

OVERSEAS SHIPHOLDING GROUP INC  
Form DEF 14A  
April 30, 2012

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**OVERSEAS SHIPHOLDING GROUP, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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    - (2) Form, Schedule or Registration Statement No.:
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-

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**OVERSEAS SHIPHOLDING GROUP, INC.  
666 THIRD AVENUE, NEW YORK, N.Y. 10017  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**June 14, 2012**

TO THE STOCKHOLDERS OF OVERSEAS SHIPHOLDING GROUP, INC.:

You are cordially invited to attend the Annual Meeting of Stockholders of Overseas Shipholding Group, Inc. (the "Corporation"), which will be held at the corporate headquarters of Overseas Shipholding Group, Inc., 666 Third Avenue, Sixth Floor, New York, New York, on Thursday, June 14, 2012, at 2:00 P.M.

The meeting will be held for the following purposes:

- (1) To elect ten directors, each for a term of one year;
- (2) To consider and act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm for the year 2012;
- (3) To hold an advisory vote on the compensation of the Named Executive Officers for 2011 as described in the Compensation Discussion and Analysis section and in the accompanying compensation tables and narrative in this proxy statement;
- (4) To consider and act upon a proposal to approve an amendment and restatement of the Overseas Shipholding Group, Inc. 2004 Stock Incentive Plan, and
- (5) To transact such other business as may properly be brought before the meeting.

Stockholders of record at the close of business on April 17, 2012 will be entitled to vote at the meeting. The stockholders list will be open to the examination of stockholders for any purpose germane to the meeting, during ordinary business hours, for ten days before the meeting at the Corporation's offices, 666 Third Avenue, Fifth Floor, New York, N.Y.

We are taking advantage of the Securities and Exchange Commission rules which allow issuers to furnish proxy materials to their stockholders over the Internet. We believe these rules allow us to provide stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting.

If you received a printed copy of the materials, we have enclosed a copy of the Corporation's 2011 Annual Report on Form 10-K with this notice and proxy statement.

Your vote is important. We urge you to vote as soon as possible by telephone, over the Internet or by marking, signing and returning your proxy or voting instruction card as soon as possible, whether or not you plan to attend the meeting.

By order of the Board of Directors,

JAMES I. EDELSON  
Senior Vice President,  
General Counsel and Secretary

New York, N.Y.  
April 30, 2012

**Important Notice Regarding the Availability of  
Proxy Materials for the Annual Meeting of Stockholders to be held on June 14, 2012**

The Notice of Annual Meeting of Stockholders of the Corporation to be held on June 14, 2012, the Corporation's Proxy Statement for the 2012 Annual Meeting of Stockholders and the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 are available at <http://www.osg.com/proxy>.

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**OVERSEAS SHIPHOLDING GROUP, INC.**  
**666 Third Avenue, New York, N.Y. 10017**

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**PROXY STATEMENT**

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The accompanying proxy is solicited on behalf of the Board of Directors (the "Board") of Overseas Shipholding Group, Inc. (the "Corporation") for use at the Annual Meeting of Stockholders to be held on June 14, 2012. Any stockholder giving a proxy may revoke it at any time before it is exercised at the meeting.

Only stockholders of record at the close of business on April 17, 2012 (the "record date") will be entitled to vote at the Annual Meeting. The Corporation has one class of voting securities, its Common Stock, of which 30,848,818 shares were outstanding on the record date and entitled to one vote each. This proxy statement and the accompanying proxy will first be sent to stockholders on or about April 30, 2012.

**ELECTION OF DIRECTORS**

The Corporate Governance and Nominating Committee recommended to the Board that the size of the Board be reduced from thirteen members to ten members because the Committee believes that a Board with ten members is better suited for a company of the Corporation's scale and operations and consistent with management's overall program to reduce all costs of the Corporation. In view of the Committee's recommendation to reduce the size of the Board to ten members, three current directors, Messrs. Alan R. Batkin, Stanley Komaroff and Solomon N. Merkin, each decided not to be nominees for election as directors. The Board adopted the Committee's recommendation and thanked the three directors for their many years of dedicated services to the Corporation and their valuable contributions.

The ten nominees for election at the forthcoming meeting, all of whom are presently directors of the Corporation, are listed below. The nominees listed below were selected by the Board upon the recommendation of the Corporate Governance and Nominating Committee. Unless otherwise directed, the proxy will be voted for the election of these nominees, to serve for the ensuing year and until their successors are elected and qualify.

The table below sets forth information as to each nominee, and includes the amount and percentage of the Corporation's Common Stock of which each nominee, and all directors, nominees and executive officers as a group, were the "beneficial owners" (as defined in regulations of the Securities and Exchange Commission (the "SEC")) on the record date, all as reported to the Corporation. In accordance with SEC regulations, the table includes, in the case of certain of the

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directors, shares owned by entities in which the nominee, by reason of his position or interest, shares the power to vote or to dispose of securities.

Name and Age	Served as Director Since	Shares of Common Stock Beneficially Owned(a)	Percentage of Common Stock Beneficially Owned	Number of Restricted Stock Units Held(b)
<b>Nominees:</b>				
Morten Arntzen, 57	2004	704,523(c)	2.2%	
Oudi Recanati, 62	1996	3,886,059(d)(j)	12.6%	15,378
G. Allen Andreas III, 42	2004	9,500(e)		15,378
Thomas B. Coleman, 69	2003	11,800(f)		15,378
Charles A. Fribourg, 55	2000	1,826,468(g)	5.9%	15,378
Joel I. Pickett, 73	1989	4,000(h)		15,378
Ariel Recanati, 48	1999	3,875,539(i)(j)	12.6%	15,378
Thomas F. Robards, 65	2005	8,500(e)		14,098
Jean-Paul Vettier, 67	2006	7,583(e)		12,836
Michael J. Zimmerman, 61	2000	1,727,299(k)	5.6%	15,378
<b>Directors who are not nominees:</b>				
Alan R. Batkin, 67	1999	4,000(h)(l)		15,378
Stanley Komaroff, 77	1993	1,924(m)		15,378
Solomon N. Merkin, 55	1989	24,700(n)	0.1%	15,378
All directors, nominees and executive officers as a group (21 persons)		7,149,837(o)	22.5%	180,714

- (a) Includes the shares of Common Stock issuable within 60 days of April 17, 2012 upon the exercise of all options owned by the indicated stockholders on that date. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned.
- (b) Reflects restricted stock units held by the indicated non-employee director on April 17, 2012. The units have no voting rights, may not be transferred and convert into an equal number of shares of common stock when the director ceases to be a member of the Board except for Cause. For a description of the terms of the units, see Director Compensation on page 53 of this proxy statement.
- (c) Includes 169,605 shares granted to Mr. Arntzen by the Corporation pursuant to restricted stock agreements which are subject to retention restrictions on April 17, 2012. Also includes 530,708 shares of Common Stock issuable upon exercise of stock options.
- (d) Includes 3,821,393 shares as to which Mr. Oudi Recanati may be deemed to share the power to vote and dispose of under a stockholders agreement, dated as of December 18, 2003 among members of the Recanati family, as amended (the "Stockholders Agreement"); and 52,146 shares as to which he may be deemed to share the power to vote and dispose of by virtue of his positions as an officer and director of the Recanati Foundation. Also includes 3,000 shares of Common Stock issuable upon the exercise of stock options.
- (e) Includes 7,500 shares of Common Stock issuable upon exercise of stock options.
- (f) Includes 8,500 shares of Common Stock issuable upon exercise of stock options.
- (g) Includes 1,705,299 shares of Common Stock owned through an entity of which Mr. Fribourg is a director and has an ownership interest, 7,058 shares owned by Mr. Fribourg's wife and 3,000 shares of Common Stock issuable upon exercise of stock options. Mr. Fribourg disclaims beneficial





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ownership of the shares owned through the entity except to the extent of his pecuniary interest in these shares and disclaims beneficial ownership of the shares owned by his wife.

- (h) Includes 3,000 shares of Common Stock issuable upon exercise of stock options.
- (i) Includes 3,821,393 shares of Common Stock as to which Mr. Ariel Recanati may be deemed to share the power to vote pursuant to the Stockholders Agreement (he may be deemed to share the power to dispose of only 3,301,243 of these shares); and 52,146 shares as to which he may be deemed to share the power to vote and dispose of by virtue of his position as a director of the Recanati Foundation. Also includes 2,000 shares of Common Stock issuable upon exercise of stock options.
- (j) Mr. Oudi Recanati is the first cousin of Mr. Ariel Recanati.
- (k) Includes 1,705,299 shares of Common Stock owned through an entity for which Mr. Zimmerman is an Executive Vice President and Chief Financial Officer and 3,000 shares of Common Stock issuable upon exercise of stock options. Mr. Zimmerman disclaims beneficial ownership of the shares owned through the entity.
- (l) Mr. Batkin shares with his wife voting and investment control over 1,000 shares of Common Stock.
- (m) Includes 1,000 shares of Common Stock issuable upon exercise of stock options.
- (n) Includes 3,400 shares of Common Stock issuable upon exercise of stock options.
- (o) Includes 973,079 shares of Common Stock issuable upon exercise of stock options. See Notes (c) through (i) and (k) through (n) above.

### **Nominees**

*Morten Arntzen* Mr. Arntzen is President and Chief Executive Officer of the Corporation. Prior to joining the Corporation in such capacity in 2004, Mr. Arntzen was Chief Executive Officer of American Marine Advisors, Inc. ("AMA"), a United States-based merchant banking firm specializing in maritime industry merger and acquisition advisory work and corporate restructuring for a global client base. Prior to his work at AMA, Mr. Arntzen ran the Global Transportation Group for Chase Manhattan Bank ("Chase"). Chase pioneered the introduction of shipping companies to the high yield market and under Mr. Arntzen's leadership, was the largest arranger of shipping loans in the world. Mr. Arntzen held the same position at Chemical Bank before it merged with Chase. He also created and ran the Global Shipping Group for Manufacturers Hanover Trust Company.

