OVERSEAS SHIPHOLDING GROUP INC
Form 10-K
March 13, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

(Mark One)

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

For the fiscal year ended December 31, 2013

OR

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

For the Transition Period from U_____U to U_____U.

Commission File Number 1-6479-1

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

Delaware	13-2637623
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1301 Avenue of the Americas, New York, New York	10019
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock (par value $1.00 per share)	N/A

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant on June 28, 2013, the last business day of the registrant's most recently completed second quarter, was $103,129,000, based on the closing price of $4.15 per share on the OTC market on that date. (For this purpose, all outstanding shares of Common Stock have been considered held by non-affiliates, other than the shares beneficially owned by directors, officers and certain 5% shareholders of the registrant; certain of such persons disclaim that they are affiliates of the registrant.)

As of March 3, 2014, 30,677,595 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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PART I

ITEM 1. BUSINESS

OVERVIEW AND RECENT DEVELOPMENTS

Overseas Shipholding Group, Inc. ("OSG" or the "Company") is engaged primarily in the ocean transportation of crude oil and petroleum products. At December 31, 2013, the Company owned or operated a fleet of 89 double-hulled vessels (totaling an aggregate of 8.7 million deadweight tons and 864,800 cubic meters ["cbm"]) of which 65 vessels operated in the international market and 24 operated in the U.S. Flag market. At December 31, 2013, OSG's newbuilding program of owned vessels consisted of one International Flag vessel, bringing the Company's total owned, operated and newbuild fleet to 90 double-hulled vessels. The Marshall Islands is the principal flag of registry of the Company's International Flag vessels. Additional information about the Company's fleet, including its ownership profile, is set forth under " Operations Fleet Summary," as well as on the Company's website, www.osg.com. Our website and the information contained on that site, or connected to that site, are not incorporated by reference in this Annual Report on Form 10-K.

The Company's vessel operations are organized into strategic business units and focused on broad market segments: International Flag, including crude oil and refined petroleum products, and U.S. Flag. The International Flag unit manages International Flag ULCC, VLCC, Suezmax, Aframax, Panamax and Lightering tankers and LR1 and MR product carriers. The U.S. Flag unit manages the Company's U.S. Flag vessels. Through joint venture partnerships, the Company operates four LNG carriers and two Floating Storage and Offloading ("FSO") service vessels.

OSG generally charters its vessels to customers either for specific voyages at spot rates or for specific periods of time at fixed daily amounts through Time Charters or Bareboat Charters. Spot market rates are highly volatile, while Time Charter and Bareboat Charter rates provide more predictable streams of Time Charter Equivalent revenues ("TCE" revenues) because they are fixed for specific periods of time. For a more detailed discussion on factors influencing spot and time charter markets, see " Operations Charter Types" later in this section.

A glossary of shipping terms (the "Glossary") that should be used as a reference when reading this Annual Report on Form 10-K can be found later in Item 1. Capitalized terms that are used in this Annual Report are either defined when they are first used or in the Glossary. Dollar amounts are expressed in thousands of dollars unless otherwise noted.

Reorganization under Chapter 11

On November 14, 2012 (the "Petition Date"), the Company and 180 of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of Title 11 ("Chapter 11") of the United States Code (the "Bankruptcy Code") in the U.S. Bankruptcy Court (the "Bankruptcy Filing") for the District of Delaware (the "Bankruptcy Court"). These cases are being jointly administered under the caption *In re Overseas Shipholding Group, Inc. et al.,* Case No. 12 20000 (PJW) (the "Chapter 11 Cases"). In the context of the Chapter 11 Cases, unless otherwise indicated or the context otherwise requires, "OSG," the "Company," "we," "us," and "our" refer to the Debtors.

The Bankruptcy Filing is intended to permit OSG to reorganize and increase liquidity, resolve material tax and other claims and emerge with a stronger balance sheet. The Debtors' goal is to develop and implement a reorganization plan that meets the standards for confirmation under the Bankruptcy Code. Confirmation of a reorganization plan could materially alter the classifications and amounts reported in the OSG consolidated financial statements, which do not give any effect to any adjustments to the carrying values of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a reorganization plan or other arrangement or the effect of any operational changes that may be implemented.

