyage receivables in the accompanying condensed consolidated balance sheet, have been excluded from the above tables and the calculation of OSG's maximum exposure to loss. The Company does not record the maximum exposure to loss as a liability because it does not believe that such a loss is probable of occurring as of September 30, 2015. Further, the joint venture debt is secured by the joint venture's FSOs. Therefore, the Company's exposure to loss under its several guarantee would first be reduced by the fair value of such FSOs.

Note 10 — Fair Value of Financial Instruments, Derivatives and Fair Value Disclosures:

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

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

Debt— The fair values of the Company's publicly traded and non-publicly traded debt at September 30, 2015 are estimated based on quoted market prices.

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

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

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

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

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

Level 3- Inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

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

	Fair Value	Level 1	Level 2
September 30, 2015:			

Cash[1]	$654,583	$654,583	$-
8.125% notes due 2018	(238,449)	-	(238,449)
OBS Term Loan due 2019	(595,462)	-	(595,462)
OIN Term Loan due 2019	(624,014)	-	(624,014)
7.5% Election 1 notes due 2021	(3,569)	-	(3,569)
7.5% Election 2 notes due 2021	(104,360)	-	(104,360)
7.5% notes due 2024	(696)	-	(696)

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	Fair Value	Level 1	Level 2
December 31, 2014:			
Cash[(1)]	$512,404	$512,404	$-
8.125% notes due 2018	(294,300)	-	(294,300)
OBS Term Loan due 2019	(589,863)	-	(589,863)
OIN Term Loan due 2019	(618,981)	-	(618,981)
7.5% Election 1 notes due 2021	(5,511)	-	(5,511)
7.5% Election 2 notes due 2021	(131,773)	-	(131,773)
7.5% notes due 2024	(626)	-	(626)

(1) Includes current and non-current restricted cash aggregating $26,568 and $123,178 at September 30, 2015 and December 31, 2014, respectively.

Derivatives

Interest Rate Risk

The Company uses interest rate caps and swaps for the management of interest rate risk exposure. The interest rate caps effectively convert a portion of the Company's debt from a floating to a fixed rate and were designated and qualified as cash flow hedges. At September 30, 2015, OBS and OIN were party to two separate interest rate cap agreements ("Interest Rate Cap") each with a start date of February 5, 2015 with major financial institutions covering notional amounts of $375,000 and $400,000, respectively, to limit the floating interest rate exposure associated with their respective term loans. The Interest Rate Cap agreements contain no leverage features. The OBS Interest Rate Cap has a cap rate of 2.5% through February 5, 2017, at which time the cap rate increases to 3.0% through the termination date of February 5, 2018. The OIN Interest Rate Cap has a cap rate of 2.5% through the termination date of February 5, 2017.

Tabular disclosure of derivatives location

Derivatives are recorded in the September 30, 2015 balance sheet on a net basis by counterparty when a legal right of offset exists. The following table presents information with respect to the fair values of derivatives reflected in the September 30, 2015 balance sheet on a gross basis by transaction:

	Asset Derivatives		Liability Derivatives	
September 30, 2015	Balance Sheet Location	Amount	Balance Sheet Location	Amount
Derivatives designated as hedging instruments:				
Interest rate caps:				
Long-term portion	Other assets	$ 184	Other liabilities	$ -
Total derivatives designated as hedging instruments		$ 184		$ -

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	$	92,473	$ 220,000
Robert J. Dwyer	$ 162,912	$ 92,473	$ 255,385
Julia L. Johnson (4)	$ 132,527	$ 92,473	$ 225,000
Javier Palomarez	$ 109,923	$ 110,077	$ 220,000
José S. Sorzano	$ 137,527	$ 92,473	$ 230,000

(1) This column reports the amount of compensation earned for Board and committee service elected to be received in cash.
(2) This column represents the amount of compensation earned for Board and committee service elected to be received in stock. Amounts shown in this column represent the fair value of the awards as of date of issuance computed in accordance with FASB ASC Topic 718. Each restricted stock award was valued at the closing market price of our common stock on the date of grant. For additional information regarding assumptions underlying the valuation of equity awards and the calculation method, please refer to Note 9 in our Consolidated Financial Statements, which are contained in our Annual Report on Form 10-K for the year ended December 31, 2017.
(3) Includes imputed income of $1,198 for life insurance policies on the lives of Mr. and Mrs. Jorge Mas that are owned by MasTec and are subject to a split dollar arrangement. Also, includes medical insurance benefits of $12,768 and a $25 holiday gift card. *See Certain Relationships and Related Transactions* on page 36 for a description of the split- dollar agreement that MasTec entered with Mr. Jorge Mas.
(4) Ms. Johnson participates in the Deferred Fee Plan as detailed on page 32.

As of December 31, 2017, there were no unvested stock awards or stock option awards for directors, who are not NEOs.

