IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	Chapter 11
Overseas Shipholding Group, Inc., *et al*.	:	Case No. 12-20000 (PJW)
Debtors.	:	Jointly Administered

DISCLOSURE STATEMENT WITH RESPECT TO THE JOINT PLAN OF REORGANIZATION OF OVERSEAS SHIPHOLDING GROUP, INC., *ET AL.*, UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: March 7, 2014

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EXHIBITS

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT, INCLUDING THE FOLLOWING SUMMARY, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, EXHIBITS ANNEXED TO THE PLAN, THE PLAN SUPPLEMENT, THIS DISCLOSURE STATEMENT AND ALL EXHIBITS TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE. ALL CREDITORS SHOULD READ CAREFULLY THE "RISK FACTORS" SECTION HEREOF BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. SEE ARTICLE IX BELOW, "CERTAIN RISK FACTORS TO BE CONSIDERED."

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE OR FOREIGN SECURITIES REGULATOR, NOR HAS THE SEC OR ANY SUCH REGULATOR PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSES FOR WHICH THEY WERE PREPARED.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PERSON, PARTY OR ENTITY FOR ANY OTHER PURPOSE EXCEPT AS PERMITTED BY APPLICABLE LAW.

THE TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THE PLAN SUMMARY IN THIS DISCLOSURE STATEMENT. ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

AS TO CONTESTED MATTERS, EXISTING LITIGATION INVOLVING, OR POSSIBLE ADDITIONAL LITIGATION TO BE BROUGHT BY, OR AGAINST, THE DEBTORS OR SUBSIDIARIES OF THE DEBTORS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION OR A WAIVER, BUT RATHER AS A STATEMENT MADE WITHOUT PREJUDICE SOLELY FOR SETTLEMENT PURPOSES, WITH FULL RESERVATION OF RIGHTS, AND IS NOT TO BE USED FOR ANY LITIGATION PURPOSE WHATSOEVER BY ANY PERSON, PARTY OR ENTITY. AS SUCH, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY IN INTEREST, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, FINANCIAL OR OTHER EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS OR ANY OTHER PARTY IN INTEREST.

NONE OF THE OFFER, SALE OR DISTRIBUTION OF ANY OF THE SECURITIES BEING OFFERED, SOLD OR DISTRIBUTED UNDER THE PLAN HAS BEEN REGISTERED UNDER THE SECURITIES ACT OR ANY SIMILAR STATE OR FOREIGN SECURITIES OR "BLUE SKY" LAWS. THE OFFERS AND ISSUANCES OF THE PLAN SECURITIES ARE BEING MADE IN RELIANCE ON EXEMPTIONS FROM REGISTRATION SPECIFIED IN SECTION 1145 OF THE BANKRUPTCY CODE OR OTHER EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT OR APPLICABLE FOREIGN SECURITIES LAWS, SUBJECT TO CERTAIN LIMITATIONS DESCRIBED HEREIN.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: ALL FORWARD-LOOKING STATEMENTS CONTAINED HEREIN OR OTHERWISE MADE BY THE DEBTORS INVOLVE MATERIAL KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS, INCLUDING FACTORS THAT ARE BEYOND THE DEBTORS' CONTROL. ACCORDINGLY, THE DEBTORS' FUTURE PERFORMANCE AND FINANCIAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN ANY SUCH FORWARD-LOOKING STATEMENTS. SUCH RISKS, UNCERTAINTIES AND FACTORS INCLUDE, BUT ARE NOT LIMITED TO, THOSE DESCRIBED IN THIS DISCLOSURE STATEMENT. FORWARD-LOOKING STATEMENTS ARE OFTEN CHARACTERIZED BY THE USE OF WORDS SUCH AS "BELIEVES," "ESTIMATES," "EXPECTS," "PROJECTS," "MAY," "INTENDS," PLANS" OR "ANTICIPATES" OR BY DISCUSSIONS OF STRATEGY, PLANS OR INTENTIONS. ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN OR OTHERWISE MADE BY THE DEBTORS SPEAK ONLY AS OF THE DATE THEY WERE MADE AND THE DEBTORS DO NOT UNDERTAKE TO PUBLICLY UPDATE OR REVISE ANY SUCH FORWARD-LOOKING STATEMENTS EVEN IF EXPERIENCE OR FUTURE CHANGES MAKE IT CLEAR THAT ANY PROJECTED RESULTS EXPRESSED OR IMPLIED HEREIN OR THEREIN WILL NOT BE REALIZED. EXCEPT AS OTHERWISE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND HAS NOT NECESSARILY BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES OR INTERNATIONAL FINANCIAL REPORTING STANDARDS.

THE DEBTORS RESERVE THE RIGHT TO AMEND OR SUPPLEMENT THIS DISCLOSURE STATEMENT AT OR BEFORE THE CONFIRMATION HEARING.

I.
INTRODUCTION

A. General

On November 14, 2012 (the "Petition Date"), Overseas Shipholding Group, Inc. ("OSG" or "Parent") and 180 affiliates[1] (collectively, with Parent, the "Debtors") filed their petitions for relief under