The Debtors are continuing to operate their businesses as “debtors in possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. In general, the Debtors are authorized to, and continue to, operate as an ongoing business but may not engage in transactions outside of the ordinary course of business without the approval of the Bankruptcy Court. The Bankruptcy Court has authorized the Debtors to pay certain pre-petition obligations, including, but not limited to, employee wages and payments to certain critical and foreign vendors, subject to certain limitations and reporting protocols. With the approval of the Bankruptcy Court, the Debtors have retained legal and financial professionals to advise them in the Chapter 11 Cases and certain other professionals to provide services and advice to them in the ordinary course of business. From time to time, the Debtors may seek Bankruptcy Court approval to retain additional professionals.

The withdrawal of reliance on the audited financial statements for the three years ended December 31, 2011 and for the quarters ended March 31, 2012 and June 30, 2012 coupled with the Company's failure to file its quarterly report on Form 10-Q for the quarter ended September 30, 2012 and the filing of the Chapter 11 Cases resulted in an event of default or otherwise triggered repayment obligations under certain of the Debtors' outstanding debt instruments. Further, such defaults and repayment obligations resulted in events of default and/or termination events under certain other agreements to which the Debtors are party. Under the Bankruptcy Code, however, the filing of a bankruptcy petition automatically stays most actions against the Debtors, including most actions to collect pre-petition indebtedness or to otherwise exercise control over the property of the Debtors' estate.

Under the Bankruptcy Code, the Debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases, subject to the approval of the Bankruptcy Court and other limitations. In this context, "assuming" an executory contract or unexpired lease means that the Debtors will cure certain existing defaults under such contract or lease and any obligations thereunder will be entitled to priority of payment and "rejecting" an executory contract means that the Debtors will be relieved of their obligations to perform further under the contract or lease, which may give rise to a pre-petition claim for damages for the breach thereof. Any damages resulting from the rejection of an executory contract shall be subject to compromise.

Between December 31, 2012 and April 2013, the Bankruptcy Court issued orders approving the Company's rejection of leases on 25 chartered-in International Flag vessels. The Company entered into new charter agreements with owners of eight of these vessels (seven Handysize Product Carriers and one Aframax), which lease agreements were approved as amended pursuant to orders of the Bankruptcy Court, at lower rates. One Suezmax and one Handysize Product Carrier were redelivered to owners in December 2012. An additional fifteen vessels (11 Handysize Product Carriers, two Panamax Product Carriers, one Suezmax and one Aframax) were redelivered to their owners during the four months ended April 30, 2013.

Additionally, in April 2013, the Bankruptcy Court approved the Company's rejection of the lease agreement for its former corporate headquarters office space.

The Debtors anticipate that substantially all of our pre-petition liabilities will be resolved under, and treated in accordance with, a plan of reorganization to be voted on by the Debtors' creditors in accordance with the provisions of the Bankruptcy Code. There can be no assurance that any proposed plan of reorganization will be accepted by requisite numbers of creditors, confirmed by the Bankruptcy Court or consummated. Furthermore, there can be no assurance that the Debtors will be successful in achieving their reorganization goals or that any measures that are achievable will result in an improvement to our financial position. Any entitlement to post-petition interest will be determined in accordance with applicable bankruptcy law. Any descriptions of agreements, rights, obligations, claims or other arrangements contained in this Annual Report on Form 10-K must be read in conjunction with, and are qualified by, the parties' respective rights under applicable bankruptcy law.

The Debtors have incurred and expect to continue to incur significant costs associated with their reorganization and the Chapter 11 Cases. The amount of these expenses is expected to significantly affect our financial position and results of operations, but the Debtors cannot predict the effect the Chapter 11 Cases will have on their business and cash flow.

Reorganization Plan

In order for the Debtors to emerge successfully from Chapter 11, the Debtors must obtain the Bankruptcy Court's approval of a reorganization plan, which will enable the Debtors to emerge from Chapter 11 as a reorganized entity operating in the ordinary course of business outside of bankruptcy. In connection with the reorganization plan, the Company also may require new credit facilities or "exit financing". The Company's ability to obtain such approval and exit financing will depend on, among other things, the timing and outcome of various ongoing matters related to the

Bankruptcy Filing. A reorganization plan determines the rights and satisfaction of claims of various creditors and security holders, and is subject to the ultimate outcome of negotiations, events and Bankruptcy Court decisions ongoing through the date on which the reorganization plan is confirmed.