Pay Ratio

In compliance with Item 402(u) of Regulation S-K adopted by the Securities and Exchange Commission pursuant to Section 953(b) of the Dodd-Frank Act, we are reporting the pay ratio disclosure for our fiscal year beginning on January 1, 2017.

As of December 31, 2017, we had 17,336 employees, consisting of 16,907 U.S. based employees, 24 employees in Mexico and 405 employees in Canada. We are not including our employees in Mexico or Canada as they make up less than 5% of our total global workforce. We have calculated our median employee s wages as follows:

We compiled W-2 earnings for all our active employees as of December 31, 2017, except our CEO.

We annualized W-2 earnings for new hires during 2017.

We ranked all employees wages and determined the median employee.

After identifying the median employee, we calculated annual total compensation for such employee in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K.

The 2017 W-2 annualized wage for our median employee is $71,633.
Jose Mas, our CEO, had 2017 Total Compensation of $6,753,557 as more fully detailed in our Summary Compensation Table on page 22.

The pay ratio for 2017 is 94.3.

SECURITY OWNERSHIP

Principal Shareholders

The following table provides information concerning the beneficial ownership of our common stock, as of March 13, 2018, by:

Each shareholder who is known to beneficially own more than 5% of the outstanding shares of our common stock;

Each of our current directors and nominees for director;

Each of our NEOs; and

All our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. Except as indicated by footnote and subject to community property laws where applicable, to our knowledge, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options and warrants held by such person that are exercisable as of March 13, 2018, or that will become exercisable within 60 days thereafter are deemed outstanding for purposes of such person s percentage ownership but not deemed outstanding for purposes of computing the percentage ownership of any other person. Unless otherwise indicated, the mailing address of everyone is c/o MasTec, Inc., 800 S. Douglas Road, 12th Floor, Coral Gables, Florida 33134. The following information is based upon information provided to us or filed with the SEC by the shareholders.

Name	Common Stock Beneficially Owned Number of Shares (1)	Percentage of Common Stock Outstanding (2)
Jorge Mas (3) *Chairman of the Board*	10,901,229	13.2
José R. Mas (4) *Chief Executive Officer and Director*	5,609,853	6.8
Ernst N. Csiszar *Director*	26,355	*
Robert J. Dwyer *Director*	31,566	*
Julia L. Johnson *Director*	72,086	*
Robert Campbell *Director*	69,497	*
José S. Sorzano *Director*	38,869	*
Javier Palomarez *Director*	6,185	*
Robert Apple *Chief Operating Officer*	146,134	*
George Pita *Executive Vice President and Chief Financial Officer*	121,082	*
Alberto de Cardenas *Executive Vice President, General Counsel and Secretary*	101,036	*
All current executive officers and directors as a group (12 persons) (5)	16,573,892	20.1
The Vanguard Group (6)	6,094,415	7.4
William F. Harnisch (7)	5,200,036	6.3
BlackRock, Inc. (9)	4,824,757	5.9
Peconic Partners LLC (8)	4,633,036	5.6

* Less than 1%

(1) Includes shares of unvested restricted stock, but as to which the owner presently has the right to vote and the right to receive dividends, as follows: José R. Mas, 193,642 shares; Robert Apple, 72,542 shares; George Pita, 55,776 shares; and Alberto de Cardenas, 34,729 shares.

(2) The percentages reported in this column are based on 82,333,926 shares of our common stock outstanding as of March 13, 2018.

(3) Includes: (i) 9,925,400 shares of common stock owned by Jorge Mas Holdings I, LLC, a Florida limited liability company (JM Holdings I), which is controlled by Jorge Mas Holdings, LLC, a Florida limited liability company, of which Jorge Mas is the sole member; (ii) 425,000 shares of common stock owned by the Jose Mas Irrevocable Trust (the JR Trust), of which Jorge Mas is a trustee; (iii) 276,000 shares of common stock owned by Mas Equity Partners III, LLC, a Delaware limited liability company (Mas Partners III), in which Mas Equity Partners, LLC, a Delaware limited liability company, is a member and of which Jorge Mas is the sole member; (iv) 125,000 shares owned by the Mas Family Foundation, Inc. (the Family Foundation), a Florida not-for-profit corporation, of which Jorge Mas is the president and member of the Board of Directors; and (v) 149,829 shares of common stock owned individually by Jorge Mas. Jorge Mas disclaims beneficial ownership of all shares of common stock held by the JR Trust, Mas Partners III and the Family Foundation, except, in each case, to the extent of his pecuniary interest therein.

(4) Includes: (i) 2,932,498 shares owned by Jose Mas individually; (ii) 1,202,414 shares owned by Jose Ramon Mas Holdings I, LLC, a Florida limited liability company (JRM Holdings I), which is controlled by Jose Ramon Mas Holdings, LLC, a Florida limited liability company, of which Jose Mas is the sole member;

(iii) 648,941 shares owned by the Jorge Mas Irrevocable Trust (the JM Trust), of which Jose Mas is a trustee; (vi) 425,000 shares owned by the JR Trust, of which Patricia Mas, the wife of Jose Mas, is a trustee; (v) 276,000 shares owned by Mas Partners III, in which Jose Mas is a member; and (vi) 125,000 shares owned by the Family Foundation, of which Jose Mas is the secretary and a member of the Board of Directors. Jose Mas disclaims beneficial ownership of all shares of common stock held by the JM Trust, the JR Trust and the Family Foundation, except, in each case, to the extent of his pecuniary interest therein.

