OVERSEAS SHIPHOLDING GROUP INC
Form 10-Q
September 30, 2013

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

FORM 10-Q

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from ________ to _____

Commission File Number 1-6479-1

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

DELAWARE	13-2637623
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1301 Avenue of the Americas, New York, New York	10019
(Address of principal executive offices)	(Zip Code)

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

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

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

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 ¨ NO x

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

Large accelerated filer ¨ Accelerated filer x

Non-accelerated filer ¨ Smaller reporting company ¨

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practical date.

Common Shares outstanding as of September 30, 2013 30,718,509

Special Note

This Quarterly Report on Form 10-Q was delayed pending the completion of an inquiry conducted by the Company at the request and under the direction of the audit committee of the board of directors of the Company (the "Audit Committee"), into the Company's understatement of its United States ("U.S.") federal income tax payments and its provision for income taxes. The Company completed its inquiry and an analysis of the consequences in June 2013. On October 19, 2012, the Audit Committee, on the recommendation of management, concluded that the Company's previously issued financial statements for at least each of the three calendar years in the three year period ended December 31, 2011 (including the interim periods within those years), and for each of the calendar quarters ended March 31, 2012 and June 30, 2012, should no longer be relied upon. Upon completion of the aforementioned inquiry, it was determined that there were errors in the Company's previously issued financial statements for each of the twelve calendar years in the twelve year period ended December 31, 2011 (including the interim periods within those years), and for each of the calendar quarters ended March 31, 2012 and June 30, 2012, and such financial statements should be restated. Accordingly, the Company restated its previously issued financial statements for the two calendar years ended December 31, 2011 and 2010 and for each of the calendar quarters ended March 31, 2012 and June 30, 2012 in its Annual Report on Form 10-K for 2012. The Company has also provided adjustments to data for each of the calendar years 2000 to 2009 in Item 6, "Selected Financial Data," in its Annual Report on Form 10-K for the year ended December 31, 2012 (the "2012 Form 10-K"). The Company has not amended its previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods affected by this restatement.

The Company also restated the consolidated balance sheet as of December 31, 2011 and the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the year ended December 31, 2011 and for each of the calendar quarters ended March 31, 2012 and June 30, 2012 in its 2012 Form 10-K to reflect the correction of an error in the method used to estimate the credit valuation adjustments associated with the fair market valuation of interest rate swap derivative contracts of certain of the Company's equity method investees.

The adjustments made as a result of the restatements and the potential related cash impact of the restatements are discussed in Note 2, "Company Inquiry and Restatement," to the accompanying condensed consolidated financial statements included in "Financial Statements (unaudited)". For additional discussion of the inquiry and restatement adjustments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Company Inquiry and Restatement" and Note 2, "Company Inquiry and Restatement," to the accompanying condensed consolidated financial statements. For a description of the material weaknesses identified by management in internal control over financial reporting with respect to income taxes and fair market valuation of interest rate swaps and management's remediation actions to address the material weaknesses, see "Controls and Procedures" of this Form 10-Q. For more information, see our Annual Report on Form 10-K for the year ended December 31, 2012.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED BALANCE SHEETS
DOLLARS IN THOUSANDS

	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 556,618	$ 507,342
Voyage receivables, including unbilled of $118,545 and $131,333	154,178	179,259
Other receivables	28,206	28,900
Inventories, prepaid expenses and other current assets	45,207	55,926
Total Current Assets	784,209	771,427
Vessels and other property, including construction in progress of $107,031 and $95,283, less accumulated depreciation of $1,025,933 and $994,306	2,813,349	2,837,288
Deferred drydock expenditures, net	63,191	74,418
Total Vessels, Deferred Drydock and Other Property	2,876,540	2,911,706
Investments in Affiliated Companies	264,959	252,398
Intangible Assets, less accumulated amortization of $32,652 and $31,356	70,679	71,975
Goodwill	9,589	9,589
Other Assets	25,186	26,440
Total Assets	$ 4,031,162	$ 4,043,535
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	$ 103,363	$ 99,273
Deferred income taxes	24,558	25,900
Income taxes payable, including reserve for uncertain tax positions of $326,121 and $326,121	331,805	329,799
Total Current Liabilities	459,726	454,972
Reserve for Uncertain Tax Positions	18,631	17,067
Deferred Gain on Sale and Leaseback of Vessels	-	3,839
Deferred Income Taxes	334,907	343,162
Other Liabilities	39,255	37,712
Liabilities Subject to Compromise	2,805,783	2,652,537
Total Liabilities	3,658,302	3,509,289
Equity:		
Total Equity	372,860	534,246
Total Liabilities and Equity	$ 4,031,162	$ 4,043,535