[1] The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's tax identification number, are: Overseas Shipholding Group, Inc. (7623); OSG International, Inc. (7117); OSG Bulk Ships, Inc. (2600); 1372 Tanker Corporation (4526); Africa Tanker Corporation (9119); Alcesmar Limited (5306); Alcmar Limited (5307); Alpha Suezmax Corporation (1684); Alpha Tanker Corporation (6063); Amalia Product Corporation (3808); Ambermar Product Carrier Corporation (8898); Ambermar Tanker Corporation (7100); Andromar Limited (5312); Antigmar Limited (5303); Aqua Tanker Corporation (7408); Aquarius Tanker Corporation (9161); Ariadmar Limited (5301); Aspro Tanker Corporation (4152); Atalmar Limited (5314); Athens Product Tanker Corporation (9565); Atlas Chartering Corporation (8720); Aurora Shipping Corporation (5649);Avila Tanker Corporation (4155); Batangas Tanker Corporation (8208); Beta Aframax Corporation (9893); Brooklyn Product Tanker Corporation (2097); Cabo Hellas Limited (5299); Cabo Sounion Limited (5296); Caribbean Tanker Corporation (6614); Carina Tanker Corporation (9568); Carl Product Corporation (3807); Concept Tanker Corporation (9150); Crown Tanker Corporation (6059); Delphina Tanker Corporation (3859); Delta Aframax Corporation (9892); DHT Ania Aframax Corp. (9134); DHT Ann VLCC Corp. (9120); DHT Cathy Aframax Corp. (9142); DHT Chris VLCC Corp. (9122); DHT Rebecca Aframax Corp. (9143); DHT Regal Unity VLCC Corp. (9127); DHT Sophie Aframax Corp. (9138); Dignity Chartering Corporation (6961); Edindun Shipping Corporation (6412); Eighth Aframax Tanker Corporation (8100); Epsilon Aframax Corporation (9895); First Chemical Carrier Corporation (2955); First LPG Tanker Corporation (9757); First Union Tanker Corporation (4555); Fourth Aframax Tanker Corporation (3887); Front President Inc. (1687); Goldmar Limited (0772); GPC Aframax Corporation (6064); Grace Chartering Corporation (2876); International Seaways, Inc. (5624); Jademar Limited (7939); Joyce Car Carrier Corporation (1737); Juneau Tanker Corporation (2863); Kimolos Tanker Corporation (3005); Kythnos Chartering Corporation (3263); Leo Tanker Corporation (9159); Leyte Product Tanker Corporation (9564); Limar Charter Corporation (9567); Luxmar Product Tanker Corporation (3136); Luxmar Tanker LLC (4675); Majestic Tankers Corporation (6635); Maple Tanker Corporation (5229); Maremar Product Tanker Corporation (3097); Maremar Tanker LLC (4702); Marilyn Vessel Corporation (9927); Maritrans General Partner Inc. (8169); Maritrans Operating Company L.P. (0496); Milos Product Tanker Corporation (9563); Mindanao Tanker Corporation (8192); Mykonos Tanker LLC (8649); Nedimar Charter Corporation (9566); Oak Tanker Corporation (5234); Ocean Bulk Ships, Inc. (6064); Oceania Tanker Corporation (9164); OSG 192 LLC (7638); OSG 209 LLC (7521); OSG 214 LLC (7645); OSG 215 Corporation (7807); OSG 242 LLC (8002); OSG 243 LLC (7647); OSG 244 LLC (3601); OSG 252 LLC (7501); OSG 254 LLC (7495); OSG 300 LLC (3602); OSG 400 LLC (7499); OSG America LLC (2935); OSG America L.P. (2936); OSG America Operating Company LLC (5493); OSG Car Carriers, Inc. (1608);OSG Clean Products International, Inc. (6056); OSG Columbia LLC (7528); OSG Constitution LLC (8003); OSG Courageous LLC (2871); OSG Delaware Bay Lightering LLC (4998); OSG Discovery LLC (8902); OSG Endeavor LLC (5138); OSG Endurance LLC (2876); OSG Enterprise LLC (3604); OSG Financial Corp. (8639); OSG Freedom LLC (3599); OSG Honour LLC (7641); OSG Independence LLC (7296); OSG Intrepid LLC (7294); OSG Liberty LLC (7530); OSG Lightering Acquisition Corporation (N/A); OSG Lightering LLC (0553); OSG Lightering Solutions LLC (5698); OSG Mariner LLC (0509); OSG Maritrans Parent LLC (3903); OSG Navigator LLC (7524); OSG New York, Inc. (4493); OSG Product Tankers AVTC, LLC (0001); OSG Product Tankers I, LLC (8236); OSG Product Tankers II, LLC (8114); OSG Product Tankers, LLC (8347); OSG Product Tankers Member LLC (4705); OSG Quest LLC (1964); OSG Seafarer LLC (7498);OSG Ship Management, Inc. (9004); OSG Valour Inc. (7765); Overseas Allegiance Corporation (7820); Overseas Anacortes LLC (5515); Overseas Boston LLC (3665); Overseas Diligence LLC (6681); Overseas Galena Bay LLC (6676); Overseas Houston LLC (3662); Overseas Integrity LLC (6682); Overseas Long Beach LLC (0724); Overseas Los Angeles LLC (5448); Overseas Martinez LLC (0729); Overseas New Orleans LLC (6680); Overseas New York LLC (0728); Overseas Nikiski LLC (5519); Overseas Perseverance Corporation (7817); Overseas Philadelphia LLC (7993); Overseas Puget Sound LLC (7998); Overseas Sea Swift Corporation (2868); Overseas Shipping (GR) Ltd. (5454); Overseas ST Holding LLC (0011); Overseas Tampa LLC (3656); Overseas Texas City LLC (5520); Pearlmar Limited (7140); Petromar Limited (7138); Pisces Tanker Corporation (6060); Polaris Tanker Corporation (6062); Queens Product Tanker Corporation (2093); Reymar Limited (7131); Rich Tanker Corporation (9147); Rimar Chartering Corporation (9346); Rosalyn Tanker Corporation (4557); Rosemar Limited (7974);Rubymar Limited (0767); Sakura Transport Corp. (5625); Samar Product Tanker Corporation (9570); Santorini Tanker LLC (0791); Serifos Tanker Corporation (3004); Seventh Aframax Tanker Corporation (4558); Shirley Tanker SRL (3551); Sifnos Tanker Corporation (3006); Silvermar Limited (0766); Sixth Aframax Tanker Corporation (4523); Skopelos Product Tanker Corporation (9762); Star Chartering Corporation (2877); Suezmax International Agencies, Inc. (4053); Talara Chartering Corporation (3744); Third United Shipping Corporation (5622); Tokyo Transport Corp. (5626); Transbulk Carriers, Inc. (6070); Troy Chartering Corporation (3742); Troy Product Corporation (6969); Urban Tanker Corporation (9153); Vega Tanker Corporation (3860); View Tanker Corporation (9156);

Chapter 11 ("Chapter 11") of title 11 of the United States Code, 11 U.S.C. §§ 101-1532, (as amended, the "Bankruptcy Code"), with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court" or "Court"). Certain of the Debtors' affiliates have not commenced bankruptcy proceedings.

On [March 7], 2014 the Debtors filed their proposed Joint Plan of Reorganization of Overseas Shipholding Group, Inc., *et al.*, under Chapter 11 of the Bankruptcy Code, dated [March 7], 2014, (as it may be supplemented or amended, the "Plan"), which sets forth the manner in which Claims against, and Equity Interests in, the Debtors will be treated.[2] This disclosure statement, dated [March 7], 2014 (as it may be supplemented or amended, the "Disclosure Statement"), describes certain aspects of the Plan and the Debtors' business and the operations of the non-debtor subsidiaries of the Debtors (together with the Debtors, the "OSG Companies").