(5) The amounts above for Jorge Mas and José Mas both include shares owned of record by the José Mas Irrevocable Trust and by the Mas Family Foundation, Inc. This total only includes those shares once.

(6) The Vanguard Group possesses sole voting power with respect to 129,136 shares and shared voting power with respect to 10,087 shares and possesses sole dispositive power with respect to 5,960,157 shares and shared dispositive power with respect to 134,258 shares. The Vanguard Group s address is 100 Vanguard Blvd., Malvern, PA 19355. All information derived from The Vanguard Group Schedule 13G/A filed with the SEC on February 9, 2018.

(7) William F. Harnisch possesses sole voting and dispositive power with respect to 567,000 shares and shared voting and dispositive power with respect to 4,633,036 shares. Mr. Harnisch is President and CEO of Peconic Partners LLC (Peconic), and his address is P.O. Box 3002, 506 Montauk Highway, East Quogue, New York 11942. All information derived from Peconic s Schedule 13G/A filed with the SEC on February 13, 2018 (the Peconic 13G).

(8) Peconic possesses shared voting and dispositive power with respect to 4,633,036 shares, and its address is P.O. Box 3002, 506 Montauk Highway, East Quogue, New York 11942. All information derived from the Peconic 13G.

(9) Shares are held by BlackRock (Netherlands) B.V., BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Asset Management Schweiz AG, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Institutional Trust Company, National Association, BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Limited, BlackRock Investment Management, LLC, BlackRock Japan Co., Ltd., BlackRock Life Limited and BlackRock International Limited, each of which is a subsidiary of BlackRock, Inc. BlackRock, Inc., possesses sole voting power with respect to 4,674,553 shares and sole dispositive power with respect to 4,824,757 shares, and its address is 55 East 52nd Street, New York, NY 10055. All information was derived from BlackRock, Inc. Schedule 13G/A filed with the SEC on January 25, 2018.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act and regulations of the SEC thereunder require that MasTec s directors, executive officers and persons who own more than 10% of MasTec s common stock file initial reports of their ownership of MasTec s common stock and subsequent reports of changes in such ownership with the SEC. Directors, executive officers and persons owning more than 10% of MasTec s common stock are required by SEC regulations to file with the SEC and the NYSE reports of their respective ownership of common stock and to furnish MasTec with copies of all Section 16(a) reports they file. Based solely on a review of the copies of such reports received and written representations from our directors and executive officers, MasTec believes that during the year ended December 31, 2017, directors, executive officers and owners of more than 10% of the common stock timely complied with all applicable filing requirements under Section 16(a) of the Exchange Act.

CERTAIN RELATIONSHIPS AND

RELATED TRANSACTIONS

Review and Approval of Related Person Transactions

The Audit Committee Charter requires that the Audit Committee review and approve all transactions identified in Item 404(a) of Regulation S-K, in which we are a participant and in which a related person has or will have a direct or indirect material interest. In March 2007, the Audit Committee formally adopted written standards to apply when it reviews, approves or ratifies any such related party transaction. These standards provide that: (i) all related party transactions must be fair and reasonable to us at the time they are authorized by the Audit Committee; and (ii) all related party transactions must be authorized, approved or ratified by the affirmative vote of most of the members of the Audit Committee who have no interest, either directly or indirectly, in any such related party transaction.

MasTec purchases, rents and leases equipment used in its business from a number of different vendors on a non-exclusive basis, including Cross Country Infrastructure Services, Inc (CCI), in which the Company has a cost method investment. Juan Carlos Mas, who is the brother of Jorge Mas, Chairman of MasTec s Board of Directors, and José R. Mas, MasTec s Chief Executive Officer, serves as the chairman of CCI, and a member of management of a MasTec subsidiary is a minority owner. For the years ended December 31, 2017 and 2016, MasTec paid CCI approximately $54.9 million and $24.5 million, net of rebates, for equipment supplies, rentals, leases and servicing, and for the year ended December 31, 2015, paid approximately $10.6 million. As of December 31 ,2017 and 2016, related payables totaled approximately $2.7 million and $1.5 million, respectively.

MasTec entered into a subcontracting arrangement in 2016 with an entity for the performance of construction services, the minority owners of which include an entity controlled by Jorge Mas and José R. Mas, along with two members of management of a MasTec subsidiary. For the years ended December 31, 2017 and 2016, MasTec incurred $78.0 million and $12.9 million, respectively, of expenses under this subcontracting arrangement, and during 2016, sold equipment totaling $0.3 million to this entity. As of December 31, 2017, and 2016, related amounts payable totaled $2.0 million and $0.1 million, respectively.