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS
(UNAUDITED)

	Three Months Ended March 31, 2013		2012 (As Restated)	
Shipping Revenues:				
Pool revenues, including $23,268 and $20,654 received from companies accounted for by the equity method	$	56,255	$	72,526
Time and bareboat charter revenues		83,801		67,985
Voyage charter revenues		107,382		151,867
		247,438		292,378
Operating Expenses:				
Voyage expenses		51,793		78,349
Vessel expenses		66,367		70,703
Charter hire expenses		65,460		95,771
Depreciation and amortization		43,271		49,262
General and administrative		19,726		21,136
Severance and relocation costs		(422)		905
(Gain)/loss on disposal of vessels		22		(106)
Total Operating Expenses		246,217		316,020
Income/(loss) from Vessel Operations		1,221		(23,642)
Equity in Income of Affiliated Companies		10,290		6,908
Operating Income/(loss)		11,511		(16,734)
Other Income/(expense)		(199)		3,412
Income/(loss) before Interest Expense, Reorganization Items and Income Taxes		11,312		(13,322)
Interest Expense		(288)		(23,010)
Income/(loss) before Reorganization Items and Income Taxes		11,024		(36,332)
Reorganization Items, net		(184,621)		-
Loss before Income Taxes		(173,597)		(36,332)
Income Tax Benefit/(Provision)		5,835		(528)
Net Loss	$	(167,762)	$	(36,860)
Weighted Average Number of Common Shares Outstanding:				
Basic		30,448,703		30,282,899
Diluted		30,448,703		30,282,899
Per Share Amounts:				
Basic net loss	$	(5.51)	$	(1.22)
Diluted net loss	$	(5.51)	$	(1.22)

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
DOLLARS IN THOUSANDS
(UNAUDITED)

	Three Months Ended March 31, 2013		2012 (As Restated)	
Net Loss	$	(167,762)	$	(36,860)
Other Comprehensive (Loss)/Income, net of tax:				
Net change in unrealized holding losses on available-for-sale securities		(49)		(282)
Reduction in unrealized losses on cash flow hedges		7,817		10,164
Defined benefit pension and other postretirement benefit plans:				
Net change in unrecognized prior service costs		(21)		(21)
Net change in unrecognized actuarial losses		453		(291)
Other Comprehensive Income		8,200		9,570
Comprehensive Loss	$	(159,562)	$	(27,290)

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
DOLLARS IN THOUSANDS
(UNAUDITED)

	Three Months Ended March 31, 2013		2012 (As Restated)	
Cash Flows from Operating Activities:				
Net loss	$	(167,762)	$	(36,860)
Items included in net loss not affecting cash flows:				
Depreciation and amortization		43,271		49,262
Amortization of deferred gain on sale and leasebacks		42		(3,363)
Amortization of debt discount and other deferred financing costs		-		1,071
Compensation relating to restricted stock and stock option grants		(1,782)		2,107
Deferred income tax benefit		(9,704)		(3,575)
Unrealized gains on forward freight agreements and bunker swaps		-		(2,022)
Undistributed earnings of affiliated companies		(6,719)		1,932
Deferred payment obligations on charters-in		1,377		1,392
Reorganization items, non-cash		177,213		-
Gain on sublease contracts		(344)		-
Other net		1,252		1,344
Items included in net loss related to investing and financing activities:				
Loss/(gain) on sale of securities and other investments net		303		(1,018)
Loss/(gain) on disposal of vessels net		22		(106)
Payments for drydocking		(3,834)		(10,829)
Changes in operating assets and liabilities		34,096		10,136
Net cash provided by operating activities		67,431		9,471
Cash Flows from Investing Activities:				
Long-term investments		-		(26)
Proceeds from sale of marketable securities and investments		179		109
Expenditures for vessels		(12,203)		(29,343)
Deposit received for disposal of vessel		472		-
Expenditures for other property		(278)		(527)
Other net		(81)		472
Net cash used in investing activities		(11,911)		(29,315)
Cash Flows from Financing Activities:				
Purchases of treasury stock		(42)		(283)
Issuance of debt, net of issuance costs and deferred finance costs		-		229,000
Payments on debt, including adequate protection payments		(6,202)		(50,515)
Issuance of common stock upon exercise of stock options		-		103
Other net		-		15
Net cash (used in)/provided by financing activities		(6,244)		178,320
Net increase in cash and cash equivalents		49,276		158,476
Cash and cash equivalents at beginning of year		507,342		54,877
Cash and cash equivalents at end of period	$	556,618	$	213,353