Mr. Arntzen is a board member of Royal Caribbean Cruises Ltd. and serves on its Audit Committee and Environment, Safety and Security Committee. For more than five years prior to 2009, Mr. Arntzen was a director of Chiquita Brands International. He is also a member of the Board of Trustees of Maine Maritime Academy, in Castine, Maine and is a trustee of New Canaan Country School. Mr. Arntzen is past Chairman of the Board of OSG America, L.P.

Mr. Arntzen holds a bachelor of arts degree from Ohio Wesleyan University and a master of international affairs degree from Columbia University.

*Oudi Recanati* Mr. Recanati is a Director of several privately owned companies engaged in finance and investment. Mr. Recanati was Co-Chairman from 1999 until 2002 and Co-Chief Executive Officer from 1996 until 2002 of IDB Holding Corporation Ltd., a diversified investment and financial holding corporation. For more than five years prior to 1998, he was Chairman of Y.L.R. Capital Markets Ltd., an investment banking company.

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Mr. Recanati served as a Director of Union Bancaire Privée in Switzerland from 2003 until 2007. Previously, he was Chairman of the Board of Directors of Discount Bank and Trust Company in

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Switzerland. Active in both public and philanthropic activities, Mr. Recanati is the Chairman of the Board of various schools, research institutions and community service organizations.

Mr. Recanati has extensive experience guiding complex organizations and has strong operational and management expertise. He holds a bachelor of arts degree from Hebrew University and a master of business administration degree from Tel Aviv University. He is Chairman of the Corporate Governance and Nominating Committee and is a member of the Compensation Committee.

*G. Allen Andreas III* Mr. Andreas is President of Galaco Capital, a private investment firm. During 2009, Mr. Andreas was a principal in Goodhill Partners L.P. and from 2004 until 2009, Mr. Andreas was a principal at Delaware Street Capital, both investment management companies. At these companies, Mr. Andreas was responsible for investing, business management and development across public and private equity and credit markets. For more than five years prior to 2004, Mr. Andreas was employed as an investment professional at Allen & Company, a merchant banking company specializing in advisory work, private investing and asset management. Previously, Mr. Andreas practiced law at Winston & Strawn, focusing on mergers and acquisitions, securities transactions and private equity.

Mr. Andreas brings investment, legal and accounting expertise to the Board. He holds a bachelor of arts degree from Vanderbilt University and a Juris Doctor from Northwestern University School of Law. Mr. Andreas is a member of the Audit Committee.

*Thomas B. Coleman* Mr. Coleman has been employed by International Tank Terminals, L.L.C. since 1965 and has served as its President since 1972. He has also served as Chief Executive Officer of its affiliates International-Matex Tank Terminals and IMTT Bayonne since their formation in 1975 and 1983, respectively. These companies own and operate deepwater bulk liquid terminals and provide worldwide liquid logistic services.

Mr. Coleman has served on the Boards of Directors of Hibernia National Bank, Freeport-McMoRan, Jefferson Guaranty Bank, and Superior Offshore International, Inc. He is a past Chairman of the Independent Liquid Terminals Association, the New Orleans Chamber of Commerce, The Louisiana Nature Conservancy, and Junior Achievement. He is active in the Chief Executives Organization, World Presidents' Organization, Business School Council of Tulane University, the Whitney Museum of American Art National Committee and other community organizations.

Mr. Coleman brings broad operational and management experience to the Board. Mr. Coleman holds degrees in business and industrial engineering from Stanford University. He is a member of the Compensation Committee.

*Charles A. Fribourg* Mr. Fribourg joined Continental Grain Company in August 1980. Continental Grain is a diversified international agribusiness and investment company headquartered in New York City. For more than the past five years, Mr. Fribourg has served as Directeur Général of Finagrain Compagnie Commerciale Agricole et Financière S.A. in Geneva, Switzerland (also known as Arlon Group (Europe) S.A.), an agribusiness investment holding company and subsidiary of Continental Grain.

Mr. Fribourg has held numerous positions at Continental Grain during the last 30 years, including Senior Vice President and General Manager of the Latin American Division; General Manager EEC, Europe; Product Manager, International Meals/Derivatives, Geneva; Merchandising Manager, International Proteins/Derivatives; Commercial Manager/France; and Merchandising Manager. He has been a member of the Board of Directors of Continental Grain since 2001.

Mr. Fribourg has deep operational, investment and management experience. He holds a bachelor of science degree in political science from Connecticut College and a master of international management degree from the American Graduate School of International Management. He is Chairman of the Compensation Committee.

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*Joel I. Picket* Mr. Picket is Chairman of the Board and Chief Executive Officer of Gotham Organization, Inc. Mr. Picket took charge of Gotham in 1965 and has led the evolution of the now 82-year old company from what was strictly a general contracting business to a multidimensional, full-service real estate firm active in general contracting, construction management and development management, both of its own and third-party properties. Mr. Picket is responsible for the diversity of Gotham's portfolio, which includes construction and development of residential, commercial, medical, educational and hotel properties in the New York metropolitan area. Gotham is one of the largest privately held construction contractors in the United States and has constructed more than 30,000 residential units and has an overall construction portfolio in excess of 20 million buildable square feet.

Mr. Picket is Vice Chairman of the Board of Trustees of Continuum Health Partners, Inc., one of the largest nonprofit hospitals systems in New York City, and its constituent hospitals. Mr. Picket is a Member of Cornell University Council; a Board Member of the Richard Tucker Music Foundation; a member of the Board of the Foundation for the National Archives and the Park Avenue Armory; a Trustee, from 1998 until the present, and a Fellow Trustee, from 2009 to present, of Fordham University; a Member of the Board of Governors and Executive Committee of the Real Estate Board of New York; and a Board Member of the New York Philharmonic.

Mr. Picket brings more than 40 years of operational and management experience to the Board as well as in depth knowledge of the Corporation resulting from serving more than 20 years as a director. Mr. Picket holds a bachelor of arts degree from Cornell University. He is a member of the Audit Committee.

*Ariel Recanati* Mr. Ariel Recanati is the President and Director of Maritime Overseas Corporation ('MOC'), a private family management company, and has held such position for more than the past five years. Mr. Recanati also is Chairman of Waterlogic Plc, a public company engaged in the design, manufacture, distribution, rental, leasing and servicing of point of use water filtration and purification systems. He was the Senior Vice President and Chief Strategic and Planning Officer of the Corporation from 1998 until 2003. Prior to that, he held numerous positions with subsidiaries of the Corporation, including Vice President of Chartering and Managing Director of the Corporation's management subsidiary in the United Kingdom.

Mr. Recanati is active in several educational and philanthropic organizations, serving as an advisory board member of Mount Sinai Global Health in New York City and as Chairman of the Executive Committee of the Leon Recanati Institute for Maritime Studies at the University of Haifa. He previously served as a member of the Board of Trustees of The Dalton School in New York City.

Mr. Recanati brings extensive knowledge of the Corporation and the shipping industry to the Board. Mr. Recanati is a graduate of the London School of Economics. He is a member of the Audit Committee.

*Thomas F. Robards* Mr. Robards is principal of Robards & Company LLC, an investment advisory and consulting services company, and has held such position for more than the past five years. Mr. Robards was Senior Vice President, Chief Financial Officer and member of the President's Council of the American Museum of Natural History from 2003 until 2004. He was Chief Financial Officer and a member of the Management Executive Committee of Datek Online Holding Corporation from 2000 until 2003, when it was acquired by Ameritrade. He was employed at Republic New York Corporation from 1976 to 2000 where, among other duties, he served as Chief Financial Officer, Executive Vice President and a member of the Management Executive Committee.

Mr. Robards has been a Director of HSBC Investor Funds, a mutual fund company, since 2004 and is Chairman of its Audit Committee. He is also a director of Ellington Financial LLC, an investment company, and Chairman of its Board and of its Audit Committee. He was a Director of Financial Federal Corporation, a New York Stock Exchange-listed specialty finance company from 1999

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until 2006 and served as Chairman of its Audit Committee. He also served on the Boards of Directors of ContiFinancial Corporation, a mortgage organization and servicing company, from 1999 until 2000 and Republic New York Corporation, a New York Stock Exchange listed bank holding company, from 1997 until 1999.

Mr. Robards' past community affiliations include his work as Treasurer and Director of the National Down Syndrome Society; Chairman of the Finance Committee and Director of the Big Apple Circus; and Co-founder of the Cooke Center for Learning and Development. He has been a member of the Columbia Teachers College President's Business Advisory Board.

Mr. Robards has extensive financing and accounting experience. Mr. Robards holds a bachelor of arts degree from Brown University and a master of business administration degree from Harvard Business School. He is Chairman of the Audit Committee.

*Jean-Paul Vettier* Mr. Vettier is the Chief Executive Officer of Petroplus Holdings AG, an independent refiner and wholesaler of petroleum products, and has held such position since September 2009. On January 25, 2012, Petroplus Holdings AG filed an insolvency petition in Switzerland. Mr. Vettier serves as a director of DOMO Chemicals NV, a privately owned Belgium chemical company, and NOVACAP SA, a privately owned French chemical company. He was senior advisor to First Reserve Corporation, a private equity firm, and Roland Berger Strategy Consultants, a consulting firm, from 2006 until 2009. Prior to consulting, Mr. Vettier held executive positions for 15 years at Total, the international energy corporation, including Chairman and Chief Executive Officer of Total Refining & Marketing, Chairman and Chief Executive Officer of TotalFinaElf Refining & Marketing and Executive Vice President of Refining and Marketing. He also served as President of Europia, the European Petroleum Industry Association focused on environment, product and policies issues affecting the energy industry in the European Union. Prior to joining Total, he held positions at Orkem and Rhone-Poulenc. From 2006 until 2009, Mr. Vettier was a director of Dresser-Rand Group, Inc. and SNC Lavalin Group, Inc.

Mr. Vettier brings to the Board broad operational and management expertise and extensive knowledge of the energy industry. Mr. Vettier holds a degree in Law and Economics from the University of Paris. He is a Knight of the French National Order of Merit and of the French Legion of Honor. He is a member of the Compensation Committee.

*Michael J. Zimmerman* Mr. Zimmerman is Executive Vice President and Chief Financial Officer of Continental Grain Company, a diversified international agribusiness and investment company headquartered in New York City, and a member of the Investment Committee of Arlon Group LLC, its investment affiliate. Mr. Zimmerman is responsible for the financial and strategic initiatives within Continental Grain's established operations, as well as investment activities in new and related areas.