MasTec leases employees to a customer in which Jorge Mas and José R. Mas own a majority interest. For each of the years ended December 31, 2017, 2016 and 2015, MasTec charged approximately $0.8 million to this customer. As of both December 31, 2017 and 2016, outstanding receivables from employee leasing arrangements with this customer totaled $0.2 million. MasTec also provides satellite communication services to this customer. For the year ended December 31, 2017, revenue from satellite communication services provided to this customer totaled approximately $0.8 million and for each of the years ended December 31, 2016 and 2015, totaled approximately $0.9 million. As of December 31, 2017, and 2016, receivables totaled approximately $0.3 million and $0.4 million, respectively.

MasTec leases a property located in Florida from Irma S. Mas, the mother of Jorge Mas and José R. Mas. For each of the years ended December 31, 2017 and 2016 lease payments associated with this property totaled approximately $48,000.

In February 2018, MasTec acquired a construction management firm specializing in steel building systems, of which Juan Carlos Mas was a minority owner, for approximately $5 million in cash plus contingent earn-out consideration.

MasTec entered into a leasing arrangement in 2015 with an independent third party that leases an aircraft from a company owned by Jorge Mas. For the years ended December 31, 2017 and 2016, MasTec paid $2.0 million and $2.6 million, respectively, under this leasing arrangement. As of December 31, 2017, and 2016, related amounts payable were de minimis. Activity in 2015 was de minimis.

During the third quarter of 2017, the Company paid $2.0 million for approximately 4% of the common stock of Pensare Acquisition Corp. (Pensare) and warrants to purchase 2.0 million shares of Pensare common stock, which is a special purpose acquisition company focusing on transactions in the telecommunications industry. The shares of common stock purchased by MasTec are not transferable or salable until one year after Pensare successfully completes a business combination transaction, with limited exceptions, as specified in the agreement. The warrants purchased by MasTec are exercisable at a purchase price of $11.50 per share after Pensare successfully completes a business combination. Both the warrants and shares expire and/or are effectively forfeitable if Pensare does not successfully complete a business combination by February 1, 2019.

Split Dollar Agreements

As of December 31, 2017, MasTec had a split dollar agreement with Jorge Mas, and José R. Mas and Juan Carlos Mas, as trustees of the Jorge Mas Irrevocable Trust, dated June 1, 2012 (the Jorge Mas trust), under which MasTec was the sole owner of the policies subject to the agreement. The Company made the premium payments under each of the policies. Upon the death of Jorge Mas or the survivor of Jorge Mas and his wife under the applicable policy, MasTec was entitled to receive a portion of the death benefit under the policy equal to the greater of (i) premiums paid by the Company on the policy and (ii) the then cash value of the policy (excluding surrender charges or other similar charges or reductions) immediately before the triggering death. The balance of the death benefit was payable to the Jorge Mas trust or other beneficiary designated by the trustees. In the event of the Company s bankruptcy or dissolution, the Jorge Mas trust had the assignable option to purchase the policies subject to the split dollar agreement from the Company. The purchase price for each policy was the greater of either the total premiums paid by the Company for the policy, or the then cash value of the policy, excluding surrender charges or other similar charges or reductions. The total maximum face amount of the insurance policies subject to the split dollar agreement was capped at $200 million. The Company was designated as the named fiduciary under the split dollar agreement, and the policy could not have been surrendered without the express written consent of the Jorge Mas trust.

In addition, as of December 31, 2017, MasTec had a split dollar agreement with José R. Mas, and Jorge Mas, Juan Carlos Mas and Patricia Mas, as trustees of the José Ramon Mas Irrevocable Trust, dated December 7, 2012 (the José R. Mas trust), under which MasTec was the sole owner of each of the policies subject to the agreement. The Company made the premium payments under each of the policies. Upon the death of José R. Mas or the survivor of José R. Mas and his wife under the applicable policy, MasTec was entitled to receive a portion of the death benefit under the policy equal to the greater of (i) premiums paid by the Company on the policy and (ii) the then cash value of the policy (excluding surrender charges or other similar charges or reductions) immediately before the triggering death. The balance of the death benefit was payable to the José R. Mas trust or other beneficiary designated by the trustees. In the event of the Company s bankruptcy or dissolution, the José R. Mas trust had the assignable option to purchase the policies subject to the split dollar agreement from the Company. The purchase price for each policy was the greater of either the total premiums paid by the Company for the policy, or the then cash value of the policy, excluding surrender charges or other similar charges or reductions. The total maximum face amount of the insurance policies subject to the split dollar agreement was capped at $75 million. The Company was designated as the named fiduciary under the split dollar agreement, and the policy could not have been surrendered without the express written consent of the José R. Mas trust.