After a careful consideration of the Debtors' business and their prospects as a going concern, the Debtors, in consultation with their legal and financial advisers, concluded that recoveries to creditors will be maximized by implementing the Plan. Pursuant to the Plan, the company will continue to operate as an integrated enterprise (the "Reorganized Debtors") under Overseas Shipholding Group, Inc., or its successor by merger, consolidation, or otherwise on or after the Effective Date ("Reorganized OSG"). The Debtors believe that the creditors of the Debtors will receive more value through the continuation of the Reorganized Debtors as a going concern than they would receive upon liquidation of the Debtors.

The key components of the Plan include:

- Payment in full of all Allowed Administrative Claims, Priority Tax Claims, Other Priority Claims, Secured Vessel DIP Claims, Secured Vessel Claims, Other Secured Claims, and Other Unsecured Claims on the Effective Date of the Plan

- The retention of the CEXIM Vessels and the DSF Vessels and payment in full of the CEXIM Claims and the DSF Claims

- The satisfaction of Credit Agreement Claims in full through the distribution of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants and the right to participate in the Rights Offering

- The payment of the 8.75% Notes Claims in full in Cash, including any applicable contractual interest, the Reinstatement of the 8.125% Notes, including payment of any applicable contractual or default interest, and the Reinstatement of the 7.500% Notes, including payment of any applicable contractual interest

- The Reorganized Debtors' entry into the Exit Financing on the Effective Date, consisting of a $735 million senior-secured term loan facility and a $200 million revolving credit facility that, together, will provide the Reorganized Debtors with the funding necessary to both satisfy the Plan's cash payment obligations and the expenses associated with closing the Exit Financing facilities, and to finance the Reorganized Debtors' ongoing operations and capital needs following the emergence from Chapter 11

Vivian Tankships Corporation (7542); Vulpecula Chartering Corporation (8718); Wind Aframax Tanker Corporation (9562). The mailing address of the Debtors is: 1301 Avenue of the Americas, 42nd Floor, New York, NY 10019.

[2] Unless otherwise indicated, all capitalized terms used and not defined herein shall have the meanings ascribed to them in the Plan.

- Personal Injury Claims, including numerous Asbestos Claims, that have not otherwise been disallowed and expunged, will be Unimpaired and may be asserted against the applicable Reorganized Debtors subject to such Reorganized Debtors' rights and defenses

- Admiralty Lien Claims that have not otherwise been disallowed and expunged will be unimpaired and may be asserted against the applicable Reorganized Debtors subject to such Reorganized Debtors' rights and defenses

- A Rights Offering in an amount of $300 million supported by a Subscription Commitment by certain Holders of Credit Agreement Claims

- Holders of Subordinated Claims and of Old Equity Interests in OSG jointly will receive a combination of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants with a value equal to $61.4 million

- Intercompany Claims are Unimpaired and will be Reinstated or discharged and satisfied at the option of the Debtors or the Reorganized Debtors by contributions, distributions or otherwise

- Intercompany Equity Interests are Unimpaired and will be Reinstated

To ensure that at least 75% of the equity interests in Reorganized OSG will be owned by U.S. Citizens in compliance with the Jones Act, at least 77% of the shares of Reorganized OSG Stock issued on the Effective Date will be issued to Domestic Holders. The remaining 23% of Reorganized OSG Stock will be issued on a *Pro Rata* basis on the Effective Date among the Foreign Holders, such that no more than 23% of the Reorganized OSG Stock is owned by Foreign Holders. The bylaws and certificate of incorporation of Reorganized OSG will also restrict foreign ownership and control of Reorganized OSG to not more than 23% and will contain certain other provisions to comply with the Jones Act. Foreign Holders who would otherwise receive additional Reorganized OSG Stock will receive Reorganized OSG Jones Act Warrants.

The Reorganized OSG Jones Act Warrants will be freely transferable subject to any securities law restrictions as described below, but may only be exercised by (i) U.S. Citizens, and (ii) non-U.S. Citizens in compliance with the bylaws and certificate of incorporation of Reorganized OSG. The Reorganized OSG Jones Act Warrants shall be exercised when held by a U.S. Citizen. The forms of the Reorganized OSG Jones Act Warrants will not grant voting or control rights or contain negative covenants restricting the operation of Reorganized OSG's business. The Reorganized OSG Jones Act Warrants have been submitted to the United States Coast Guard (the "Coast Guard") and the United States Department of Transportation, Maritime Administration ("MarAd") for their approval. The Coast Guard approved the Reorganized OSG Jones Act Warrants on February 27, 2014. Based on discussions to date with MarAd and based on MarAd's past practices in substantially similar circumstances, the Debtors believe that issuance of the Reorganized OSG Jones Act Warrants to Foreign Holders pursuant to the Plan will not adversely affect the Debtors' continued compliance with the Jones Act. The Debtors expect to receive approval of MarAd in advance of the Confirmation Hearing.

The Debtors have reached agreement on the principal terms of the Plan with Holders of Credit Agreement Claims representing approximately 72% of the Credit Agreement Claims. Those Holders of Credit Agreement Claims have executed a Plan Support Agreement, under which they have agreed, among other things, to vote their claims to Accept the Plan, subject to certain terms and conditions, including without limitation Bankruptcy Court approval of the Disclosure Statement. Holders of Credit Agreement Claims who are parties to the Plan Support Agreement have also executed the Equity

Commitment Agreement, agreeing to subscribe to a Rights Offering with an aggregate offering amount of $300 million dollars of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants.

This Disclosure Statement is being distributed pursuant to section 1125 of the Bankruptcy Code to Holders of Claims against, and Equity Interests in, the Debtors entitled to vote on the Plan in connection with (i) the solicitation of Acceptances of the Debtors' Plan and (ii) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") scheduled for [May 23], 2014, at 2:00 p.m., prevailing Eastern Time. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before [May 15], 2014 at 4:00 p.m., prevailing Eastern Time (the "Objection Deadline").

A Ballot for voting to Accept or reject the Plan may be provided with this Disclosure Statement for the Holders of Claims and Equity Interests that are entitled to vote to Accept or reject the Plan. If you are a Holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the procedures for voting on the Plan, please call the Debtors' voting agent, Kurtzman Carson Consultants (the "Voting Agent"), at 866-967-1780 (U.S. and Canada) or (310) 751-2680 (International).

To obtain additional copies of the Plan and/or the Disclosure Statement, please visit the Debtors' restructuring website at http://www.kccllc.net/osg. Alternatively, copies are available for review at the Office of the Clerk, United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, Wilmington, DE 19801, or upon written request to the Voting Agent.