Prior to joining Continental Grain in 1996, Mr. Zimmerman was a Managing Director at Salomon Brothers, where he held numerous senior-level positions in the company's investment banking and firm investment areas. His responsibilities included leading the firm's mergers and acquisitions business, acting as Chairman of Salomon's Capital Commitments and Screening Committees, and supervising important investment banking transactions and client relationships. Mr. Zimmerman is a Director of KBW, Inc. and, during the past five years, has also served as a director of Financial Federal Corporation and Premium Standard Farms, Inc., and an advisory director of Smithfield Foods, Inc. He is active in several educational, religious and philanthropic organizations, including serving as a member of the Board of Trustees of Continuum Health Partners, Inc., one of the largest nonprofit hospital systems in New York City.

Mr. Zimmerman brings extensive experience in acquisitions, capital markets, investments and financing to the Board as well as broad operational and management expertise. He holds a bachelor of arts degree from Trinity College and is an honors graduate of Harvard Business School, where he

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received a master of business administration degree. Mr. Zimmerman is the nonexecutive Chairman of the Board of the Corporation and is a member of the Corporate Governance and Nominating Committee.

If, for any reason, any nominee should not be available for election or able to serve as a director, the accompanying proxy will be voted for the election of a substitute nominee designated by the Board of Directors. The Board has no reason to believe that it will be necessary to designate a substitute nominee.

**Directors who are not nominees:**

*Alan R. Batkin* Mr. Batkin is Vice Chairman of Eton Park Capital Management, L.P., a multi-strategy investment firm, and has held such position since 2007. From 1990 through 2006, he was Vice Chairman of Kissinger Associates, Inc., a geopolitical consulting firm that advises multinational companies. From 1972 until 1990, Mr. Batkin was an investment banker at Lehman Brothers, Inc., serving 14 years as a Managing Director.

In addition to the Corporation, Mr. Batkin is a director of two New York Stock Exchange-listed companies: Cantel Medical Corp. and Omnicom Group, Inc. and one NASDAQ quoted company, Hasbro, Inc. During the past five years, Mr. Batkin has been a director of Diamond Offshore Drilling, Inc. and on the boards of the various mutual funds within the Merrill Lynch IQ Investment Advisors fund complex. He is also Chairman Emeritus of the International Rescue Committee and a Trustee of The Brookings Institution.

Mr. Batkin is a member of The Trilateral Commission; the Council on Foreign Relations; and the Inter-American Dialogue. He is a member of the Boards of Trustees of Continuum Health Partners, Inc., one of the largest nonprofit hospital systems in New York City, and its constituent hospitals. Mr. Batkin is also a trustee of the New York City Police Foundation, a member of the Board of Overseers of the Mailman School of Public Health at Columbia University and a board member of Millennium Promise, an international nonprofit organization committed to reducing poverty.

Mr. Batkin holds a bachelor of science degree from the University of Rochester and a master of business administration degree from New York University. He is a member of the Corporate Governance and Nominating Committee.

*Stanley Komaroff* Mr. Komaroff is a Senior Advisor to Henry Schein, Inc., and a member of its Executive Management Committee. This Fortune 500 company is the largest distributor of healthcare products and services to office based practitioners in the combined North American and European markets. Mr. Komaroff joined Henry Schein, Inc. in December 2003 following his retirement as a Senior Partner of Proskauer Rose LLP, one of the nation's largest law firms. Mr. Komaroff spent his entire legal career at Proskauer Rose and served as its Chairman from 1991 until 1999. Mr. Komaroff's practice was concentrated in the areas of mergers and acquisitions and international transactions.

While at Proskauer Rose, Mr. Komaroff counseled the Corporation, as well as a number of other public and private companies in the United States and abroad and developed an in depth knowledge of all aspects of the Corporation. He advised senior management of corporate clients and their boards of directors in a wide range of business, strategic and legal matters.

Mr. Komaroff has been active in civic and philanthropic matters, concentrating on the healthcare field. He is a member of the Boards of Trustees of Continuum Health Partners, Inc., one of the largest nonprofit hospital systems in New York City, and its constituent hospitals. Previously, he served as a member of the New York State Hospital Review and Planning Council and the New York City Economic Development Corporation. Mr. Komaroff has also served as a Director of The Edmond de Rothschild Foundation.

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Mr. Komaroff is a graduate of Cornell University and Cornell Law School where he was Editor-in-Chief of the Cornell Law Review. He is a member of the Corporate Governance and Nominating Committee.

*Solomon N. Merkin* Mr. Merkin is President of Leib Merkin, Inc., a private investment company focused on investing in private and public companies. He has served in such position since 2003 and has held numerous positions with Leib Merkin, Inc. for more than the past 25 years. Previously, Mr. Merkin was a credit analyst at IDB Holding Corporation Ltd., a diversified investment and financial holding corporation.

Mr. Merkin has extensive investment experience and in depth knowledge of the Corporation having served as a director of the Corporation for more than 20 years. Mr. Merkin holds a bachelor of arts degree from Columbia University and a master of business administration degree from Pace University. He is a member of the Corporate Governance and Nominating Committee.

**BENEFICIAL OWNERSHIP OF COMMON STOCK BY NAMED EXECUTIVE OFFICERS**

The following table sets forth the beneficial ownership of shares of the Corporation's Common Stock as of April 17, 2012 by each of the Named Executive Officers listed in the Summary Compensation Table in this proxy statement other than Morten Arntzen, whose information is disclosed above along with the other directors.

Name	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
Myles R. Itkin	146,049(1)	0.5%
Ian T. Blackley	66,239(2)	0.2%
Robert E. Johnston	122,985(3)	0.4%
Lois K. Zabrocky	82,892(4)	0.3%

- (1) Includes 99,162 shares of Common Stock issuable upon the exercise of stock options.
- (2) Includes 34,913 shares of Common Stock issuable upon the exercise of stock options.
- (3) Includes 77,102 shares of Common Stock issuable upon the exercise of stock options.
- (4) Includes 52,056 shares of Common Stock issuable upon the exercise of stock options.



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Set forth below are the names and addresses of those persons, other than nominees for directors and entities they control (see "Election of Directors"), that are known by the Corporation to have been "beneficial owners" (as defined in regulations of the SEC) of more than 5% of the outstanding shares of the Corporation's Common Stock, as reported to the Corporation and the SEC.

<b>Name and Address</b>	<b>Number of Shares Beneficially Owned*</b>	<b>Percent of Class*</b>
Mrs. Diane Recanati(1)(2) 944 Fifth Avenue New York, New York 10021	3,873,639	12.6%**
Mr. Leon Recanati(1)(3) Medinat Hayehudim Street 85 Herzeliya Pituah, Israel	3,873,639	12.6%**
Mr. Michael Recanati(1)(4) Kahn & Goldberg, LLP 708 Third Avenue, 19th Floor New York, New York 10017	3,889,907	12.6%**
Mrs. Yudith Yovel Recanati(1)(5) 64 Kaplan Street Herzliya, Israel	3,873,639	12.6%**
Donald Smith & Co., Inc.(6)(14) 152 West 57th Street New York, New York 10019	3,068,614	9.9%
Franklin Resources, Inc.(7)(14) One Franklin Parkway San Mateo, California 94403	2,796,900	9.1%
BlackRock, Inc.(8)(14) 40 East 52nd Street New York, New York 10022	2,453,750	8.0%
Paul J. Fribourg(9)(14) 277 Park Avenue New York, New York 10172	2,009,814	6.5%***
Continental Grain Company(10)(14) 277 Park Avenue New York, New York 10172	1,705,299	5.5%***
Foundation Resources Management, Inc.(11)(14) 401 W. Capitol Avenue, Suite 503 Little Rock, Arkansas 72201	1,799,401	5.8%
Dimensional Fund Advisors LP(12)(14) Palisades West, Building One 6300 Bee Cave Road Austin, Texas, 78746	1,707,188	5.5%
The Vanguard Group, Inc.(13)(14) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	1,543,764	5.0%

\*

Unless otherwise stated in the notes to this table, the share and percentage ownership information presented is as of April 17, 2012.

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Messrs. Oudi Recanati, Ariel Recanati, Michael Recanati and Leon Recanati, Mrs. Diane Recanati and Mrs. Yudit Yovel Recanati all share the power to vote 3,821,393 shares subject to the First Amendment to the Amended and Restated Stockholders Agreement dated as of December 18, 2003 among members of, or trusts for the benefit of members of, the Recanati family, as amended (the "Stockholders Agreement"). All of these persons also share the power to vote and dispose of the 52,146 shares owned by the Recanati Foundation. All of the shares that are subject to the Stockholders Agreement or owned by the Recanati Foundation are listed as beneficially owned by each of the foregoing persons in this table and are included in calculating such person's ownership percentage. The share and percentage ownership information for these persons is as of April 17, 2012.

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Messrs. Paul J. Fribourg and Charles A. Fribourg, who are brothers, and Mr. Michael J. Zimmerman all may be deemed to share the power to vote and dispose of the 1,705,299 shares of Common Stock owned by Continental Grain Company ("CGC"). Messrs. Paul J. Fribourg and Charles A. Fribourg may be deemed to share such power because each of them is a director of CGC (Mr. Paul J. Fribourg is also Chairman, Chief Executive Officer and President of CGC) and because each of them is one of the co-trustees and in one case, a beneficiary, of various trusts established for members of the Fribourg family that collectively own a majority interest in CGC. Mr. Michael J. Zimmerman may be deemed to share such power because he is Executive Vice President and Chief Financial Officer of CGC. Messrs. Charles A. Fribourg and Michael J. Zimmerman are each directors of the Corporation (Mr. Zimmerman is Chairman of the Board of Directors of the Corporation.)

(1)

Mrs. Diane Recanati is the mother of Messrs. Oudi Recanati, a director of the Corporation, and Michael Recanati, the aunt of Mr. Ariel Recanati, a director of the Corporation, and the aunt of Mr. Leon Recanati and Mrs. Yudit Yovel Recanati, who are brother and sister.