In connection with the split dollar agreement for Jorge Mas, the Company paid approximately $1.1 million in each of the years ended December 31, 2017, 2016 and 2015. In connection with the split dollar agreement for José R. Mas, the Company paid approximately $0.7 million in each of the years ended December 31, 2017, 2016 and 2015. As of December 31, 2017, and 2016, life insurance assets associated with these agreements, which amounts are included within other long-term assets, totaled $16.6 million and $14.8 million, respectively.

In February 2018, Jorge Mas, the Company and José R. Mas and Juan Carlos Mas, as trustees of the Jorge Mas trust, entered into an amended and restated split dollar life insurance agreement that replaces the prior split dollar agreement with Jorge Mas. Additionally, in February 2018, José R. Mas, the Company and Jorge Mas, Juan Carlos Mas and Patricia Mas, as trustees of the José R. Mas trust, entered into an amended and restated split dollar life insurance agreement that replaces the prior split dollar life insurance agreement with José R. Mas. Details of the amended and restated split dollar life insurance agreements with each of Jorge and José R. Mas (each a Covered Executive) are summarized below.

The Company is the sole owner of each of the policies subject to the applicable amended and restated split dollar agreement. The Company makes the premium payments under each of the policies. Upon the death of the applicable Covered Executive or the survivor thereof and his wife under the applicable policy, the Company is entitled to receive a portion of the death benefit under the policy equal to the greater of (i) premiums paid by the

Company on the policy and (ii) the then cash value of the policy (excluding surrender charges or other similar charges or reductions) immediately before the triggering death. The balance of the death benefit is payable to the Jorge Mas trust or the José R. Mas trust, as applicable, or other beneficiary designated by the applicable trustees. In the event of (i) the Company s bankruptcy or dissolution that does not qualify as a change in control of the Company, (ii) the death of the applicable Covered Executive, (iii) the death of the wife of the Covered Executive, or (iv) a change in control of the Company, the applicable trust shall have the assignable option to purchase the policies subject to the applicable split dollar agreement from the Company. The purchase price for each policy shall be the greatest of (i) the total premiums paid by the Company for the policy, (ii) the then cash value of the policy, excluding surrender charges or other similar charges or reductions, or (iii) only in the case of any purchase that is not as a result of the first to occur of an event described in the foregoing clauses (ii) and (iv), the fair market value of the policy. The purchase price for each policy shall be payable in cash or a promissory note, if and to the extent that the Company determines that payment with a promissory note could not violate applicable law. In the event of a change in control of the Company, the Company shall make all the then unpaid premium payments under the policies subject to the split dollar agreements and any other payments to the insurer necessary to cause the policies subject to the split dollar agreements to be fully paid. In addition, if any policies subject to the split dollar agreements are purchased from the Company, the Company shall make all the then unpaid premium payments under the purchased policies and any other payments to the insurer necessary to cause the purchased policies to be fully paid. The total maximum face amount of the insurance policies subject to the split dollar agreements is capped at $200 million in the case of Jorge Mas and $75 million in the case of Jose R. Mas. The Company is designated as the named fiduciary under each split dollar agreement, and the policies subject to the split dollar agreement may not be surrendered without the express written consent of the applicable trust.

AUDIT COMMITTEE AND AUDIT RELATED INFORMATION

Audit Committee Report

The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of MasTec s filings under the Securities Act or the Exchange Act except to the extent that we specifically incorporate such report by reference.

We act under a written charter that has been adopted by MasTec s Board. While we have the responsibilities set forth in this charter, it is not our duty to plan or conduct audits or to determine that MasTec s consolidated financial statements are complete, accurate or in compliance with generally accepted accounting principles. This is the responsibility of MasTec s management and independent registered public accounting firm.

Our primary function is to assist the Board in their evaluation and oversight of the integrity of MasTec s financial statements and internal control over financial reporting, the qualifications and independence of MasTec s independent registered public accounting firm and the performance of MasTec s audit functions. In addition, while we are also responsible for assisting the Board in their evaluation and oversight of MasTec s compliance with applicable laws and regulations, it is not our duty to assure compliance with such laws and regulations and related policies. We are also responsible for reviewing and discussing MasTec s guidelines, policies and processes with respect to risk assessment and risk management and we advise the Board with respect to such matters, as appropriate. We are responsible for retaining MasTec s independent registered public accounting firm and maintain sole responsibility for their compensation, oversight and termination. We are also responsible for pre-approving all non-audit services to be provided by the independent registered public accounting firm, and on an annual basis discussing with the independent registered public accounting firm all significant relationships they have with MasTec to determine their independence.

The agenda of the Audit Committee is established by the Chairman of the Audit Committee. At its meetings, the Audit Committee generally met with senior members of the financial management team. Members of the Audit Committee had private executive sessions, as appropriate, at its meetings, with MasTec s independent registered public accounting firm for the purpose of discussing financial management, accounting and internal control issues, including those matters required to be discussed pursuant to Auditing Standard No. 1301, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board, and the rules of the NYSE. The Audit Committee also has executive sessions with the director of internal audit.