NO STATEMENTS OR INFORMATION CONCERNING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY HAVE BEEN AUTHORIZED, OTHER THAN THE STATEMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE INFORMATION ACCOMPANYING THIS DISCLOSURE STATEMENT. ALL OTHER STATEMENTS REGARDING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY, WHETHER WRITTEN OR ORAL, ARE UNAUTHORIZED.

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The order that, among other things, approved the Disclosure Statement sets forth in detail the deadlines, procedures and instructions for voting to Accept or reject the Plan and for filing objections to confirmation of the Plan, the Voting Record Date and the applicable standards for tabulating the Ballots. Each Holder of a Claim entitled to vote on the Plan should read in their entirety this Disclosure Statement (including the Exhibits attached hereto), the Plan and the instructions accompanying the Ballots before voting on the Plan. These documents contain, among other things, important information concerning the classification of Claims and Equity Interests for voting purposes and the tabulation of votes. No solicitation of votes to Accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

B. Holders of Claims and Equity Interests Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected a proposed plan of reorganization are entitled to vote to accept or reject such plan. Generally, a claim or interest is impaired under a plan if the holder's legal, equitable or contractual rights are altered under the plan. Classes of claims or equity interests under a Chapter 11 plan in which the holders of claims or

equity interests are unimpaired under a Chapter 11 plan are deemed to have accepted the proposed plan and are not entitled to vote to accept or reject the plan. In addition, classes of claims or equity interests in which the holders of claims or equity interests will not receive or retain any property are deemed to have rejected a proposed plan and are not entitled to vote to accept or reject such plan.

In connection with the Plan:

Class A1 of each Debtor consists of Personal Injury Claims (if any) against that Debtor, which as of the Effective Date have not been disallowed and expunged. Class A1 is Unimpaired and deemed to Accept the Plan.

Class A2 of each Debtor consists of Admiralty Lien Claims (if any) against that Debtor, which as of the Effective Date have not been disallowed and expunged. Class A2 is Unimpaired and deemed to Accept the Plan.

Class B1 of each Debtor consists of Secured Vessel DIP Claims (if any) against that Debtor. Class B1 is Unimpaired and deemed to Accept the Plan.

Class B2 of each Debtor consists of Secured Vessel Claims (if any) against that Debtor. Class B2 is Unimpaired and deemed to Accept the Plan.

Class C1 of each Debtor consists of Other Secured Claims (if any) against that Debtor. Class C1 is Unimpaired and deemed to Accept the Plan.

Class D1 of each Debtor consists of Credit Agreement Claims (if any) against that Debtor. Class D1 is Impaired and is entitled to vote to Accept or reject the Plan.

Class D2 of each Debtor consists of Satisfied Noteholder Claims (if any) against that Debtor. Class D2 is Unimpaired and deemed to Accept the Plan.

Class D3 of each Debtor consists of Reinstated Noteholder Claims (if any) against that Debtor. Class D3 is Unimpaired and deemed to Accept the Plan.

Class D4 of each Debtor consists of Charter Rejection Claims (if any) against that Debtor. Class D4 is Unimpaired and deemed to Accept the Plan.

Class D5 of each Debtor consists of Other Unsecured Claims (if any) against each Debtor. Class D5 is Unimpaired and deemed to Accept the Plan.

Class E1 consists of Subordinated Claims and Old Equity Interests in OSG. Class E1 is Impaired and is entitled to vote to Accept or reject the Plan.

ACCORDINGLY, A BALLOT TO ACCEPT OR REJECT THE PLAN IS BEING PROVIDED ONLY TO HOLDERS OF CLAIMS AND EQUITY INTERESTS IN CLASSES D1 and E1.

Class D1 will be entitled to participate in the Rights Offering.

Section 1126(c) of the Bankruptcy Code defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. Section 1126(d) of the Bankruptcy Code defines “acceptance” of a plan by a class of interests as acceptance by holders of

interests in that class that hold at least two thirds in amount of the interests that cast ballots for acceptance or rejection of the plan. For the purposes of the Plan and Disclosure Statement, Claims denominated in other currencies will be converted to U.S. dollars as described in the Plan. For purposes of voting on the Plan, any Holder of a Claim that does not vote or does not indicate its citizenship on its Ballot will be presumed to not be a U.S. Citizen for Jones Act purposes.

Holders of Class D1 Credit Agreement Claims and Holders of Class E1 Subordinated Claims will be required to complete and return a Citizenship Affidavit with their Ballot if they wish to be deemed U.S. Citizens for purposes of the Jones Act. Holders of Old Equity Interests in OSG will not be required to certify their citizenship status as part of the solicitations process. Instead, the Debtors and Reorganized Debtors will rely on the existing SEG100 account system used by the DTC and the certifications that are a part of the existing certificated shares to confirm whether a Holder of Old Equity Interests in OSG is a U.S. Citizen. If Holders of Old Equity Interests in OSG have any questions regarding their status as a U.S. Citizen for purposes of distributions of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants, they should contact the Voting Agent by (i) writing to OSG Ballot Processing, c/o KCC, 2335 Alaska Avenue, El Segundo, CA 90245; (ii) calling (866) 967-1780 (U.S.) or 310-751-2680 (international); or (c) sending an email to OSGinfo@kccllc.com with the subject line of "OSG." The Debtors and the Reorganized Debtors reserve the right to request that any Holder of Class E1 Old Equity Interests submit a Citizenship Affidavit prior to receiving distributions on such Holder's Allowed Class E1 Old Equity Interest.

For a more detailed description of the requirements for confirmation of the Plan, see Article VI below. For a summary of the treatment of each Class of Claims and Equity Interests, see Article II below.

C. Voting Procedures

If you are entitled to vote to Accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold Claims and/or Equity Interests in different Classes that are each entitled to vote, you will receive separate Ballots that must be used for each separate type of Claim and/or Equity Interest. Please vote and return your Ballot(s) by mail. **FACSIMILE BALLOTS WILL NOT BE ACCEPTED. For more information, please refer to the approved voting procedures in the order approving this Disclosure Statement (the "Disclosure Statement Order").**

If you received a Ballot from a broker, bank or other institution, you must return such completed Ballot to such broker, bank or other institution promptly so that it can be forwarded to the Voting Agent so it is received on or before the Voting Deadline. If you received a Ballot from the Debtors, please send such completed Ballot directly to the Voting Agent so it is actually received on or before the Voting Deadline. All Ballots sent to the Voting Agent should be sent by U.S. mail, overnight courier or hand delivery to the following address:

OSG Ballot Processing Center
c/o Kurtzman Carson Consultants
1290 Avenue of the Americas, 9th Floor
New York, NY 10104

DO NOT RETURN YOUR NOTES OR ANY OTHER INSTRUMENTS OR AGREEMENTS THAT YOU MAY HAVE WITH YOUR BALLOT(S).