On December 19, 2013, the Bankruptcy Court entered an order to extend the period of time that the Debtors have the exclusive right to file a plan of reorganization and disclosure statement with the Bankruptcy Court through and including February 28, 2014. On February 21, 2014, the Debtors filed a motion requesting that the Bankruptcy Court extend the exclusive period to file a plan of reorganization through and including March 31, 2014 and the exclusive period to solicit acceptances thereof through and including June 30, 2014. That motion was granted without a hearing by order dated March 6, 2014. The reorganization plan is subject to revision in response to creditor claims and objections and the requirements of the Bankruptcy Code or the Bankruptcy Court. There can be no assurance that the Debtors will be able to secure requisite accepting votes for any proposed reorganization plan or confirmation of such plan by the Bankruptcy Court.

On February 12, 2014, the Debtors entered into a plan support agreement (as amended, the "Plan Support Agreement") among the Debtors and certain of the lenders (the "Consenting Lenders") holding an aggregate of approximately 60% of amounts outstanding under the Company's $1.5 billion unsecured revolving credit agreement, dated as of February 9, 2006 (as amended, the "Unsecured Revolving Credit Facility"). The Plan Support Agreement requires the Consenting Lenders to support and vote in favor of a proposed plan of reorganization of the Debtors (the "Plan") consistent with the terms and conditions set forth in the term sheet attached as an exhibit to and incorporated into the Plan Support Agreement (as amended, the "Term Sheet").

As a result of additional lenders acceding to the Plan Support Agreement, as of February 27, 2014, lenders holding approximately 72% of amounts outstanding under the Unsecured Revolving Credit Facility are now Consenting Lenders. On February 27, 2014, the Debtors and the Consenting Lenders entered into an amendment to the Plan Support Agreement (the "Amendment"). The Amendment increases the amount to be raised by the Company through the rights offering and exit financing contemplated by the Plan Support Agreement as further described below.

The Term Sheet, provides, among other things, that pursuant to the Plan, creditors' allowed non-subordinated claims against the Debtors other than claims under the Unsecured Revolving Credit Facility, will be paid in full, in cash, including post-petition interest, and holders of equity interests and claims subordinated pursuant to section 510(b) of the Bankruptcy Code would receive a combination of shares of one class of common stock, par value $0.001 per share issued by reorganized OSG (the "Reorganized OSG Stock") and warrants with an exercise price of $0.01 issued by reorganized OSG to holders of claims that do not comply with the Jones Act citizenship requirements but are otherwise entitled to receive Reorganized OSG Stock under the plan (the "Reorganized OSG Jones Act Warrants") valued at $61.4 million, subject to dilution on account of a management and director incentive program and the Rights Offering (as defined below). Under the Plan reflected in the Term Sheet, holders of claims arising out of the Unsecured Revolving Credit Facility will receive their *pro rata* share of stock and warrants of the reorganized OSG. In addition, the Term Sheet provides that under the Plan, the 7.50% unsecured senior notes due in 2024 issued by OSG and the 8.125% unsecured senior notes due in 2018 issued by OSG (collectively the "Unsecured Senior Notes") will be reinstated, following payment of outstanding interest.

The Term Sheet further provides that pursuant to the Plan, the Company will raise $300 million through a rights offering (the "Rights Offering") of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants to the holders of claims arising out of the Unsecured Revolving Credit Facility, which Rights Offering will be back-stopped by the Consenting Lenders or their designees. The Plan further contemplates that the Company will raise $735 million in secured exit financing. The proceeds of the Rights Offering and such exit financing will enable the Debtors to satisfy the secured claims of Danish Ship Finance ("DSF") and the Export-Import Bank of China ("CEXIM") in full, in cash. As a result, the Debtors have withdrawn their previously-announced motion for authorization to sell the vessels over which CEXIM has security interests. The Plan Support Agreement, as amended, remains subject to the approval of the Bankruptcy Court.