(2)

Includes 3,821,393 shares subject to the Stockholders Agreement, as to which she may be deemed to share the power to vote (she shares the power to dispose of these shares with Messrs. Oudi Recanati and Michael Recanati). Also includes 52,146 shares held by the Recanati Foundation, which Mrs. Recanati may be deemed to share the power to vote and dispose of by virtue of her position as a director of the Recanati Foundation.

(3)

Includes 3,821,393 shares subject to the Stockholders Agreement, as to which he may be deemed to share the power to vote (he shares the power to dispose of only 3,301,243 of these shares); and 52,146 shares which he may be deemed to share the power to vote and dispose of by virtue of his position as a director of the Recanati Foundation.

(4)

Includes 3,821,393 shares subject to the Stockholders Agreement, as to which he may be deemed to share the power to vote and dispose; and 52,146 shares which he may be deemed to share the power to vote and dispose of by virtue of his position as a director of the Recanati Foundation.

(5)

Includes 3,821,393 shares subject to the Stockholders Agreement, as to which she may be deemed to share the power to vote (she shares the power to dispose of only 3,301,243 of these shares); and 52,146 shares which she may be deemed to share the power to vote and dispose of by virtue of her position as a director of the Recanati Foundation.

(6)

As of December 31, 2011, Donald Smith & Co., Inc. ("Donald Smith") had sole dispositive power over all of these shares and sole voting power over 1,874,599 of these shares. Donald Smith, in its capacity as investment advisor, may be deemed to beneficially own 3,068,614 shares of Common Stock of the Corporation which are held by clients of Donald Smith.

(7)

As of December 31, 2011, Franklin Advisory Services, LLC ("FAM") had the sole dispositive power over all of these shares and sole voting power over 2,729,000 of these shares. The securities reported are beneficially owned by one or more open- or closed-end investment companies or other managed accounts that are investment management clients of investment managers that are direct and indirect subsidiaries (each, an "Investment Management Subsidiary" and, collectively, the "Investment Management Subsidiaries") of Franklin Resources, Inc. ("FRI"). Investment management contracts grant to the Investment Management Subsidiaries all investment and/or

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voting power over the securities owned by such investment management clients. Therefore, the Investment Management Subsidiaries may be deemed to be the beneficial owners of the securities. The voting and investment powers held by FAM, an indirect wholly-owned Investment Management Subsidiary, are exercised independently from FRI and from all other Investment Management Subsidiaries. FRI and Charles B. Johnson and Rupert H. Johnson (such individuals, collectively, the "Principal Shareholders") may be deemed to be the beneficial owners of securities held by persons and entities for whom or for which FRI subsidiaries provide investment management services. FRI, the Principal Shareholders, and each of the Investment Management Subsidiaries believe that they are not a "group" and believe that they are not otherwise required to attribute to each other the beneficial interest in the securities held by any of them or by any persons or entities for whom or for which the Investment Management Subsidiaries provide investment management services.

- (8) As of December 31, 2011, BlackRock, Inc. had the sole dispositive power over all of these shares and sole voting power over all of these shares.
- (9) As of November 22, 2011, Mr. Paul J. Fribourg shared the power to vote and dispose of 1,705,299 of these shares which are owned by CGC and had the sole dispositive power and sole voting power over the balance of these shares.
- (10) As of November 22, 2011, CGC shared the power to vote and dispose of all of these shares.
- (11) As of December 31, 2011, Foundation Resources Management Inc. ("Foundation") had sole dispositive power over all of these shares and shared voting power over 1,797,601 of these shares. Foundation, in its capacity as investment adviser, may be deemed to beneficially own 1,799,401 shares of Common Stock of the Corporation which are held by clients of Foundation.
- (12) As of December 31, 2011, Dimensional Fund Advisors LP had the sole dispositive power over all of these shares and sole voting power over 1,664,515 of these shares. Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the "Funds"). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment adviser, sub-adviser and/or manager, neither Dimensional Fund Advisors LP or its subsidiaries (collectively, "Dimensional") possess voting and/or investment power over the securities of the Corporation that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Corporation held by the Funds. However, all securities reported are owned by the Funds. Dimensional disclaims beneficial ownership of such securities.
- (13) As of December 31, 2011, The Vanguard Group, Inc. ("Vanguard") had the sole dispositive power over 1,501,778 of these shares, shared dispositive power over 41,986 of these shares and sole voting power over 41,986 of these shares. Vanguard, in its capacity as investment advisor, may be deemed to beneficially own 1,501,778 shares of common stock of the Corporation which are held by clients of Vanguard and Vanguard Fiduciary Trust Company, a wholly owned subsidiary of Vanguard, in its capacity as investment manager of collective trust accounts, may be deemed to beneficially own 41,986 shares of common stock of the Corporation which are held by such trust accounts.
- (14) The information with respect to this beneficial ownership is according to such beneficial owner's filings with the SEC.

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**INFORMATION ABOUT THE BOARD AND CORPORATE GOVERNANCE**

*Corporate Governance Guidelines.* The Board has adopted Corporate Governance Guidelines to promote the effective functioning of the Board and its committees, to promote the interests of all stockholders, and to ensure a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions. The Board believes that ethics and integrity cannot be legislated or mandated by directive or policy and that the ethics, character, integrity and values of the Corporation's directors and senior management remain the most important safeguards in quality corporate governance. The Corporate Governance Guidelines are posted on the Corporation's website, which is [www.osg.com](http://www.osg.com), and are available in print upon the request of any stockholder of the Corporation. Under the Corporate Governance Guidelines, each director is expected to attend all Board meetings and all meetings of committees of which the director is a member. Meeting materials are provided to Board and Committee members prior to meetings, and members are expected to review such materials prior to each meeting.

*Board Leadership Structure.* The Corporate Governance Guidelines provide that the Board of Directors selects the Chief Executive Officer of the Corporation (the "CEO") and may select a Chairman of the Board (the "Chairman") in the manner it considers in the best interests of the Corporation. The Guidelines provide that if the Board determines that there should be a Chairman, he or she may be a non-management director or the CEO.

The Corporation currently separates the role of CEO and Chairman of the Board; however, in the past the Corporation has combined these roles. The Board separated the roles upon the election of Mr. Morten Arntzen as CEO in January 2004 to allow him to concentrate on strategic planning and operating and expanding the Corporation's business as the Corporation transitioned to new leadership. At the same time, the Board elected Mr. Michael J. Zimmerman as nonexecutive Chairman. The CEO and the Chairman are in frequent contact with one another and with senior management of the Corporation. They provide advice and recommendations to the full Board for the full Board's consideration. They each review in advance the schedule of Board and committee meetings and establish the agenda for each Board meeting in order to ensure that the interests and requirements of the stockholders, the directors and other stakeholders are appropriately addressed. The Board believes that the existing leadership structure, with the current individuals in their positions, is in the best interests of stockholders.

The Board retains the right to combine the CEO and Chairman roles in the future if it determines that such a combination would be in the best interests of the Corporation and its stockholders. The Board, primarily through its Corporate Governance and Nominating Committee, periodically reviews the Corporation's leadership structure to determine if it remains appropriate in light of the Corporation's specific circumstances and needs, current corporate governance standards, market practices and other factors the Board considers relevant.

*Policies and Procedures for Approval of Related Party Transactions.* Related party transactions may present potential or actual conflicts of interest and create the appearance that Corporation decisions are based on considerations other than the best interests of the Corporation and its stockholders. The Corporation's Code of Business Conduct and Ethics requires all directors, officers and employees who may have a potential or apparent conflict of interest to disclose fully all the relevant facts to the Corporation's legal department. In addition to this reporting requirement, to identify related party transactions, each year the Corporation submits and requires its directors and executive officers to complete Director and Officer questionnaires identifying any transactions with the Corporation in which the director or officer has an interest. Management and the legal department carefully review the terms of all related party transactions. Management reports to the Board on all proposed related party transactions with directors and executive officers. Upon the presentation of a proposed related party transaction to the Board, the related party if a director is excused from participation and voting on the

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matter. In deciding whether to approve the related party transaction, the Board determines whether the transaction is on terms that could be obtained in an arm's length transaction with an unrelated third party. If the related party transaction is not on such terms, it will not be approved.

*Independence.* Under the Corporate Governance Guidelines, which incorporate the standards established by the New York Stock Exchange ("NYSE"), the Board must consist of a majority of independent directors. As determined by the Board, as of the date of this Proxy Statement, nine of the ten nominees, namely Messrs. Oudi Recanati, Andreas, Coleman, Fribourg, Pickett, Ariel Recanati, Robards, Vettier and Zimmerman, have been determined to be independent under the Corporate Governance Guidelines because no relationship was identified that would automatically bar them from being characterized as independent, and any relationships identified were not so material as to impair their independence. The Board annually reviews relationships that directors may have with the Corporation to make a determination of whether there are any material relationships that would preclude a director from being independent.

The Corporation and Maritime Overseas Corporation ("MOC"), a private family management company whose President is Mr. Ariel Recanati, a director of the Corporation, are parties to a sublease pursuant to which the Corporation subleases to MOC approximately 2,850 square feet of office space at its New York offices. The sublet space is separate from the Corporation's offices and has a separate entrance. The sublease, which began at the end of January 2007 and was scheduled to expire in February 2012, was extended until December 2020, the expiration date of the Corporation's lease. The annual rent during the extension is approximately \$139,000, plus additional rent for electricity and for increases in real estate taxes and operating expenses. At the time the sublease was entered into, and at the time of the extension, an independent real estate brokerage firm determined that the rent under the sublease was the fair market rental value of the rental space. At the time the sublease was entered into and at the time of the extension, the Board, without the participation of Mr. Ariel Recanati or his first cousin, Mr. Oudi Recanati, who recused themselves, believed that the terms of the sublease were fair and reasonable to the Corporation and that the terms were comparable to terms that could be obtained in an arm's length transaction with an unrelated third party.

In determining that this relationship was not material with respect to Mr. Ariel Recanati, the Board considered that the annual payments to be made by MOC to the Corporation under the sublease would never approach an amount that would bar independence under the NYSE listing standards. The Board concluded that based on all of the relevant facts and circumstances the sublease did not constitute a material relationship with the Corporation that represents a potential conflict of interest or otherwise interferes with the exercise of independent judgment from management of the Corporation by either Ariel Recanati or Oudi Recanati (who has no economic interest in MOC).