TO BE COUNTED, YOUR BALLOT(S) INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE PROPERLY COMPLETED, EXECUTED, MARKED AND ACTUALLY RECEIVED BY THE VOTING AGENT NO LATER THAN 5:00 P.M. PREVAILING EASTERN

TIME MAY 15, 2014 UNLESS EXTENDED BY THE DEBTORS. ALL BALLOTS MUST BE SIGNED.

The Bankruptcy Court set a date of [April 11], 2014, as the record date (the "Voting Record Date") for voting on the Plan. Accordingly, only Holders of record as of the Voting Record Date or otherwise entitled to vote under the Plan, are entitled to receive a Ballot and may vote on the Plan.

In addition to the releases described in Article XI of the Plan, all Holders of Claims against or Equity Interests in the Debtors that vote to Accept the Plan or fail to vote on the Plan and do not mark their Ballots to indicate their refusal to grant the releases provided in Section 11.3(b) of the Plan shall be deemed to unconditionally and forever release the Released Parties as set forth in Article XI of the Plan.

D. Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan for [May 23], 2014 at 2:00 p.m. before the Honorable Peter J. Walsh, United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, Wilmington, DE 19801. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before [May 15], 2014 at 4:00 p.m., prevailing Eastern Time, in the manner described below in Section VI.B. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THEM TO REORGANIZE SUCCESSFULLY AND TO ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS AND INTEREST HOLDERS. THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

IN ADDITION, THE CONSENTING LENDERS SUPPORT THE PLAN AND RECOMMEND THAT CREDITORS AND INTEREST HOLDERS VOTE TO ACCEPT THE PLAN.

E. Projected Financial Information

This Disclosure Statement contains projected financial information and certain other forward-looking statements, all of which are based on various estimates and assumptions and will not be updated to reflect events occurring after the date hereof. Such information and statements are subject to inherent uncertainties and to a wide variety of significant business, economic and competitive risks, including, among others, those described herein. Consequently, actual events, circumstances, effects and results may vary significantly from those included in, or contemplated by, such projected financial information and such other forward-looking statements. The projected financial information contained herein and in the Exhibits annexed hereto is, therefore, not necessarily indicative of the future financial condition or results of operations of the OSG Companies or the Reorganized Debtors, which in each case may vary significantly from those set forth in such projected financial information. Consequently, the projected financial information and other forward-looking statements contained herein should not be regarded as representations by any of the Debtors, their advisors or any Person that the projected financial condition or results of operations can or will be achieved.

II.
SUMMARY OF PLAN AND CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS THEREUNDER

A. Administrative Expense Claims

Subject to the provisions of sections 330(a), 331 and 503(b) of the Bankruptcy Code, each Allowed Administrative Expense Claim shall be paid in full by the Disbursing Agent, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders, (i) in Cash, in such amounts as are incurred in the ordinary course of business by the Debtors, or in such amounts as such Administrative Expense Claim is Allowed by the Bankruptcy Court upon the later of the Initial Distribution Date or the date upon which there is a Final Order allowing such Administrative Expense Claim, (ii) upon such other terms as may exist in the ordinary course of the Debtors' business or (iii) upon such other terms as may be agreed upon in writing between the Holder of such Administrative Expense Claim and the Administrative and Disputed Claims Agent, in each case in full satisfaction, settlement, discharge and release of, such Allowed Administrative Expense Claim; provided, however, that PSA/ECA Professional Expenses shall be paid in full in Cash.

All final fee applications for Professional Fees Claims for services rendered during or in connection with the Chapter 11 Cases shall be Filed with the Bankruptcy Court and served on the Administrative and Disputed Claims Agent and its counsel, and the U.S. Trustee (844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attn: Mark Kenney, Esq.) no later than the Professional Fees Bar Date. If the Administrative and Disputed Claims Agent and any Professional cannot agree on the amount of fees and expenses to be paid to such Professional, the reasonableness of any such fees and expenses shall be determined by the Bankruptcy Court. Holders of Professional Fees Claims that are required to File and serve applications for final allowance of their Professional Fees Claims and that do not File and serve such applications by the required deadline shall be forever barred from asserting such Professional Fees Claims against the Debtors, Reorganized Debtors or their respective properties, and such Professional Fees Claims shall be deemed discharged as of the Effective Date. Objections to any Professional Fees Claims must be Filed and served on Reorganized OSG and its counsel, the United States Trustee, and the requesting party no later than fifteen (15) days (or such longer period as may be allowed by the Administrative and Disputed Claims Agent or by order of the Bankruptcy Court) after the date on which an application for final allowance of such Professional Fees Claims was Filed and served.

All requests for compensation or reimbursement of Substantial Contribution Claims shall be Filed and served on Reorganized OSG and its counsel, the Office of the United States Trustee (844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attn: Mark Kenney, Esq.), counsel to the Administrative and Disputed Claims Agent, and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or any other order(s) of the Bankruptcy Court, no later than forty-five (45) days after the Effective Date. Unless such deadline is extended by agreement of the Administrative and Disputed Claims Agent, Holders of Substantial Contribution Claims that are required to File and serve applications for final allowance of their Substantial Contribution Claims and that do not File and serve such applications by the required deadline shall be forever barred from asserting such Substantial Contribution Claims against the Reorganized Debtors or their respective properties, and such Substantial Contribution Claims shall be deemed discharged as of the Effective Date. Objections to any Substantial Contribution Claims must be Filed and served on Reorganized OSG and its counsel, the U.S. Trustee, and the requesting party no later than fifteen (15) days (or such longer period as may be allowed by the Administrative and Disputed Claims Agent or by order of the Bankruptcy Court) after the date on which an application for final allowance of such Substantial Contribution Claims was Filed and served.