The Audit Committee also received the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm s communications with the Audit Committee concerning independence. The Audit Committee reviewed and discussed with the independent registered public accounting firm their independence from MasTec. In connection with discussions regarding independence, the Audit Committee also reviewed with the independent registered public accounting firm whether the provision of non-audit services by independent registered public accounting firm to MasTec is compatible with the auditors independence.

The Audit Committee reviewed the audited financial statements contained in MasTec s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 with MasTec s management, including a discussion of the accounting principles, the reasonableness of judgments and estimates, the clarity of disclosure in the consolidated financial statements and the conformity of the consolidated financial statements of MasTec with generally accepted accounting principles. In performing its functions, the Audit Committee acts in an oversight capacity. The Audit Committee relies on the work and assurances of MasTec s management, which has the primary responsibility for the financial statements and reports, and of the independent registered public accounting firm, who, in its report, expressed an opinion on the conformity of our annual financial statements to generally accepted accounting principles. In reliance on these reviews and discussions, and the report of the independent registered public accounting firm, the Audit Committee recommended to the Board, and the Board approved, that the audited financial statements be included in MasTec s Annual Report on Form 10-K for the year ended December 31, 2017.

Robert J. Dwyer, Chairman

Ernst N. Csiszar

Julia L. Johnson

Independent Registered Public Accounting Firm

Our Audit Committee engaged BDO USA, LLP to serve as our independent registered public accounting firm for the 2017 fiscal year. A representative from BDO USA, LLP is expected to attend the Annual Meeting and will have the opportunity to make a statement and answer appropriate questions.

Audit Fees

Fees for services rendered by our independent registered public accounting firm, BDO USA, LLP, for professional services rendered for the 2016 and 2017 audits of our annual financial statements, reviews of financial statements included in quarterly reports on Form 10-Q in 2016 and 2017 and out of pocket expenses, totaled approximately $3.4 million and $3.5 million for 2016 and 2017, respectively. Audit fees for 2016 also include work related to comfort letters and securities registration statement consents.

Audit-Related Fees

Fees for audit related services, which are services that are reasonably related to the performance of the annual audit or to the review of quarterly financial statements, performed by BDO USA, LLP were $73,000 and $184,000 in 2016 and 2017, respectively. Fees for services rendered by our independent registered public accounting firm, BDO USA, LLP, for audit related services rendered for 2016 and 2017 included procedures performed for our 401(k)-retirement plan.

Tax Fees

There were no tax fees billed by BDO USA, LLP for either 2016 or 2017.

All Other Fees

There were no fees billed by BDO USA, LLP for other services in either 2016 or 2017.

Pre-approval Policies

The Audit Committee pre-approves all auditing services and the terms of such services (which may include providing comfort letters about securities underwritings) and non-audit services provided by our independent registered public accounting firm, but only to the extent that the non-audit services are not prohibited under applicable law and the Audit Committee reasonably determines that the non-audit services do not impair the independence of the independent registered public accounting firm. The authority to pre-approve non-audit services may be delegated to one or more members of the Audit Committee, who present all decisions to pre-approve an activity to the full Audit Committee at its first meeting following such decision. The pre-approval requirement is waived with respect to the provision of non-audit services for MasTec if (i) the aggregate amount of all such non-audit services provided to MasTec constitutes not more than 5% of the total amount of revenues paid by MasTec to its independent registered public accounting firm during the fiscal year in which such non-audit services were provided, (ii) such services were not recognized at the time of the engagement to be non-audit services, and (iii) such services are promptly brought to the attention of the Audit Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Audit Committee.

The Audit Committee has considered and determined that the provision of the non-audit services described above is compatible with maintaining the auditor s independence.

During 2016 and 2017, audit services, audit related services and all other services provided by BDO USA, LLP were pre-approved by the Audit Committee.

PROPOSAL NO. 2: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected and appointed the firm of BDO USA, LLP to act as our independent registered public accounting firm for the 2018 fiscal year. BDO USA, LLP was our independent registered public accounting firm for the fiscal year ended December 31, 2017. Although ratification is not required by our bylaws or otherwise, the Board is submitting the appointment of BDO USA, LLP to our shareholders for ratification as a matter of good corporate practice. If the appointment is not ratified, the Audit Committee will re-evaluate its appointment, taking into consideration our shareholders vote. However, the Audit Committee is solely responsible for the appointment and termination of our auditors and may do so at any time in its discretion.

Proxies will be voted for ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the 2018 fiscal year absent contrary instructions.

The Board Recommends that You Vote FOR ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the 2018 fiscal year.

PROPOSAL NO. 3: VOTE ON A NON-BINDING ADVISORY RESOLUTION TO APPROVE THE COMPENSATION OF THE COMPANY S

NAMED EXECUTIVES

As required by Section 14A of the Exchange Act, we are seeking advisory shareholder approval of the compensation of our NEOs as disclosed in the section of this Proxy Statement titled Compensation Discussion and Analysis including the tables that follow. We are asking shareholders to vote on the following advisory resolution:

RESOLVED, that the holders of the Company s common stock advise that they approve the compensation of the Company s NEOs as disclosed pursuant to the compensation disclosure rules of the SEC (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and the related footnotes, and the narrative information accompanying the tables).