On February 28, 2014, the Debtors and the Consenting Lenders (each Consenting Lender, a "Commitment Party") entered into an equity commitment agreement dated February 28, 2014 (the "Equity Commitment Agreement") setting forth, among other things, the terms of the Rights Offering. Under the Rights Offering, each lender who is the beneficial owner of claims arising out of the Unsecured Revolving Credit Facility as of the date specified in the procedures with respect to the Rights Offering (the "Rights Offering Procedures", the form of which are set forth in the Equity Commitment Agreement) that are approved by the Bankruptcy Court (each such lender, an "Eligible Participant") will be offered the right to purchase up to its *pro rata* share of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants for $19.51 per share or warrant. Each Eligible Participant will also be offered the right to purchase Reorganized OSG Stock and Reorganized OSG Jones Act Warrants in an oversubscription rights offering, subject to certain limitations and caps, in the event that other Eligible Participants do not elect to purchase their *pro rata* share of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants in connection with the Rights Offering (such rights, the "Unsubscribed Rights"). To ensure that OSG raises $300 million in connection with the Rights

Offering, the Equity Commitment Agreement further provides that each Commitment Party has committed to subscribe for any Unsubscribed Rights in proportion to its Subscription Commitment Percentage (as defined in the Equity Commitment Agreement). Subject to Bankruptcy Court's approval, in consideration for entering into this commitment, the Commitment Parties will receive (i) a fee paid promptly following the effective date of the Plan allocated among the Commitment Parties, at each Commitment Party's option, either in the form of (x) shares or warrants of reorganized OSG, equal to 5% of the aggregate amount raised in the Rights Offering or (y) the cash equivalent thereof and (ii) reimbursement of all reasonably documented out-of-pocket costs and expenses. If the transactions contemplated by the Equity Commitment Agreement are consummated, OSG will use the proceeds of the sale of the Reorganized OSG Stock and Reorganized OSG Jones Act Warrants to fund payments under the Plan. Among other things, these proceeds will enable the Debtors to retain the vessels pledged to secure the claims of CEXIM and DSF, which claims will be repaid in full in cash. The Equity Commitment Agreement remains subject to the approval of the Bankruptcy Court.

The Consenting Lenders may terminate the Plan Support Agreement under certain circumstances, including, but not limited to, if the Debtors fail to achieve certain milestones for seeking confirmation and effectiveness of the Plan within certain time periods specified in the Plan Support Agreement including, *inter alia*, filing a Plan and disclosure statement with the Bankruptcy Court by March 7, 2014, the entry of an order by the Bankruptcy Court approving the disclosure statement by May 16, 2014 and the entry of an order by the Bankruptcy Court confirming the Plan by June 20, 2014.

The Debtors may terminate the Plan Support Agreement under certain circumstances, including, but not limited to, if the Debtors, in the exercise of their fiduciary duty, (i) reasonably determine that the Plan is not in the best interests of the Debtors' estates or (ii) receive an unsolicited proposal for an alternative plan that the Debtors reasonably determine to be more favorable to the Debtors' estates than the Plan.

Chief Reorganization Officer

In connection with the Chapter 11 Cases, the Debtors engaged Mr. John J. Ray III of Greylock Partners LLC as Chief Reorganization Officer to assist in the development, implementation and execution of the Company's reorganization plan.

Bankruptcy Reporting Requirements

As a result of the commencement of the Chapter 11 Cases, the Debtors are now required to file various documents with, and to provide certain information to, the Bankruptcy Court and other parties, including statements of financial affairs, schedules of assets and liabilities, and monthly operating reports. Such materials have been and will be prepared according to requirements of applicable bankruptcy law. While the Debtors believe these materials provide then current information required under the Bankruptcy Code or orders of the Bankruptcy Court, they are nonetheless unaudited and prepared in a format different from that used in the Debtors' consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States and filed under securities laws. Certain of this financial information may be prepared on an unconsolidated basis. Accordingly, the Debtors believe that the substance and format of these materials do not allow meaningful comparison with their regularly publicly-disclosed consolidated financial statements. Moreover, the materials filed with the Bankruptcy Court are not prepared for the purpose of providing a basis for an investment decision relating to the Debtors' securities, or claims against the Debtors, or for comparison with other financial information filed with the Securities and Exchange Commission ("SEC").