Holders of alleged Administrative Expense Claims (other than (i) Professional Fees Claims and (ii) fees and expenses of the Credit Agreement Agent, which shall be paid in accordance with the Plan Support Agreement and/or Equity Commitment Agreement) not paid prior to the Effective Date shall submit proofs of Claim on or before the Administrative Expense Claims Bar Date or forever be barred from doing so, unless such alleged Administrative Expense Claim is incurred in the ordinary course of business by any Debtor and is not yet past-due, in which case the applicable Administrative Expense Claims Bar Date shall be thirty (30) days after such due date or as otherwise ordered by the Bankruptcy Court. The Debtors and the Reorganized Debtors shall have thirty (30) days (or such longer period as may be allowed by order of the Bankruptcy Court) following the Administrative Expense Claims Bar Date to review and File objections to such Administrative Expense Claims, if necessary. In the event an objection is Filed as contemplated by Section 13.5 of the Plan, the Bankruptcy Court shall determine the Allowed amount of such Administrative Expense Claim.

B. Priority Tax Claims

The legal, equitable and contractual rights of the Holders of Allowed Priority Tax Claims are unaltered by the Plan. On, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Priority Tax Claim is an Allowed Priority Tax Claim as of the Effective Date or (ii) the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, in full satisfaction, settlement, discharge and release of, such Allowed Priority Tax Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders, each Holder of such Allowed Priority Tax Claim shall receive: (a) Cash equal to the amount of such Allowed Priority Tax Claim; (b) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Priority Tax Claim shall have agreed upon in writing; or (c) for every Priority Tax Claim except for the IRS Claims, such other treatment such that it will not be Impaired pursuant to section 1124 of the Bankruptcy Code. On the Effective Date, the Liens (if any) securing any Priority Tax Claims shall be deemed released, terminated and extinguished, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person.

C. Other Priority Claims

The legal, equitable and contractual rights of the Holders of Allowed Other Priority Claims are unaltered by the Plan. On, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Other Priority Claim is an Allowed Other Priority Claim as of the Effective Date or (ii) the date on which such Other Priority Claim becomes an Allowed Claim, in full satisfaction, settlement, discharge and release of, such Allowed Other Priority Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders, each Holder of such Allowed Other Priority Claim shall receive: (x) Cash equal to the amount of such Allowed Other Priority Claim; or (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Other Priority Claim shall have agreed upon in writing.

D. Reinstated Noteholder Claims

Section 1124 of the Bankruptcy Code permits Reinstatement of a Claim if the Plan (a) leaves unaltered the legal, equitable, and contractual rights to which a Claim entitles the Holder of such Claim or Equity Interest so as to leave such Claim or Equity Interest not Impaired or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of a Claim or Equity Interest to demand or receive accelerated payment of such Claim or Equity Interest after the occurrence of a default: (i) cures any such default that occurred before or after the Petition Date, other than a default of a kind specified in

section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured; (ii) reinstates the maturity (to the extent such maturity has not otherwise accrued by the passage of time) of such Claim or Equity Interest as such maturity existed before such default; (iii) compensates the Holder of such Claim or Equity Interest for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim or Equity Interest arises from a failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A), compensates the Holder of such Claim or Equity Interest (other than the Debtor or an insider) for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) does not otherwise alter the legal, equitable or contractual rights to which such Claim or Equity Interest entitles the Holder.

On the Effective Date the 8.125% Notes and the 7.500% Notes shall be Reinstated pursuant to section 1124 of the Bankruptcy Code. On or as soon as reasonably practical after the Initial Distribution Date, the Disbursing Agent shall pay in full, in Cash, all outstanding amounts required to be paid in accordance with section 1124 of the Bankruptcy Code, including payment of overdue interest (at the applicable contractual and default rates) and the reasonable fees and expenses of the 7.500% Notes Trustee and the 8.125% Notes Trustee.

Additionally, under section 365(b)(2) of the Bankruptcy Code, OSG's bankruptcy filing cannot prevent reinstatement of the notes. The consummation of the Plan will not create any incurable defaults upon OSG's emergence from Chapter 11, nor will it trigger any note repurchase obligations under any applicable notes indenture, as (i) no "person" or "group" as defined by Rules 13d or 14d-2 under the Exchange Act will acquire more than 50% of the total voting power of OSG's Voting Stock under the Plan and (ii) OSG's current board of directors will approve of any new directors to be appointed in accordance with the Plan. No incurable event of default took place before the filing of the petition. Therefore, all the requirements for reinstatement under section 1124(2) of the Bankruptcy Code will have been met, and all Claims arising from the 8.125% Notes and the 7.500% Notes are Unimpaired. Under section 1126(f) of the Bankruptcy Code, each Holder of a Claim or interest in a Class that is not impaired is conclusively presumed to Accept the Plan. The Holders of the 8.125% Notes Claims and the 7.500% Notes Claims are therefore conclusively presumed to Accept the Plan and are not entitled to vote.

E. Subordinated Claims

The Subordinated Claims consist of, *inter alia*, Claims filed on behalf of (i) class and individual plaintiffs for alleged damages arising from the purchase or sale of securities issued by OSG, (ii) underwriters of OSG securities asserting indemnification on account of the Claims filed by the class and individual plaintiffs, and (iii) current and former directors and officers asserting indemnification on account of the Claims filed by the class and individual plaintiffs. The Plan classifies the Subordinated Claims with Old Equity Interests in OSG because Section 510(b) of the Bankruptcy Code provides that all Claims for alleged damages and indemnification arising from the purchase of sale of common stock shall have the same priority as common stock.

F. Postpetition Interest

Because the Plan contemplates a distribution to the Holders of the Debtors' existing equity interests, the Plan provides for payment of postpetition interest. As part of the overall settlement of Claims embodied in the Plan, the Debtors have proposed payment of postpetition interest at the contractual rate of interest (including any default interest, to the extent applicable) set forth in the governing agreement(s) and/or securities for Allowed Claims in Classes D1, D2, and D3. In addition, postpetition interest shall accrue and be paid on the IRS Claims at the rate of interest specified in section 6621 of the Internal Revenue Code. Allowed Claims in Class D4 will also receive postpetition interest at

the contractual rate of interest, if any (including any default interest, to the extent applicable) set forth in the applicable rejected charter(s).

Allowed Claims in Class D5, as well as Allowed Claims in Class D4, for which the rejected charter does not provide for contractual interest, will receive postpetition interest on their Allowed Claims at a rate of 2.98% per annum (the "Presumed Postpetition Interest Rate"), or such other rate determined by the Bankruptcy Court. The Presumed Postpetition Interest Rate averts a time and labor intensive inquiry into the potential terms of hundreds of agreements or invoices which potentially specify alternative rates. Similarly, it avoids potentially protracted disputes over the asserted application of statutory rates under state or foreign law. To the extent that any Holders of Claims in Classes D5 or, where applicable, D4 wish to opt out of the Presumed Postpetition Interest Rate, they must file an objection (a "Postpetition Interest Rate Objection") by the Confirmation Objection Deadline, specifying the postpetition interest rate such Holder believes it is entitled to receive and providing the basis for such an interest rate. Any Holder of a Claim in Class D4 or D5 who does not file a Postpetition Interest Rate Objection shall be deemed to Accept the application of the Presumed Postpetition Interest Rate to such Holder's Allowed Claim.