*Executive Sessions of the Board.* To ensure free and open discussion and communication among the non-management directors, the Corporate Governance Guidelines provide that non-management directors meet in executive session at the time of each regular meeting of the Board; at least one of such executive sessions shall exclude non-management directors who do not qualify as independent. In accordance with the Guidelines, the nonexecutive Chairman of the Board of Directors chairs the executive sessions. Any non-management director can request that an additional executive session be scheduled.

*Board Oversight of Risk Management.* While the responsibility for management of the Corporation's material risks lies with management of the Corporation, the Board provides oversight of risk management, directly and indirectly, through its committee structure. The Board performs this oversight role by using several different levels of review. The Board and certain committees receive regular reports from key members of management responsible for specified areas of material risk to the Corporation. In addition, the Board reviews the risks associated with the Corporation's strategic plan at

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an annual strategic planning session and periodically throughout the year as part of its consideration of the strategic direction of the Corporation.

At the committee level, the Audit Committee regularly reviews the financial statements and financial and other internal controls. Further, the Audit Committee meets in private sessions individually with certain members of management and with representatives of the independent registered public accounting firm at the conclusion of every regularly scheduled meeting, where aspects of risk management are discussed. The Corporate Governance and Nominating Committee manages risk associated with Board independence, corporate governance and potential conflicts of interest. The Compensation Committee annually reviews executive compensation policies and practices and employee benefits, and associated risks. Both the Audit Committee and the Compensation Committee also rely on the advice and counsel of the Corporation's independent registered public accountants and independent compensation consultants, respectively, to raise awareness of any risk issues that may arise during their regular review of the Corporation's financial statements, audit work and executive compensation policies and practices, as applicable.

Managing risk is an ongoing process inherent in all decisions made by management. The Corporation has an enterprise risk management program that is designed to ensure that risks are taken knowingly and purposefully. The governance of the enterprise risk management function is led by the Chief Risk Officer, who reports directly to the CEO. The Chief Risk Officer regularly reports to the full Board and the Audit Committee on the status of the Corporation's risk management practices and processes. In addition, the Corporation has a committee composed of members of senior management, and other key management personnel that are responsible for assessing all the risks and related mitigation strategies for all material projects and initiatives of the Corporation prior to being submitted for consideration by the Board.

*Meetings of the Board.* The Board held six meetings during 2011. Each director attended at least 75% of the total number of meetings of the Board and Board committees of which the director was a member.

*Annual Meetings of Stockholders.* Directors are not required, but are strongly encouraged, to attend the Annual Meeting of Stockholders. In 2011, all of the Directors attended the Annual Meeting of Stockholders.

*Communications with Board Members.* Interested parties, including stockholders, may communicate with any director, with the nonexecutive Chairman of the Board or with the non-management directors as a group by sending a letter to the attention of such director, the nonexecutive Chairman of the Board or such non-management directors as a group, as the case may be, in care of the Corporation's Corporate Secretary, 666 Third Avenue, Fifth Floor, New York, New York 10017. The Corporate Secretary opens and forwards all such correspondence (other than advertisements and other solicitations) to directors unless the director to whom the correspondence is addressed has requested that the Corporate Secretary forward correspondence unopened. Unless the context otherwise requires, the Corporate Secretary will provide any communication addressed to the Board to the director most closely associated with the nature of the request based on Committee membership and other factors.

*Code of Ethics.* The Corporation has adopted a code of ethics which is an integral part of the Corporation's business conduct compliance program and embodies the commitment of the Corporation and its subsidiaries to conduct operations in accordance with the highest legal and ethical standards. The Code of Ethics applies to all of the Corporation's officers, directors and employees. Each is responsible for understanding and complying with the Code of Ethics. The Corporation also has an Insider Trading Policy which prohibits the Corporation's directors and employees from purchasing or selling securities of the Corporation while in possession of material nonpublic information or otherwise

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using such information for their personal benefit. The Insider Trading Policy also prohibits the Corporation's directors and employees from hedging their ownership of securities of the Corporation. In addition, the Corporation has an Anti-Bribery and Corruption Policy which memorializes the Corporation's commitment to adhere faithfully to both the letter and spirit of all applicable anti-bribery legislation in the conduct of the Corporation's business activities worldwide. The Code of Ethics, the Insider Trading Policy and the Anti-Bribery and Corruption Policy are posted on the Corporation's website and are available in print upon the request of any stockholder of the Corporation.

*Other Directorships and Significant Activities.* The Corporation values the experience directors bring from other boards of directors on which they serve, but recognizes that those boards also present significant demands on a director's time and availability and may present conflicts and legal issues. The Corporate Governance Guidelines provide that non-management directors refrain from serving on the boards of directors of more than four publicly-traded companies (other than the Corporation or a company in which the Corporation has a significant equity interest) absent special circumstances. A member of the Audit Committee may not serve on more than two other audit committees of publicly-traded companies.

The Corporate Governance Guidelines require the CEO and other members of senior management, whether or not they are members of the Board of Directors of the Corporation, to receive the approval of the Corporate Governance and Nominating Committee before accepting outside board membership. The Guidelines prohibit the CEO from serving on the board of directors of more than one publicly-traded company (other than the Corporation or a company in which the Corporation has a significant equity interest).

If a director's principal occupation or business association changes substantially during the director's tenure as a member of the Board of Directors, that director is required by the Corporate Governance Guidelines to inform the Chairman of the Corporate Governance and Nominating Committee of the change and offer to resign from the Board. In such case, such Committee must recommend to the Board the action, if any, to be taken with respect to the offer of resignation, taking into account the appropriateness of continued Board membership.

**Committees**

The Corporation has three standing committees of its Board: the Audit Committee, the Corporate Governance and Nominating Committee and the Compensation Committee. Each of these committees has a charter that is posted on the Corporation's website and is available in print upon the request of any stockholder of the Corporation.

*Audit Committee.* The Audit Committee is required to have no fewer than three members all of whom must be and are independent directors. During 2011, the Audit Committee consisted of Messrs. Robards (Chairman), Picket, Andreas and Ariel Recanati. The Board determined that Mr. Robards is an audit committee financial expert, as defined by rules of the SEC. The Audit Committee met six times during 2011.

The Audit Committee oversees the Corporation's accounting, financial reporting process, internal controls and audits and consults with management, internal auditors and the Corporation's independent registered public accounting firm on, among other things, matters related to the annual audit, and published financial statements and the accounting principles applied. As part of its duties, the Audit Committee retains the Corporation's independent registered public accounting firm, subject to stockholder ratification.

The Audit Committee maintains direct responsibility for the compensation and oversight of the Corporation's independent registered public accounting firm and evaluates the independent registered public accounting firm's qualifications, performance and independence. The Audit Committee has

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established policies and procedures for the pre-approval of all services provided by the Corporation's independent registered public accounting firm.

*Corporate Governance and Nominating Committee.* The Corporate Governance and Nominating Committee is required to have no fewer than two members, all of whom must be and are independent directors. During 2011, the Corporate Governance and Nominating Committee consisted of Messrs. Oudi Recanati (Chairman), Komaroff, Merkin, Zimmerman and Batkin. The Committee is required to meet as many times as necessary each year. In 2011, the Corporate Governance and Nominating Committee met three times. The Corporate Governance and Nominating Committee considers and makes recommendations on matters related to the practices, policies and procedures of the Board and takes a leadership role in shaping the corporate governance of the Corporation. As part of its duties, the Committee assesses the size, structure and composition of the Board and Board committees, coordinates evaluation of Board performance, reviews Board compensation and recommends changes in director compensation to the Board. In March 2012, the Committee recommended that the size of the Board be reduced from thirteen members to ten members because a smaller Board would be better suited for a company of the Corporation's scale and operations and is consistent with management's overall program to reduce all costs of the Corporation. The Committee also acts as a screening and nominating committee for candidates considered for election to the Board. In this capacity it concerns itself with the composition of the Board with respect to depth of experience, balance of professional interests, required expertise and other factors set forth in the Corporate Governance Guidelines. The Committee evaluates prospective nominees identified on its own initiative or referred to it by other Board members, management, stockholders or external sources and all self-nominated candidates. The Committee uses the same criteria for evaluating candidates nominated by stockholders and self-nominated candidates as it does for those proposed by other Board members, management and search consultants.

The Committee considers the following criteria for identifying and recommending qualified candidates for membership on the Board, seeking to maintain within these criteria appropriate diversity of individuals on the basis of gender, ethnic heritage, international background and life experiences:

judgment, character, age, integrity, expertise, tenure on the Board, skills and knowledge useful to the oversight of the Corporation's business;

status as "independent" or an "audit committee financial expert" or "financially literate" as defined by the NYSE or the SEC;

high level managerial, business or other relevant experience, including, but not limited to, experience in the industries in which the Corporation operates, and, if the candidate is an existing member of the Board, any change in the member's principal occupation or business associations;

absence of conflicts of interest with the Corporation;

status as a U.S. citizen; and

ability and willingness of the candidate to spend a sufficient amount of time and energy in furtherance of Board matters.

As part of its annual assessment of Board size, structure and composition, the Committee evaluates the extent to which the Board as a whole satisfies the foregoing criteria. While the Committee believes that over the long term the diversity of Board members on the basis of their gender, ethnic heritage, international background and life experiences should be increased, the Committee also believes that a smaller Board, from thirteen members to ten members, is better suited for a company of the Corporation's scale and operations. The Committee believes that the current directors have the requisite character, integrity, expertise, skills, and knowledge to oversee the



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Corporation's business in the best interests of the Corporation's stockholders and does not believe that the long term goal of greater Board diversity is sufficient to merit replacing existing directors.

A stockholder may recommend a person as a nominee for director by writing to the Corporate Secretary of the Corporation. Recommendations must be received by December 31, 2012 in order for a candidate to be considered for election at the 2013 Annual Meeting. Each recommendation for nomination should contain the following information: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had such nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. All the director nominees named in this proxy statement were evaluated under the criteria set forth above and recommended by the Corporate Governance and Nominating Committee to the full Board of Directors for election by stockholders at the Annual Meeting. The entire Board of Directors recommends that stockholders elect all nominees.