Notifications and Recognition

Shortly after the Petition Date, the Debtors began notifying current or potential creditors of the commencement of the Chapter 11 Cases. Subject to certain exceptions under the Bankruptcy Code, the Chapter 11 Cases automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against us or our property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of our property, or to create, perfect or enforce any lien against our property, or to collect on monies owed or otherwise exercise rights or remedies with respect to a claim arising prior to the Petition Date are enjoined unless and until the Bankruptcy Court lifts the automatic stay. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

The Debtors have secured recognition of the automatic stay and bankruptcy proceedings in South Africa, which safeguards the Debtors' vessels in a jurisdiction known both for its importance to the international shipping industry and for its liberal requirements for claimants seeking vessel arrest or attachment. The Debtors have also obtained an order from the High Court of Justice of England & Wales, Chancery Division, Companies Court recognizing certain of the Chapter 11 Cases as a foreign main proceeding and entering a stay as a matter of English law. Despite the automatic stay and related recognition and order discussed above, the stay may not be recognized in certain jurisdictions. See Item 1A, "Risk Factors Company Specific Risk Factors Maritime claimants could arrest OSG's vessels, which could interrupt its cash flow."

Pre-petition Claims

On February 27, 2013, the Debtors filed schedules of their assets and liabilities existing as of the commencement of the Chapter 11 Cases with the Bankruptcy Court. In April 2013, the Bankruptcy Court set May 31, 2013 as the general bar date (the date by which most persons that wished to assert a pre-petition claim against the Debtors had to file a proof of claim in writing). The Debtors are evaluating the claims that were submitted and investigating unresolved proofs of claim. Liabilities Subject to Compromise, as provided in the accompanying consolidated financial statements and in this Annual Report on Form 10-K, represents the Debtors' current estimate of claims expected to be allowed by the Bankruptcy Court. Currently, the Debtors cannot provide assurance relating to the value of the claims that the Bankruptcy Court will allow or the priorities in which such claims will be allowed because their evaluation, investigation and reconciliation of the filed claims is not complete.

Income Tax Matters

On February 11, 2013, the Internal Revenue Service ("IRS") filed its original claim with the Bankruptcy Court in the aggregate liquidated amount of $463,013 in taxes and interest. On December 19, 2013, the IRS amended and reduced this claim to $264,278 in taxes and interest. On January 21, 2014, the IRS amended this December 19, 2013 claim to adjust for a computational error in calculating the interest thereby reducing the claim to $255,760. See Note 14, "Taxes," to the Company's consolidated financial statements set forth in Item 8, "Financial Statements and Supplementary Data," for additional information with respect to amounts reflected in the financial statements as of December 31, 2013.

Creditors' Committee

On November 29, 2012, the U.S. Trustee for the District of Delaware appointed a statutory committee of unsecured creditors (the "Creditors Committee"). Generally, the Creditors' Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Chapter 11 Cases.

Going Concern and Financial Reporting in Reorganization

The commencement of the Chapter 11 Cases and weak industry conditions have negatively impacted our results of operations and cash flows and may continue to do so in the future. These factors raise substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and extinguishment of liabilities in the normal course of business.

Our ability to continue as a going concern is contingent upon, among other things, our ability to (i) develop a plan of reorganization and obtain required creditor acceptances and confirmation under the Bankruptcy Code, (ii) successfully implement such plan of reorganization, (iii) reduce debt and other liabilities through the bankruptcy process, (iv) return to profitability, (v) generate sufficient cash flow from operations, and (vi) obtain financing sufficient to meet the Company's future obligations. As a result of the Chapter 11 Cases, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession pursuant to the Bankruptcy Code, we may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business, for amounts other than those reflected in the accompanying consolidated financial statements. In particular, such financial statements do not purport to show (i) as to assets, the realization value on a liquidation basis or availability to satisfy liabilities, (ii) as to liabilities arising prior to the Petition Date, the amounts that may be allowed for claims or contingencies, or the status and priority thereof, (iii) as to shareholders' equity accounts, the effect of any changes that may be made in our capitalization, or (iv) as to operations, the effects of any changes that may be made in the underlying business. A confirmed reorganization plan would likely cause material changes to the amounts currently disclosed in the consolidated financial statements. Further, the reorganization plan could materially change the amounts and classifications reported in the consolidated financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a reorganization plan. The accompanying consolidated financial statements do not include any direct adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern or as a consequence of the Chapter 11 Cases.