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G. Other Classes of Claims and Interests

Class	***Class Description***	***Treatment***	***Voting Rights***
A1	Personal Injury Claims	Holders of Personal Injury Claims are Unimpaired.	Unimpaired and deemed to Accept.
A2	Admiralty Lien Claims	Holders of Admiralty Lien Claims are Unimpaired.	Unimpaired and deemed to Accept.
B1	Secured Vessel DIP Claims	Holders of Secured Vessel DIP Claims are Unimpaired.	Unimpaired and deemed to Accept.
B2	Secured Vessel Claims	Holders of Secured Vessel Claims are Unimpaired.	Unimpaired and deemed to Accept.
C1	Other Secured Claims	Holders of Other Secured Claims are Unimpaired.	Unimpaired and deemed to Accept.
D1	Credit Agreement Claims	each Holder of an Allowed Class D1 Claim shall receive, in full satisfaction, settlement, discharge and release of, its Allowed Class D1 Claim, (i) its Pro Rata share of all of the Reorganized OSG Equity issued pursuant to the Plan that is not otherwise distributed to Holders of Old Equity Interests and Subordinated Claims under the Plan, subject to dilution on account of the Management and Director Incentive Program, the Rights Offering, and the Commitment Premium Shares and Warrants, and (ii) the right to participate in the Rights Offering. The Reorganized OSG Equity to be distributed to each (x) Domestic Holder of an Allowed Class D1 Claim shall be in the form of Reorganized OSG Stock and (y) Foreign Holder of an Allowed Class D1 Claim shall be in the form of a combination of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants, as necessary for Reorganized OSG to comply with the Jones Act.	Impaired and entitled to vote.

D2	Satisfied Noteholder Claims	Holders of Satisfied Noteholder Claims are Unimpaired.	Unimpaired and deemed to Accept.
D3	Reinstated Noteholder Claims	Holders of Reinstated Noteholder Claims are Unimpaired.	Unimpaired and deemed to Accept.
D4	Charter Rejection Claims	Holders of Charter Rejection Claims are Unimpaired.	Unimpaired and deemed to Accept.
D5	Other Unsecured Claims	Holders of Other Unsecured Claims are Unimpaired.	Unimpaired and deemed to Accept.
E1	Subordinated Claims and Old Equity Interests in OSG	Each Holder of an Allowed Class E1 Claim or Allowed Class E1 Old Equity Interest shall receive, in full satisfaction, settlement, discharge and release of, its Allowed Class E1 Claim or Allowed Class E1 Old Equity Interest, as the case may be, its *Pro Rata* share of Reorganized OSG Equity equal to $61.4 million, subject to dilution on account of the Management and Director Incentive Program, the Rights Offering, and the Commitment Premium Shares and Warrants. The Reorganized OSG Equity to be distributed to each (x) Domestic Holder of an Allowed Class E1 Claim shall be in the form of Reorganized OSG Stock and (y) Foreign Holder of an Allowed Class E1 Claim shall be in the form of a combination of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants, as necessary for Reorganized OSG to comply with the Jones Act.	Impaired and entitled to vote.

III.
BUSINESS DESCRIPTION AND REASONS FOR CHAPTER 11 FILING

A. Description of the Debtors' Business

OSG is one of the largest publicly traded tanker organizations worldwide, based on the number of vessels, and is the only major industry player with both a significant U.S. Flag and International Flag fleet. The OSG Companies own or operate 78 vessels (excluding vessels chartered-in where the duration was one year or less from inception), enabling the transport of oil and petroleum products throughout the world.

B. Corporate History and Structure

OSG was formed in 1969 by the merger of the vessel holdings of five private companies. In 1970, OSG launched its initial public offering, becoming the only publicly traded pure ocean shipping company in the United States.

Over the next forty years, OSG achieved market leadership in its key operating segments, through the strength of its commercial and technical platforms. In the 1970s, OSG's early success was driven by shipping crude oil from the Southern terminus of the Alaska pipeline in Valdez, Alaska, to the U.S. West Coast and St. Croix. More recently, OSG has made significant investments to grow its U.S. Flag business and is now a leader in that segment. The past decade has also seen OSG enter new business lines through strategic joint ventures, including the floating storage and offloading ("FSO") service vessel market and the liquefied natural gas ("LNG") transport business.

As of the Petition Date, the OSG Companies comprised over 250 affiliated companies around the world. Parent is incorporated in Delaware, and its main asset is the equity it holds in its subsidiaries. Those subsidiaries include OSG International, Inc. ("OIN"), the intermediate holding company for most of OSG's International Flag operations, and OSG Bulk Ships, Inc. ("OBS"), whose subsidiaries operate the group's U.S.-flagged, Jones Act-qualified vessels between ports in the United States.

Historically, the OSG organization has consisted of its U.S. Flag business—where its vessels are registered in the United States—and its International Flag business—where its vessels are registered abroad. The U.S. Flag business operates primarily between U.S. ports, using U.S-built and -owned vessels operated by U.S. crews or under the U.S. Maritime Security Program ("MSP"). The U.S. Flag business is owned by Parent's 100% owned subsidiary OBS. In addition, OSG indirectly owns a minority interest (37.5%) in the Alaska Tanker Company LLC joint venture, which manages vessels carrying Alaskan crude oil from Alaska to the U.S. West Coast. The International Flag business operates between ports worldwide using International Flag vessels and crew. The International Flag business is owned by Parent's wholly-owned subsidiary OIN. The Debtors' interests in the FSO and LNG joint ventures are held under OIN and are part of the International Flag business.