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
DOLLARS IN THOUSANDS
(UNAUDITED)

	Common Stock*	Paid-in Additional Capital	Retained Earnings	Treasury Stock Shares	Amount	Accumulated Other Comprehensive Loss**	Total
Balance at January 1, 2013	$ 44,291	$ 414,411	$ 1,024,480	13,396,320	$ (835,155)	$ (113,781)	$ 534,246
Net Loss			(167,762)				(167,762)
Other Comprehensive Income						8,200	8,200
Forfeitures of Restricted Stock Awards		-		58,080	-		-
Compensation Related to Options Granted		(506)					(506)
Amortization of Restricted Stock Awards		(1,276)					(1,276)
Purchases of Treasury Stock				40,370	(42)		(42)
Balance at March 31, 2013	$ 44,291	$ 412,629	$ 856,718	13,494,770	$ (835,197)	$ (105,581)	$ 372,860
Balance at January 1, 2012 (As Reported)	$ 44,291	$ 413,016	$ 2,040,031	13,826,882	$ (840,302)	$ (101,791)	$ 1,555,245
Restatement Adjustments ***			(535,437)			(17,516)	(552,953)
Balance at January 1, 2012 (As Restated)	44,291	413,016	1,504,594	13,826,882	(840,302)	(119,307)	1,002,292
Net Loss (As Restated)			(36,860)				(36,860)
Other Comprehensive Income (As Restated)						9,570	9,570
Issuance of Restricted Stock Awards		(4,571)		(400,526)	4,586		15
Compensation Related to Options Granted		492					492
Amortization of Restricted Stock Awards		1,615					1,615
Options Exercised and Employee Stock Purchase Plan		(35)		(11,041)	138		103
				26,624	(283)		(283)

Purchases of Treasury Stock							
Balance at March 31, 2012 (As Restated)	$ 44,291	$ 410,517	$ 1,467,734	13,441,939	$ (835,861)	$ (109,737)	$ 976,944

* Par value $1 per share; 120,000,000 shares authorized; 44,290,759 shares issued as of March 31, 2013.

** Amounts are net of tax.

*** See Note 2, "Company Inquiry and Restatement," to the accompanying condensed consolidated financial statements for details.

See notes to condensed consolidated financial statements

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

Note 1 Basis of Presentation and Significant Accounting Policies:

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by generally accepted accounting principles in the U.S. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of the results have been included. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The consolidated balance sheet as of December 31, 2012 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles in the U.S. for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Dollar amounts, except per share amounts are in thousands.

Recently Adopted Accounting Standards

In December 2011, the FASB issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*, which creates new disclosure requirements about the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods therein, with retrospective application required. In January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities,* which clarified the scope limitations of the guidance issued in ASU No. 2011-11. The adoption of the new accounting guidance did not have any impact on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which adds new disclosure requirements intended to improve the transparency of changes in other comprehensive income and items reclassified out of accumulated other comprehensive income. This guidance, which is to be applied prospectively, became effective for the Company's annual and interim periods beginning January 1, 2013. Adoption of this new accounting guidance did not have a significant impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards

In February 2013, the FASB issued ASU No. 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date,* which provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, except for obligations addressed within existing U.S. GAAP guidance. This accounting standard is effective for public entities for annual periods, and interim periods within those annual periods, beginning after December 31, 2013. Based on preliminary evaluations, OSG does not believe the adoption of the new accounting guidance will have a significant impact on its consolidated financial statements.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

Note 2 Company Inquiry and Restatement:

As discussed in the 2012 Form 10-K, in October 2012, at the request and under the direction of the audit committee of the board of directors of the Company (the “Audit Committee”) the Company, with the assistance of counsel, conducted an inquiry into the Company’s provision for United States (“U.S.”) federal income taxes in light of certain provisions contained in the Company’s unsecured revolving credit facility scheduled to mature on February 8, 2013 and certain predecessor credit facilities (the “Credit Facilities”). In connection with the inquiry process, on October 19, 2012, the Audit Committee, on the recommendation of management, concluded that the Company’s previously issued financial statements for at least the three years ended December 31, 2011 and associated interim periods, and for each of the quarters ended March 31, 2012 and June 30, 2012, should no longer be relied upon. Upon completion of the inquiry in June 2013, it was determined that there were errors in the Company’s previously issued financial statements for each of the years in the twelve year period ended December 31, 2011 (including the interim periods within those years), and for each of the calendar quarters ended March 31, 2012 and June 30, 2012, and such financial statements should be restated.