Although your vote is advisory and therefore non-binding, the Board of Directors will consider the outcome of the vote when considering future executive compensation decisions for NEOs. We urge shareholders to read the Compensation Discussion and Analysis (CD&A) section of this Proxy Statement, which details our compensation actions for the year ended December 31, 2017. As described in the CD&A, we believe that the compensation paid to our NEOs for 2017 appropriately considers our demonstrated ability to increase revenue, net income and profitability over the short- and long-term because of the continued leadership of these NEOs. We believe that our compensation programs and policies and the compensation decisions for 2017 as described in the CD&A appropriately reward our NEOs for their and the Company s performance and we believe that these programs and policies will assist us in retaining our senior leadership team.

The Board recommends that shareholders vote FOR approval of the compensation of the Company s NEOs as disclosed pursuant to the compensation disclosure rules of the SEC (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and the related footnotes, and the narrative information accompanying the tables).

OTHER BUSINESS

Notice Procedures and Shareholders Proposals for the 2019 Annual Meeting of Shareholders

Under our bylaws, no business may be brought before an annual meeting unless it is specified in the notice of the meeting or is otherwise brought before an annual meeting by or at the direction of our Board or, in the case of business other than director nominations, by a shareholder entitled to vote who has delivered written notice as specified by our bylaws. Under our bylaws, MasTec must receive any eligible proposal from an eligible shareholder intended to be presented at the 2019 Annual Meeting of Shareholders on or before November 28, 2018 for the proposal to be properly brought before the meeting. This same deadline also applies for any shareholder proposal to be eligible for inclusion in our Proxy Statement and proxy related to that meeting pursuant to SEC Rule 14a-8. Any notice regarding any shareholder proposal must include the information specified in Article I, Section 9 of our bylaws. If a shareholder fails to comply with Article I, Section 9 of our bylaws or notifies MasTec after November 28, 2018 of an intent to present any proposal at MasTec s 2019 Annual Meeting of Shareholders, irrespective of whether the shareholder is seeking to include the proposal in MasTec s Proxy Statement and proxy pursuant to SEC Rule 14a-8, the proposal will not be considered properly brought before the meeting. A copy of our bylaw requirements will be provided upon written request to: MasTec Legal Department, 800 S. Douglas Road, 12th Floor, Coral Gables, Florida, 33134.

Availability of Annual Report on Form 10-K

Copies of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (without exhibits or documents incorporated by reference therein), are available without charge to shareholders upon written request to MasTec Legal Department, 800 S. Douglas Road, 12th Floor, Coral Gables, Florida, 33134, by calling (305) 599-1800 or via the Internet at www.mastec.com.

Other Matters that May Come Before the Annual Meeting

The Board does not intend to present, and knows of no others who intend to present, at the Annual Meeting any matter or business other than that set forth in the accompanying Notice of Annual Meeting of Shareholders. If other matters are properly brought before the Annual Meeting, it is the intention of the persons named in the proxy to vote any proxies on such matters in accordance with their judgment.

We request that you promptly request a proxy card to sign, date, and return or vote your proxy over the telephone or through the Internet so that your vote will be included at the meeting.

Alberto de Cardenas, Secretary

Coral Gables, Florida

March 28, 2018

MASTEC, INC.

800 S. DOUGLAS ROAD - 12TH FLOOR

CORAL GABLES, FL 33134

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date, whichever comes first. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by MasTec, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date, whichever comes first. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

For	**Withhold**	**For All**	To withhold authority to vote for any individual nominee(s), mark

The Board of Directors recommends you vote FOR the following:	**All**	**All**	**Except**	For All Except and write the number(s) of the nominee(s) on the line below.
1. Election of Class II Directors				

Nominees

01) Jose R. Mas 02) Javier Palomarez

The Board of Directors recommends you vote FOR proposals 2. and 3.	**For**	**Against**	**Abstain**
2. Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2018.			
3. Approval of a non-binding advisory resolution regarding the compensation of our named executive officers.			

NOTE: In the Proxies discretion, in accordance with the recommendation of MasTec s Board of Directors, the Proxies are authorized to vote on any other business that may properly be presented at the Annual Meeting or any adjournments or postponements thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice & Proxy Statement and 10K Wrap are available at www.proxyvote.com .

PROXY FOR 2018 ANNUAL MEETING OF SHAREHOLDERS

SOLICITED BY THE BOARD OF DIRECTORS OF MASTEC, INC.