All nominees for election at the Annual Meeting were previously elected to the Board by stockholders.

*Compensation Committee.* The Compensation Committee is required to have no fewer than two members, all of whom must be and are independent directors. During 2011 the Compensation Committee consisted of Messrs. Fribourg (Chairman), Oudi Recanati, Coleman and Vettier. The Committee met nine times during 2011. The Compensation Committee makes recommendations to the Board as to the Corporation's general compensation philosophy, determines which of the corporate goals and objectives established by the Board are relevant to the compensation of the Corporation's Chief Executive Officer ("CEO"), evaluates the performance of the CEO in light of those goals and objectives, and determines and approves the CEO's compensation level based on this evaluation; establishes annual compensation, including benefits and perquisites of all executive officers of the Corporation, and reports such determinations and actions to the Board; establishes and reviews stock ownership guidelines for the Corporation's executive officers; reviews and approves employment agreements, severance agreements, change of control agreements and other similar agreements relating to executive officers; and establishes, modifies and makes grants under incentive-compensation plans and equity-based plans, and monitors such plans and their administration. The Compensation Committee also reviews and approves the Compensation Discussion and Analysis required by the SEC for inclusion in the annual proxy statement, discusses it with management and makes a recommendation to the Board as to whether it should be included in the proxy statement. The Compensation Committee may engage independent advisors to assist it fulfilling its responsibilities, including compensation consultants.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

The following Compensation Discussion and Analysis provides information regarding the compensation program for the Corporation's Chief Executive Officer ("CEO"), its Chief Financial Officer ("CFO") and its three other most highly compensated executive officers serving at the end of 2011, all of whom are listed in the Summary Compensation Table on page 40 of this proxy statement (collectively the "Named Executive Officers" or "NEOs"). The Compensation Discussion and Analysis describes the objectives of the Corporation's executive compensation programs and policies, the elements of the compensation program and how each element fits into the Corporation's overall compensation objectives. The Compensation Committee is responsible for overseeing the compensation paid to all executive officers of the Corporation, including the Named Executive Officers.

As described on pages 58 - 59 of this proxy statement, at the Annual Meeting of Stockholders of the Corporation, stockholders will consider approval, in an advisory vote, of the compensation paid to the NEOs for 2011 as described in this Compensation Discussion and Analysis and the accompanying compensation tables and narrative.

**Executive Summary**

The Corporation has a strong and measurable pay for performance philosophy. The following summarizes the fundamental objective and key elements of the Corporation's executive compensation program and describes the Corporation's 2011 executive compensation highlights.

*Objective and Key Elements of the Executive Compensation Program*

The fundamental objective of the Corporation's executive compensation program is to motivate and reward actions that the Compensation Committee believes will increase long-term stockholder value. The program is designed to retain, motivate, attract, reward and develop high quality, high-performing executive leadership with the talent and expertise to create long-term value for the Corporation's stockholders.

The Corporation's executive compensation program has remained substantially the same for several years. The Compensation Committee believes that the Corporation's executive compensation program is effectively designed to work in alignment with the interests of stockholders and is instrumental to achieving the Corporation's business strategy. The program is based on the traditional compensation elements of base pay, annual cash incentives, long-term incentives (usually in the form of equity awards), and employee benefits. The Compensation Committee reviews each of these elements annually. The Compensation Committee has designed the Corporation's executive compensation program to reward long term performance and believes that to be properly evaluated the program must be reviewed over a multi-year period. The Compensation Committee believes that the vote at the 2011 Annual Meeting of Stockholders of approximately 93.7% of the votes cast in favor of approval, on an advisory basis, of the compensation of the NEOs for 2010 expresses strong stockholder support for the Corporation's executive compensation program.

The Corporation seeks to provide competitive "fixed" compensation in the form of base salaries and other employee benefits but places a greater emphasis on pay for performance by allocating a larger portion of total compensation "at risk" in the form of annual performance based cash incentives that will only be paid if the Corporation achieves specified performance goals and equity and cash awards that vest over a multi-year period and are also based on achievement of performance goals in many cases.

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An NEO's annual cash incentive is based on a combination of the Corporation's performance compared with financial and operational metrics for the Corporation and the NEO's achievement of individual goals, all of which are established and approved by the Compensation Committee at the beginning of each year. As in past years, the financial metric for 2011 was the achievement of specified levels of earnings from shipping operations at both the Corporation and the business unit level and the operational metrics were quantifiable measures of the Corporation's performance in commercial, safety, quality and environmental areas as compared with absolute standards and competitors' achievements.

An NEO's equity awards consist of grants of shares of restricted stock, stock options and performance units. The amount that may be realized from these awards depends on the performance of the Corporation's common stock. In regard to stock options, failure of the price of common stock to increase from its value on the grant date renders the stock options worthless. Decreases in the price of common stock from its value on the grant date reduces the value of the restricted stock and performance units and a reduction of 50% or more in the stock price at the end of the three year period from the grant date of the performance units renders the performance units worthless.

The Compensation Committee is composed exclusively of independent directors. The Compensation Committee has engaged an independent compensation consultant, Frederic W. Cook & Co., Inc. ("FWC"), to assist it with respect to executive compensation and incentive compensation plan design. Except for providing services to the Compensation Committee and to the Corporate Governance and Nominating Committee, FWC has never provided any services to the Corporation.

The fair market value of restricted stock and performance units and the exercise price of stock options are determined based on the closing price of the Corporation's common stock on the grant date. The Corporation determines annual equity and non-equity awards to NEOs after the Audit Committee approves the Corporation's audited financial statements for the preceding fiscal year.

The Corporation has an incentive compensation recoupment policy, stock ownership guidelines and an insider trading policy which, among other things, prohibits any hedging transactions involving the Corporation's securities by officers or directors of the Corporation. The Corporation believes that these policies and guidelines serve as effective risk mitigators for the Corporation's compensation programs.

*2011 and 2012 Executive Compensation Highlights*

In October 2011, the Corporation, upon the authorization of the Compensation Committee, and Mr. Arntzen, the Corporation's CEO, entered into a new employment letter agreement which superseded and replaced Mr. Arntzen's existing employment letter agreement which was scheduled to expire in January 2012. The new agreement continues the Corporation's employment of Mr. Arntzen as its President and CEO at a base salary of no less than his current annual salary of \$900,000. In connection with the new agreement, the Corporation granted Mr. Arntzen premium priced stock options having an exercise price of \$22.50 per share and performance based restricted stock units ("RSUs"). The options and RSUs will vest if (i) Mr. Arntzen is continuously employed by the Corporation or its affiliates through October 12, 2016 (subject to certain exceptions) and (ii) in the case of the RSUs, if during any 30 consecutive trading day period from October 12, 2011 through October 12, 2016 the trailing average closing price of a share of common stock of the Corporation is \$22.50 or more. The closing price of a share of common stock on the grant date was \$15.60. The Corporation entered into the new employment letter agreement and granted Mr. Arntzen the equity awards in order

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to motivate him to increase stockholder value and to encourage his long-term tenure with the Corporation, especially during the current difficult global economy and poor shipping markets in particular.

Concurrently with entering the new employment agreement with Mr. Arntzen, the Corporation and Mr. Arntzen amended and restated Mr. Arntzen's Change of Control Protection Agreement with the Corporation which was scheduled to expire in January 2012. The new agreement provides that Mr. Arntzen will be entitled to enhanced severance payments and benefits if he is terminated without Cause (as defined) or resigns for Good Reason (as defined) either 90 days prior to, or within two years following, a Change of Control (as defined) of the Corporation that occurs prior to October 12, 2016. Mr. Arntzen's entitlement to such enhanced severance payments and benefits depends upon the "double trigger" of a Change of Control and Mr. Arntzen's termination of employment. Importantly, the new agreement eliminates any gross-up payment to Mr. Arntzen if any payments, benefits and other amounts received by Mr. Arntzen as a result of a Change of Control are subject to an excise tax under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code").

Effective January 1, 2012, the Corporation and each of the NEOs, other than the CEO, amended and restated the Change of Control Protection Agreement in effect between the Corporation and each NEO, each of which was scheduled to expire on December 31, 2011. The new agreements provide that the NEOs will be entitled to enhanced severance payments and benefits if their employment is terminated without Cause (as defined) or they resign with Good Reason (as defined) either 90 days prior to, or within two years following, a Change of Control (as defined) of the Corporation that occurs on or prior to December 31, 2014, (i.e., a "double trigger" consisting of a Change of Control and termination of employment). Consistent with the new Change of Control Protection Agreement with the CEO, the new agreements with the NEOs eliminated the right to receive a gross-up payment if any payments, benefits and other amounts received by the NEO as a result of the Change of Control are subject to the excise tax under Section 280G of the Code.

In designing the Corporation's compensation program for 2011, the Compensation Committee considered the Corporation's 2011 budget performance expectations, which was a significant loss for 2011. As a result, the Compensation Committee continued to freeze base salaries of three NEOs (including the CEO) for 2011, the fifth consecutive year of no salary increases for such NEOs. The Compensation Committee awarded promotional salary increases to the two other NEOs. There were no increases in base salaries for the NEOs for 2012.

At the direction of the Compensation Committee, a "tally sheet" presenting each NEO's total compensation for the past four years was prepared and used to evaluate each NEO's total compensation (past, present and potential future compensation), internal equity considerations and the impact of performance by the Corporation on total compensation.

For 2011, the Compensation Committee established targets under its Executive Performance Incentive Plan (the "Incentive Compensation Plan") that reflected the 2011 budget performance expectations.

Actual earnings from shipping operations for 2011 were below the minimum levels for which cash awards would be payable under the Incentive Compensation Plan and, accordingly, no cash awards were paid to the NEOs (including the CEO) under such plan. In addition, no discretionary cash bonuses for 2011 were paid to the CEO or the other NEOs.

The Compensation Committee determined that the failure to achieve the 2011 goals under the Incentive Compensation Plan was principally due to the poor condition of the global economy and shipping markets in particular and that the NEOs succeeded in meeting several of their

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individual goals. In order to motivate them and encourage their long-term tenure with the Corporation, the Compensation Committee decided to award the NEOs long term incentive awards, of which approximately 63% are performance based.