Effective on November 14, 2012, the Company began to apply Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852, *Reorganizations*, which is applicable to companies under bankruptcy protection and requires amendments to the presentation of key financial statement line items. The FASB's provisions require that the financial statements for periods subsequent to the filing of the Chapter 11 Cases distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses, realized gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the business have been reported separately as reorganization items in the consolidated statements of operations beginning in the year ended December 31, 2012. The balance sheets as of December 31, 2013 and 2012 distinguishes pre-petition liabilities subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. As discussed in Note 11, "Debt," to the accompanying consolidated financial statements, the revolving loan facilities and the Senior Notes are unsecured and the Secured Loan Facilities (as defined in the table below) have priority over our unsecured creditors. Based upon the uncertainty surrounding the ultimate treatment of the Unsecured Revolving Credit Facility, the Unsecured Senior Notes and the Secured Loan Facilities, which were under collateralized as of the Petition Date, the instruments are classified as Liabilities Subject to Compromise on the Company's accompanying consolidated balance sheets as of

December 31, 2013 and 2012. The Company will evaluate creditors' claims relative to priority over other unsecured creditors. Liabilities that may be affected by a plan of reorganization must be reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts as a result of the plan of reorganization or negotiations with creditors. In addition, cash used by reorganization items must be disclosed separately.

Defaults under Outstanding Debt Instruments

The withdrawal of reliance on the audited financial statements for the three years ended December 31, 2011 and for the quarters ended March 31, 2012 and June 30, 2012 coupled with the Company's failure to file its quarterly report on Form 10-Q for the quarter ended September 30, 2012 and the filing of the Chapter 11 Cases resulted in an event of default or otherwise triggered repayment obligations and/or resulted in a termination event under a number of instruments and agreements relating to the debt of the Company including:

- $1,489,000 of unsecured indebtedness under the Unsecured Revolving Credit Facility, governed by a credit agreement dated February 9, 2006 (as amended), among OSG, OSG Bulk Ships, Inc. ("OBS"), OSG International , Inc. ("OIN") and DnB Nor Bank ASA, New York branch, as administrative agent, which matured in February 2013;
- $300,000 principal amount of 8.125% Senior Notes due 2018 issued under an indenture agreement dated March 2010 between OSG and The Bank of New York Mellon, as Trustee;
- $146,000 principal amount of 7.500% Senior Notes due 2024 issued under a First Supplemental Indenture dated February 2004 and supplemental to an indenture dated March 2003, each between OSG and Wilmington Trust Company, as Trustee;
- $63,603 principal amount of 8.750% Debentures due 2013 issued under the Indenture dated December 1993, between OSG and The Bank of New York Mellon, as successor Trustee;
- $311,751 outstanding principal balance of secured indebtedness under a term loan facility dated August 10, 2009 (as amended) among various Debtor operating subsidiaries as borrowers, OSG as guarantor and CEXIM, as agent, which matures in 2023;
- $266,936 outstanding principal balance of secured indebtedness under a term loan facility dated as of August 28, 2008 (as amended) among various Debtor operating subsidiaries as borrowers, OSG, OBS, OIN and Rosalyn Tanker Corporation as guarantors, and DSF, as agent and security trustee, of which OSG has guaranteed up to fifty percent of the borrowers' liabilities, which matures in 2020 (collectively with the CEXIM secured term loan facility described above, the "Secured Loan Facilities"); and
- $900,000 unsecured forward start revolving credit agreement dated as of May 26, 2011 among OSG, OBS, OIN and DnB Nor Bank ASA, New York branch, as administrative agent, under which the Company would have been able to draw on beginning on February 8, 2013 (the "Unsecured Forward Start Revolving Credit Agreement").