Specifically, because OSG International, Inc. (“OIN”), a wholly-owned subsidiary of the Company incorporated in the Marshall Islands, was a co-obligor with OSG and OSG Bulk Ships, Inc. (“OBS”), a wholly-owned subsidiary of the Company incorporated in the U.S., on a joint and several basis for amounts drawn under the Credit Facilities, the Company determined that OIN could be deemed under Section 956 of the U.S. Internal Revenue Code (“Section 956”) to have made taxable distributions to OSG for each taxable year in which such joint and several liability existed. Under the relevant tax rules, the amount of any deemed distributions for any taxable year that would be considered taxable income as a result of this issue generally (and subject to certain complex variables) would be determined by reference to the excess of: (i) the average of the quarter-end outstanding balances under the Credit Facilities for that year, over (ii) the average of the quarter-end balances for prior years, plus any other amounts that might have given rise to deemed distributions for prior years. In the case of OIN and OSG, this calculation could produce an aggregate amount of up to $1,317,500 of earnings deemed repatriated from OIN through the end of 2012 as a result of drawdowns under the Credit Facilities, although the final determination of the amount will depend upon several interrelated issues that have yet to be settled with the Internal Revenue Service (“IRS”). Furthermore, the Company determined that it had not properly accounted for the tax consequences of intercompany balances that have existed between domestic and international entities within the Company. The Company determined that, due to insufficient processes to identify and evaluate adequately the income tax accounting impact of Section 956 to certain intercompany balances, these intercompany balances could be deemed under Section 956 to have been taxable distributions to OSG in the years in which such balances existed. This resulted in the Company recording deemed dividend income aggregating $77,000 for taxable years 2012 and earlier. The Company’s financial statements for years prior to 2012 and for each of the quarters ended March 31, 2012 and June 30, 2012 did not properly take account of these issues and, therefore, these errors caused the financial statements to be misstated.

The IRS has asserted a number of other adjustments to the Company’s taxable income. These adjustments represent an additional $234,853 of asserted taxable income across taxable years 2009 and earlier. The Company disagrees with several of the IRS’s asserted adjustments and intends to dispute them vigorously. In some cases, the asserted adjustments, including certain adjustments resulting from intercompany balances described in the previous paragraph, interrelate with the calculation of any deemed dividends under Section 956 described above in a way that may reduce the amount of deemed dividends if the IRS’s asserted adjustments are sustained.

The Company believes, based on its analysis and its interactions with the IRS to date, that the actual amount of tax that the Company ultimately will be required to pay to the IRS in respect of the potential deemed dividends and other adjustments discussed above will be significant and could be as high as $460,000, or potentially higher, for all periods ending on or before December 31, 2012, not taking into account any potential penalties but including interest. However, the Company has several defenses available to mitigate its liability and intends to assert those defenses vigorously. The IRS has filed proofs of claim against the Company in its Chapter 11 proceedings in the aggregate liquidated amount of $463,013 that the Company believes are in respect of these issues, but no agreement has been made in respect of these claims. See Note 11, “Taxes,” of this Quarterly Report on Form 10-Q and Note 14, “Taxes,” of the Annual Report on Form 10-K for 2012, for additional information with respect to amounts reflected in the financial statements as of December 31, 2012.

In addition to giving rise to a tax liability, the potential deemed dividends from OIN in connection with the Credit Facilities (which effectively would treat OIN as having already repatriated significant earnings for U.S. tax purposes) have required the Company to reassess its intent and ability to permanently reinvest earnings from foreign shipping operations accumulated through December 31, 2012. As a result, the Company has concluded that, as of December 31, 2000 and at each subsequent year end through December 31, 2012, it could not assert its intent to permanently reinvest OIN’s earnings to the extent these earnings could be deemed repatriated as a result of OIN’s joint and several liability under the Credit Facilities, as discussed above. See Note 11 for information with respect to undistributed earnings that are still considered to be permanently reinvested in foreign operations on which U.S. income taxes have not been recognized.