The table below sets forth for the CEO and the four other NEOs as a group (i) the actual and target cash award under the Incentive Compensation Plan (the target cash award for the three NEOs who are in business units was reduced from 90% to 85% for 2010 and 2011 resulting in a cash target award for such years of 86.25% for the four NEOs as a group) and any other cash bonus paid and (ii) the actual and target equity awards, for each of 2011, 2010 and 2009, expressed as a percentage of base salary:

Name	2011				2010				2009			
	Cash Award		Equity Award		Cash Award		Equity Award		Cash Award		Equity Award	
	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
CEO	0%	180.00%	150.0%	200%	0%	180.00%	183.3%	200%	55.6%	180%	188.8%	200%
Other NEOs as a group*	0%	86.25%	144.3%	100%	29.0%	86.25%	53.3%	100%	37.2%	90%	60.8%	100%

\*

Ms. Zabrocky became a NEO in 2011 and was a member of senior management of the Corporation for 2009 and 2010. For purposes of this table and this Compensation Discussion and Analysis she is included with the other NEOs as a group for all three years and the NEO she replaced is excluded.

The table above illustrates that the Corporation's failure to achieve the minimum goals under the Incentive Compensation Plan with respect to earnings from shipping operations for 2011, 2010 and 2009 resulted in no cash awards for all of the NEOs for 2011 and the CEO for 2010, and substantial decreases in actual cash awards for the other NEOs for 2010 and 2009. Similarly, the subjective determination of the amount of equity awards for the NEOs for 2010 and 2009, which was based on each NEO's general level of performance, was adversely affected by the Corporation's financial performance for 2010 and 2009 (resulting in actual equity awards below target equity levels). For 2011, the alignment among the amount of the equity award, the NEO's general level of performance and Corporation financial performance continued with respect to the CEO. However, it was adjusted for the other NEOs as a group because the Compensation Committee determined that the other NEOs as a group were critical to guiding the Corporation through one of the most severe industry downturns in recent memory. In reaching its conclusion, the Compensation Committee recognized the need for greater equity incentive compensation to the other NEOs (the majority of which was performance based) to maximize stockholder value and to ensure that the other NEOs remain in the Corporation's employ during this difficult financial time. The table above demonstrates that the Corporation's compensation program reflects a strong pay for performance philosophy. During the three years from 2009 - 2011, the decrease in cash awards compared with target (to none for 2011) was greater than the change in equity awards compared with target (a decrease for the CEO during this period and a decrease for the NEOs other than the CEO from 2009 to 2010 and then an increase from 2010 to 2011) because the Compensation Committee determined that long-term equity awards are a better long-term motivational tool than cash awards as they vest over a multi-year period and align the interests of the NEOs with those of stockholders.

### **Results of the Advisory Vote on NEO Compensation for 2010**

At the Annual Meeting of Stockholders held in June 2011, approximately 93.7% of the votes cast were in favor of approval, on an advisory basis, of the compensation of the Named Executive Officers for 2010. The Compensation Committee considered this favorable outcome and believes it conveyed stockholder support of the Compensation Committee's decisions and the existing executive compensation programs. As a result, the Compensation Committee made no material changes in the structure of the Corporation's compensation programs or pay for performance philosophy based on the outcome of the vote.

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At the 2011 Annual Meeting of Stockholders, approximately 50.1% of the votes cast were in favor of recommending, on an advisory basis, an annual advisory vote on NEO compensation (approximately 47.2% of the votes cast were in favor of recommending a triennial vote). In accordance with this vote, at the 2012 Annual Meeting of Stockholders, the Corporation will hold its annual advisory vote to approve the compensation of the NEOs for 2011. The Compensation Committee will consider the results from this year's and future advisory votes on executive compensation.

**Compensation Philosophy and Objectives**

The Corporation's compensation philosophy is to structure compensation to drive and support the Corporation's long-term goal of total stockholder return and sustainable growth. Sustainable growth means investing in long-term opportunities while meeting short-term commitments. The compensation program is designed to promote the following objectives:

Attract and motivate highly talented executives who are effective leaders and encourage their long-term tenure with the Corporation;

Compensate executives directly based upon the value of their individual contributions in achieving corporate goals and objectives;

Align incentive compensation with performance measures that motivate executives to maximize stockholder value; and

Structure total compensation to reward both short-term results and long-term strategic contributions necessary for sustained optimal business performance.

**Role of the Compensation Committee**

*General*

The Compensation Committee makes all compensation decisions with respect to the Named Executive Officers. The CEO advises the Compensation Committee in reaching compensation decisions with respect to the NEOs other than himself. The other NEOs do not play a role in their own compensation determination other than discussing individual performance objectives with the CEO. All decisions relating to the CEO's compensation are made by the Compensation Committee without management present. The Compensation Committee then reports these decisions to the Board of Directors. In 2011, the Compensation Committee met nine times.

The Compensation Committee takes many factors into account when making compensation decisions with respect to the Named Executive Officers, including the individual's performance, tenure and experience, internal equity among the NEOs, potential retention concerns and the individual's historical compensation. In addition, the Compensation Committee considers the performance of the Corporation and the executive's contribution to that performance. Finally, the Compensation Committee compares NEO compensation against external publicly available market data (which is limited for shipping companies).

*Use of Outside Advisors*

The Compensation Committee has the authority to engage independent advisors to assist it in carrying out its duties. For 2011, the Compensation Committee engaged Frederic W. Cook & Co., Inc. ("FWC") as its independent advisor with respect to executive compensation and incentive plan design. The Compensation Committee selected FWC based on its satisfaction with FWC's performance as its independent compensation advisors since 2004, as well as FWC's experience, reputation, familiarity with the business environment and knowledge of the shipping industry, current practices and emerging trends. During 2011, FWC's services to the Compensation Committee included advice on the terms of

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the new employment letter agreement with the CEO and the amended and restated Change of Control Protection Agreement between the Corporation and each of the NEOs, assistance in determining the amount and terms of the premium priced stock options and performance based RSUs granted to the CEO in October 2011, compilation of data on senior management compensation in the shipping industry (which included data provided by the Hay Group at the request of management), providing a detailed comparative analysis of compensation for each Named Executive Officer and preparation of tally sheets listing the cash and equity compensation of each of the NEOs for the past four years. FWC's services also included advice on the executive compensation requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, particularly the say-on-pay and frequency of say-on-pay provisions, and assistance in preparing certain of the compensation disclosures in the Corporation's Proxy Statement for the 2011 Annual Meeting of Stockholders. Except for providing services to the Compensation Committee and to the Corporate Governance and Nominating Committee, FWC has never provided any services to the Corporation. The amount of fees paid to FWC for all services rendered to such Committees for 2011 totaled approximately \$136,086.

**Elements of the Corporation's Compensation Program**

The principal elements of the Corporation's compensation program are base pay, annual cash incentive awards and long-term incentive compensation (usually in the form of equity based awards). The Corporation also provides severance and termination payments, retirement benefits and welfare benefits (in the form of medical, dental, disability and life insurance). The Compensation Committee reviews each element of compensation annually to achieve competitive positioning and alignment with the Corporation's compensation philosophy and objectives. In general, the Corporation targets total compensation to be competitive with a select group of companies that the Compensation Committee believes to be an appropriate reference group (the "Compensation Comparison Group"). The Corporation's compensation philosophy is to reward performance and place a large portion of total compensation at risk, dependent on the achievement of earnings goals by the Corporation and business units and specified safety, quality and environmental compliance objectives. The Corporation's Compensation Comparison Group consists of marine transportation or service corporations based in the United States whose executive compensation information is publicly available. For 2011, the Compensation Comparison Group consisted of the following companies and was unchanged from 2010:

<u>Name</u>	<u>Name</u>
Alexander & Baldwin, Inc.	Hornbeck Offshore Services, Inc.
Bristow Group Inc.	Kirby Corporation
General Maritime Corporation	Pride International, Inc.
Global Industries, Ltd.	Rowan Companies, Inc.
GulfMark Offshore, Inc.	SEACOR Holdings, Inc.
Helmerich & Payne, Inc.	Tidewater Inc.

The Compensation Committee continues to believe that the Compensation Comparison Group consists of those companies for which executive compensation information is publicly available that are most comparable to the Corporation. However, the Corporation's direct competitors are principally either privately held and/or incorporated in foreign jurisdictions that do not require public disclosure of executive compensation. For these reasons, among others, the Compensation Committee recognizes that compensation comparisons are imperfect. The unavailability of compensation information concerning the Corporation's direct competitors (because they are privately held and/or foreign entities) results in a large number of companies in the Compensation Comparison Group that are tangentially related to the Corporation (i.e. oil and gas equipment, storage and service providers) but not tanker companies. In view of the poor condition of the global economy and shipping markets in particular, for 2011 the Compensation Committee focused more on its own experience in determining the appropriate

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amount of competitive compensation as compared with benchmarking compensation against compensation paid by companies in the Compensation Comparison Group.

The Corporation believes that the combination of competitive base salaries, annual incentives pursuant to a cash based performance plan, and long-term incentive compensation paid in the form of restricted stock, performance share units, stock options and/or cash based performance awards comprises an effective and motivational executive compensation program that is based on a "pay for performance" philosophy. The program is designed to attract and retain talented executives and align the interests of senior management with those of stockholders in seeking to achieve, over time, superior performance.

The Corporation seeks to provide competitive "fixed" compensation in the form of base salaries but places a greater emphasis on pay for performance by allocating a larger portion of total compensation "at risk" in the form of annual performance based cash incentives that will only be paid if the Corporation achieves specified performance goals and long term incentive compensation in the form of equity awards and/or cash-based performance awards that vest over a multi-year period and, in certain cases, depend on achievement of performance criteria. For purposes of comparative analysis of "at risk" compensation, the Compensation Committee believes that all other compensation (which includes the Corporation's contributions to the Corporation's Savings Plan (a tax qualified employee benefit plan), the Corporation's contributions under the Corporation's Supplemental Executive Savings Plan and the Corporation's contribution towards premiums for medical, dental, disability and life insurance) should be excluded from total compensation of the Named Executive Officers. In addition, the Committee believes that equity awards should be allocated to the performance year with respect to which they were earned rather than the year in which the awards were granted. Furthermore, for purposes of comparative analysis, the Compensation Committee believes that the award to the CEO of premium price stock options and performance based restricted stock units in connection with the signing of a new employment letter agreement and an Amended and Restated Change of Control Protection Agreement between the Corporation and the CEO should be excluded from the CEO's total annual compensation because such equity awards require that the CEO remain in the Corporation's continuous employ for five years. Total compensation as so adjusted for all other compensation and equity awards is referred to as "Adjusted Total Compensation".