The undersigned hereby constitutes and appoints Alberto de Cardenas and Cristina Canales (the Proxies), or any one of them, each with full power of substitution, attorneys and Proxies for the undersigned, to vote all shares of common stock of MasTec, Inc. (MasTec) that the undersigned would be entitled to vote at the 2018 Annual Meeting of Shareholders (the Annual Meeting) to be held at the Douglas Entrance Building, South Tower, located at 806 S. Douglas Road, 10th Floor, Royal Poinciana Conference Room, Coral Gables, Florida 33134 at 9:30 a.m. EDT on Tuesday, May 22, 2018, or any adjournments or postponements thereof, on all matters properly coming before the Annual Meeting, including, but not limited to, the matters stated on the reverse side, in the manner directed herein.

If shares of MasTec s Common Stock are issued to or held for the account of the undersigned under the MasTec 401(k) Retirement Plan (the Plan), then the undersigned hereby directs the Trustee of the Plan to vote all shares of MasTec s Common Stock in the undersigned s name and/or account under the Plan in accordance with the instructions given herein at the Annual Meeting and at any adjournments or postponements thereof, on all matters properly coming before the Annual Meeting, including, but not limited to, the matters stated on the reverse side.

ANY PROPER PROXY RECEIVED BY MASTEC AS TO WHICH NO CHOICE HAS BEEN INDICATED WILL BE VOTED BY THE PROXIES FOR ALL THE NOMINEES SET FORTH ON THE REVERSE SIDE, FOR THE RATIFICATION OF BDO USA, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018, FOR A NON-BINDING ADVISORY RESOLUTION TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AND IN ACCORDANCE WITH THE RECOMMENDATION OF MASTEC S BOARD OF DIRECTORS ON ANY OTHER MATTER PROPERLY BROUGHT BEFORE THE ANNUAL MEETING. YOUR PROXY CANNOT BE VOTED UNLESS YOU SIGN, DATE AND RETURN THIS CARD OR FOLLOW THE INSTRUCTIONS FOR INTERNET OR

TELEPHONE VOTING SET FORTH ON THE REVERSE SIDE.

Continued and to be signed on reverse side

***** Exercise Your *Right* to Vote *****

Important Notice Regarding the Availability of Proxy Materials for the

Shareholder Meeting to Be Held on May 22, 2018

MASTEC, INC.

MASTEC, INC.

800 S. DOUGLAS ROAD - 12TH FLOOR

CORAL GABLES, FL 33134

Meeting Information

Meeting Type: Annual Meeting
For holders as of: March 13, 2018
Date: May 22, 2018 **Time:** 9:30 AM EDT
Location: Douglas Entrance Building,
806 S. Douglas Road,
10th Floor, Royal Poinciana Conference Room

Coral Gables, Florida 33134

You are receiving this communication because you hold shares in the above named company.

This is not a ballot. You cannot use this notice to vote these shares. This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. You may view the proxy materials online at *www.proxyvote.com* or easily request a paper copy (see reverse side).

We encourage you to access and review all of the important information contained in the proxy materials before voting.

See the reverse side of this notice to obtain proxy materials and voting instructions.

Before You Vote

How to Access the Proxy Materials

Proxy Materials Available to VIEW or RECEIVE:

1. Notice & Proxy Statement 2. 10K Wrap

How to View Online:
Have the information that is printed in the box marked by the arrow (located on the following page) and visit: *www.proxyvote.com.*

How to Request and Receive a PAPER or E-MAIL Copy:
If you want to receive a paper or e-mail copy of these documents, you must request one. There is NO charge for requesting a copy. Please choose one of the following methods to make your request:

1) *BY INTERNET*: www.proxyvote.com
2) *BY TELEPHONE*: 1-800-579-1639
3) *BY E-MAIL**: sendmaterial@proxyvote.com

* If requesting materials by e-mail, please send a blank e-mail with the information that is printed in the box marked by the arrow (located on the following page) in the subject line.

Requests, instructions and other inquiries sent to this e-mail address will NOT be forwarded to your investment advisor. Please make the request as instructed above on or before May 08, 2018 to facilitate timely delivery.

How To Vote

Please Choose One of the Following Voting Methods

Vote In Person: Many shareholder meetings have attendance requirements including, but not limited to, the possession of an attendance ticket issued by the entity holding the meeting. Please check the meeting materials for any special requirements for meeting attendance. At the meeting, you will need to request a ballot to vote these shares.

Vote By Internet: To vote now by Internet, go to *www.proxyvote.com.* Have the information that is printed in the box marked by the arrow available and follow the instructions.

Vote By Mail: You can vote by mail by requesting a paper copy of the materials, which will include a proxy card.

Voting items

The Board of Directors recommends you vote

FOR the following:

1. Election of Class II Directors

Nominees

01) Jose R. Mas 02) Javier Palomarez

The Board of Directors recommends you vote FOR proposals 2. and 3.

2. Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2018.

3. Approval of a non-binding advisory resolution regarding the compensation of our named executive officers.

NOTE: In the Proxies discretion, in accordance with the recommendation of MasTec s Board of Directors, the Proxies are authorized to vote on any other business that may properly be presented at the Annual Meeting or any adjournments or postponements thereof.