For purposes of its financial statements as of December 31, 2012, the Company has recorded reserves related to the tax effects of the cumulative potential deemed dividends (1) in connection with the Credit Facilities based on a deemed repatriation of $1,194,150 of foreign earnings and (2) related to intercompany balances resulting in the inclusion of $77,000 of foreign earnings in taxable income. The potential deemed repatriation amount of $1,194,150 is derived from the aggregate amount of $1,317,500, discussed above, reduced to take account of certain defenses available to the Company that the Company believes are more-likely-than-not to be successful. The Company also has recorded a deferred tax liability of $103,388 as of December 31, 2012 for the tax effects of unremitted earnings of foreign subsidiaries, which reflects amounts that may be included in taxable income as deemed dividends for taxable year 2013 and future years.

Such tax related errors:

- understated both the income tax provision and the comprehensive loss by $1,875 for the three month period ended March 31, 2012;
- overstated income taxes recoverable (a component of other receivables) by $21,434; understated the noncurrent portion of the reserve for uncertain tax positions by $323,003; and understated noncurrent deferred income taxes by $191,376, each as of March 31, 2012; and
- overstated total equity by $535,813 as of March 31, 2012.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

The Company is restating, and also restated in the 2012 Form 10-K, the accompanying condensed consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the three months ended March 31, 2012 to reflect the correction of an error in the method used to estimate the credit valuation adjustments associated with the fair valuation of the interest rate swap derivative contracts of certain of the Company's equity method investees. The credit risk valuation adjustments were incorrectly estimated without giving consideration to the credit enhancements that were contractually linked to the obligations under such contracts for the year ended December 31, 2011 and for the quarters ended March 31, 2012 and June 30, 2012. Such error:

- overstated the investments in affiliated companies by $23,298 and retained earnings by $1,671 and understated accumulated other comprehensive loss by $21,627 each as of March 31, 2012; and
- understated net loss by $172 and other comprehensive loss by $4,111 for the three month period ended March 31, 2012.

The appropriate estimation of the credit risk valuation adjustments has been applied within the consolidated financial statements as of March 31, 2013 and December 31, 2012.

The accompanying condensed consolidated statements of operations, comprehensive loss, cash flows and changes in equity for the three months ended March 31, 2012 have been restated to reflect the matters described above.

The following tables present the effects of the correction of the errors described above that have been made to the Company's previously reported condensed consolidated statements of operations, comprehensive loss, cash flows from operating activities for the quarter ended March 31, 2012 and retained earnings as of January 1, 2012.

OVERSEAS SHIPHOLDING GROUP, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

	Three months ended March 31, 2012							
	As Previously Reported		Adjustments			As Restated	
Shipping Revenues:							
Pool revenues	$	72,526				$	72,526
Time and bareboat charter revenues		67,985					67,985
Voyage charter revenues		151,867					151,867
		292,378		-			292,378
Operating Expenses:							
Voyage expenses		78,349					78,349
Vessel expenses		70,703					70,703
Charter hire expenses		95,771					95,771
Depreciation and amortization		49,262					49,262
General and administrative		21,136					21,136
Severance and relocation costs		905					905
Gain on disposal of vessels		(106)					(106)
Total Operating Expenses		316,020		-			316,020
Loss from Vessel Operations		(23,642)					(23,642)
Equity in Income of Affiliated Companies		7,080	$	(172)	(a)		6,908
Operating Loss		(16,562)		(172)			(16,734)
Other Income		3,412					3,412
Loss before Interest Expense and Taxes		(13,150)		(172)			(13,322)
Interest Expense		(23,010)					(23,010)
Loss before Income Taxes		(36,160)		(172)			(36,332)
Income Tax Benefit/(Provision)		1,347		(1,875)	(b)		(528)
Net Loss	$	(34,813)	$	(2,047)		$	(36,860)
Weighted Average Number of Common Shares Outstanding:							
Basic		30,282,899					30,282,899
Diluted		30,282,899					30,282,899
Per Share Amounts:							
Basic net loss	$	(1.15)	$	(0.07)		$	(1.22)
Diluted net loss	$	(1.15)					