The following table sets forth the 2011 "pay mix" for the CEO and the other four NEOs of base salary, cash incentive compensation and equity compensation as percentages of Adjusted Total Compensation based on the amount that would have been payable upon achievement of target awards. The incentive compensation and equity awards represent the NEOs' "at risk" compensation. At target, 79.2% of the CEO's Adjusted Total Compensation and 65.1% of the four other NEOs' Adjusted Total Compensation was "at risk", reflecting the Corporation's strong pay for performance philosophy.

Name	Base Salary	Annual	
		Cash Incentive Compensation	Long-term Incentive Compensation
CEO	20.8%	37.5%	41.7%
Other four NEOs	34.9%	30.2%	34.9%

As shown in the following table, the Adjusted Total Compensation paid to the CEO for 2011 decreased when compared to the Adjusted Total Compensation paid to the CEO for 2010 and 2009. The reason for this decrease was a decrease in equity incentive compensation for 2011 compared with 2010; the CEO received no cash incentive compensation for 2011 or 2010. The Adjusted Total Compensation paid to the four other NEOs for 2011 increased when compared to the Adjusted Total Compensation paid to them for 2010 (an aggregate \$659,965 increase) and for 2009 (an aggregate \$390,765 increase). The reason for this increase for 2011 compared with 2010 was a \$1,138,865 increase in long-term incentive compensation and a \$103,000 aggregate increase in base salaries partially offset



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by a decrease in aggregate cash incentive compensation of \$581,900 (no cash incentive compensation was paid for 2011).

	Base Salary \$	Annual Cash Incentive Compensation \$	Long-term Incentive Compensation \$	Total \$
<b>CEO:</b>				
2011	900,000	0	997,695	1,877,695
2010	900,000	0	1,650,000	2,550,000
2009	900,000	500,000	1,700,000	3,100,000
<b>Other four NEOs (aggregate):</b>				
2011	2,113,000	0	2,208,865	4,321,865
2010	2,010,000	581,900	1,070,000	3,661,900
2009	1,985,000	738,600	1,207,500	3,931,100

As reflected in the foregoing table, Mr. Arntzen's annual base salary of \$900,000 has remained unchanged for 2011 from 2010 and 2009. Mr. Arntzen's Adjusted Total Compensation, decreased to \$1.88 million for 2011 from \$2.55 million for 2010 and \$3.10 million for 2009, reflecting decreases in both his annual cash and long-term incentive compensation. These decreases resulted from decreases in the Corporation's earnings from shipping operations during this period, reflecting the Corporation's pay for performance philosophy. Please see page 35 of this proxy statement for information concerning the 2011 special long-term equity awards for the CEO.

As reflected in the table above, there was an increase in the aggregate base salaries of the four other NEOs to \$2,113,000 for 2011 from \$2,010,000 for 2010 and \$1,985,000 for 2009 due to salary increases in 2011 for two NEOs in connection with their promotions. The increase in long-term incentive compensation for the other NEOs as a group to \$2.2 million for 2011 from \$1.07 million for 2010 resulted from the Compensation Committee's determination that the other NEOs as a group were critical to guiding the Corporation through one of the most severe industry downturns in recent memory and that such NEOs as a group needed greater equity incentive (the majority of which is performance based) to motivate them to maximize stockholder value and to remain at the Corporation. This grant of long-term incentive compensation is consistent with the Corporation's pay for performance philosophy.

*Base Salary*

The Corporation pays a base salary to attract talented executives and provide a secure fixed level of compensation. The Compensation Committee reviews executive base salaries in December of each year. The Compensation Committee compares salaries of senior management of shipping companies in the Compensation Comparison Group that are most comparable to the Corporation. Based on its own experience and such comparison, the Compensation Committee determines whether the salaries of the Named Executive Officers are at a level that is sufficient to attract and retain strong leaders when combined with the higher percentage of total potential compensation payable in the form of variable cash and equity incentives linked to achievement of Corporation, business unit, and individual performance.

Annual increases in base salary are not assured and adjustments take into account the individual's performance, responsibilities, experience, internal equity and external market practices. The Compensation Committee relies to a large extent on the CEO's evaluation of each Named Executive Officer's performance (other than his own) in deciding whether to make an adjustment to the NEO's base salary in a given year. In the case of a change in role, the CEO and the Compensation Committee consider new responsibilities, external pay practices and internal equity in addition to past performance and experience in determining whether to increase salary. The Compensation Committee applies the same factors in deciding whether to adjust the base salary of the CEO.

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The base salaries of the NEOs for 2009, 2010 and 2011 are set forth in the Summary Compensation Table. There were no increases in the base salaries of three of the NEOs (including the CEO) for 2011, the fifth consecutive year of no salary increases for such NEOs. In January 2011, the base annual salary of Mr. Ian T. Blackley, was increased from \$375,000 to \$403,000, a 7.5% increase. This was Mr. Blackley's first salary increase since 2005 and was based on the factors listed above, including most importantly his contributions to the Corporation since his promotion in 2009 to Senior Vice President and Head of International Shipping Operations, a position responsible for the technical management operations of the Corporation's international flag fleet of vessels. In May 2011, Ms. Lois K. Zabrocky, a Senior Vice President of the Corporation, was promoted to Chief Commercial Officer, International Flag strategic business units, with overall responsibility for the commercial activities of the Company's crude oil, refined petroleum products and LNG business segments. In her new position, Ms. Zabrocky assumed the duties of the former Head of the Corporation's Crude Transportation business unit; she previously assumed the duties of the former Head of the Corporation's LNG business unit. In connection with her promotion, Ms. Zabrocky's base annual salary was increased from \$400,000 to \$475,000, an 18.8% increase. Consistent with the Corporation's continuing efforts to limit general and administrative expenses, the CEO recommended that there be no increases for 2012 in the base salaries of the NEOs. The Compensation Committee approved this recommendation, which is consistent with the Corporation's philosophy to reward performance and place a larger portion of total compensation at risk.

*Annual Cash Incentive Awards*

The Corporation's annual cash incentive program is intended to focus the Corporation's NEOs on critical business goals for the Corporation, such as increased earnings from shipping operations, enhanced risk management, competitive sources of financing and improved performance in the areas of safety, quality and environmental compliance. Such focus establishes a direct relationship between compensation and business goals. Specifically, the Corporation maintains the Incentive Compensation Plan pursuant to which NEOs may receive annual cash incentive based upon the level of achievement of annual performance goals established by the Compensation Committee under the Incentive Compensation Plan for a given year during the first quarter of such year. The performance goals established for one year have no effect on the performance goals established for another year. For 2011, the Compensation Committee determined that maximum awards would be based on the Corporation's achievement of specified levels of earnings from shipping operations ("ESO"), defined as the Corporation's pre-tax net income before interest expense and adjusted to exclude amounts related to non-shipping income such as investment income. The Compensation Committee chose ESO as the sole financial metric in the Corporation's incentive compensation plan because it is the critical measure of the Corporation's financial performance. The potential incentive cash awards were established as a percentage of the NEO's base salary with an incentive award range of 65% to 240% of base salary depending on the Corporation's level of ESO achieved. The ESO measure is an objective requirement and the maximum percentages of base salary serve as a limit on the amount of the cash award. The ESO measure is the same measure that was used for 2010.

Subject to the performance goal for establishing the maximum amounts of the cash award, the Compensation Committee adopted three measures for determining the actual incentive awards for 2011. They were (i) the Corporation's ESO for such year; (ii) ESO and specified performance metrics of such executive's business unit (if any) for such year and (iii) the NEO's achievement of individual goals. Each individual's objectives were carefully chosen to ensure integration and alignment with the Corporation's long-term objectives. The three measures were selected because the Compensation Committee believes they are the most appropriate measures to be used to determine incentive compensation, as they reflect the Corporation's level of financial performance, the comparative performance of specified commercial and technical operations measures and individual performance.

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For 2011, the CEO had a target bonus of 180% of base salary, Mr. Myles R. Itkin (the CFO), who is not in a business unit, had a target bonus of 90% of base salary and Messrs. Ian T. Blackley (Senior Vice President and Head of International Shipping Operations), Robert E. Johnston (Senior Vice President and Head of US Flag), and Ms. Lois K. Zabrocky (Senior Vice President and Chief Commercial Officer of International Flag) all of whom are in a business unit, had a target bonus of 85% of base salary. The CEO's potential bonus, if earned, ranged from 130% to 240% of base salary. The CFO's potential bonuses, if earned, ranged from 65% to 120% of base salary. The potential bonuses of the other NEOs, if earned, ranged from 67.5% to 120% of base salary. For 2011, the Compensation Committee changed the Corporation performance factor and business unit factor that corresponds to achieving 70% - 100% of the Corporation or business unit performance measure to 70% of base salary from 50% - 70% of base salary because of the considerably more challenging business environment for 2011. The Compensation Committee established these target bonus percentages in order to target total compensation for the NEOs at a competitive level with compensation for comparable positions in the Compensation Comparison Group, based on target cash incentive awards provided by the companies in the Compensation Comparison Group and other external market data compiled or evaluated by FWC. In addition, the target levels reflect FWC's comparison of compensation levels of the Corporation's NEOs with one another. The difference in target bonus percentages and the range of potential bonus percentage between the CEO and the other NEOs in general reflects the differences in total compensation levels of chief executive officers in the Compensation Comparison Group compared with other executives in the Compensation Comparison Group.

The three measures used to determine an individual's actual bonus for 2011, Corporation performance, business unit performance and individual performance, were given different weightings depending on whether the individual was a member of a business unit or the corporate staff. The CEO and the CFO are members of the corporate staff and the other NEOs are members