C. Vessel Management and Outsourcing

Historically, the OSG Companies performed the commercial and technical management of both their International Flag and U.S. Flag vessels. Commercial management involves arranging for the employment of vessels through either period or time charters (which typically range from one year to five years), or spot charters (which apply to a single voyage) or contracts of affreightment ("COAs"). Technical management involves the control of all facets of the vessels' operations, including ensuring that the cargo gets from one port to another safely and without incident on a high-quality double hull vessel. This entails arranging for properly trained and certificated crew members, and ensuring that the crew loads the cargo without incident or contamination and discharges the cargo in the same manner. The vessels must also be properly protected and provisioned, including ordering and supplying bunker fuel and lube oil, placing all insurances, and ensuring that all regulatory rules, regulations and inspections are followed and carried out as required. All crew and cargo claims must then be processed and paid on a timely basis. In the event of an incident, the company has government-approved oil spill response plans that ensure that the company has access to sufficient emergency and oil spill response equipment to respond to any incident or oil spill. The technical manager must also properly maintain the vessels, providing all necessary repairs and spare parts and preparing for and executing required regulatory repairs. This includes a required Intermediate Repair Period ("IRP") every 2.5 years, as well as a drydock period every 5 years.

Following a thorough internal analysis and outside consultation regarding the best way to improve the returns from their international operations, in the fall of 2013, the Debtors resolved to reformulate the business plans for their International Flag segment to outsource the technical management of that fleet (the "Outsourcing"). This decision was taken in light of both the decreasing size of the Debtors' fleet, largely as a result of charter rejections consummated through the bankruptcy process, and the potential savings in overhead and other expenses that could not otherwise be achieved while retaining the Debtor's current system. The Debtors also determined that outsourcing technical management of its international fleet to a third party specializing in such services would improve efficiency and position the Debtors for increased profitability by allowing the third party manager to focus solely on technical managerial functions while reducing the amount of costs and internal resources that the Debtors would otherwise be required to invest in such functions.

In selecting a manager for its international fleet, the Debtors engaged in an extensive search that spanned approximately two months. After narrowing the field of potential candidates through a thorough due diligence process, the Debtors requested and received formal written proposals, and conducted interviews, with three ship management companies. Following this process, V.Ships UK Limited ("V.Ships") was selected. The Debtors selected V.Ships on the basis of its competitive pricing, broad scope of services, strong reputation for high-quality ship management, track record of safe vessel operation and environmental compliance, cultural fit with OSG, and expected ability to effect a rapid and smooth transition.

In early 2014, the Debtors and certain of their non-Debtor affiliates executed a number of agreements with V.Ships, subject to court approval, for technical management of OSG's international fleet and related services. These included (i) 33 substantively identical individual ship management agreements assigning technical management responsibilities to V.Ships for each of the 33 vessels in the Debtors' international fleet, and (ii) one transition services agreement, encompassing the entire fleet, specifying the terms and conditions of the transition of technical management functions for the Debtors' international fleet to V.Ships (the "Transition"). On January 13, 2014, the Debtors filed their motion seeking approval of those agreements to which the Debtors were party with the Bankruptcy Court, and on February 3, 2014, the Court authorized entry into these technical management agreements. On February 27, 2014, the Debtors filed a motion seeking approval for entry into certain additional agreements with V.Ships and its affiliate, International Tanker Management ("ITM"), to provide for the technical management by V.Ships and/or ITM of fifteen additional vessels in the Debtors' international fleet that are subject to security interests held by Danmarks Skibskredit A/S ("DSF") or Export-Import Bank of China ("CEXIM"). That motion remains pending before the Bankruptcy Court as of the current date.

As a result of the Outsourcing, the Debtors expect to reduce operating costs, leverage economies of scale through cooperation with a large and dedicated ship management company, position themselves to maximize returns in the event of stronger markets, and simplify their business operations in order to focus on core activities. While this shift in technical management has resulted in certain downsizing of the Debtors' managerial and support operations, the resulting savings and improved allocation of resources have strengthened the Debtors' prospects for a successful emergence. Indeed, for the estimated one-time expense of approximately $34.1 million incurred through the Transition, the Debtors' annual general and administrative expenses for the International Fleet are estimated to be reduced by approximately an equal amount.

D. Business Segments

The OSG Companies have three main business segments: (1) crude oil tankers; (2) product carriers; and (3) U.S. Flag. In addition, OSG holds interests in several joint ventures, the most important of which are its FSO, LNG, and Alaska Tanker Company ("ATC") holdings.

OSG upholds high standards of safety, quality, and environmental compliance; its crews on board each vessel and shore side personnel ensure that the Company's fleet meets or exceeds regulatory standards established by the International Maritime Organization ("IMO"), the United Nations agency responsible for the safety and security of shipping and the prevention of marine pollution by ships, and the U.S. Coast Guard. OSG also strives to assure that OSG ships are accepted at all times by all clients and in every terminal anywhere in the world. OSG does this through an in-depth process of "vetting" its ships – a risk assessment by its customers that ensures a vessel's quality and suitability for a voyage.

OSG meets its customers' needs in the ordinary course of business through the use of "charters." Charters are contracts entered into for the use of a vessel, either for a specific period of time (typically ranging from one to five years and charged per day or per month), or for a specific voyage (charged per ton of cargo) or through a COA. The Debtors routinely both "charter-in" vessels from other owners for use serving direct customers in their operations, and "charter-out" vessels that are owned by the OSG Companies to other entities for either specific voyages, COAs or time periods.

As described in more detail below, the Debtors also participate in commercial shipping "pools." These pools are formed by independent ship owners who agree to use similarly sized vessels to provide greater efficiency to customers with like quality services on demand in particular geographic or product markets. Typically, one ship owner provides overall commercial management of the pool, and enters into charters and other agreements on behalf of the pool participants. These pool arrangements combine similar vessels into a unified fleet in order to operate a larger number of vessels as an integrated transportation system. This enhances total utilization and provides economies of scale. As a result of the decision to outsource technical management, over time, responsibility for the commercial management of the Debtors' International Flag fleet is expected to shift to third-party pooling arrangements.

1. *Crude Oil*

i Transport

OSG's International Flag fleet contains most major crude oil vessel classes—ULCC, VLCC, Aframax and Panamax vessels.

(a) ULCC

The Debtors own one Ultra Large Crude Carrier ("ULCC") vessel of approximately 441,500 deadweight tons. This vessel is one of the two largest conventional tankers trading today. ULCC ships can transport up to 3.2 million barrels of crude oil. ULCC vessels are generally used on the world's longest routes, including voyages from the Arabian Gulf to North America, Europe, and Asia and are ideal for storage. The Debtors' ULCC vessel is ideal for storage and is presently in lay up.

(b) VLCC

Very Large Crude Carriers ("VLCCs") are large crude oil tankers of approximately 250,000 to 330,000 deadweight tons. Modern VLCCs can generally transport two million barrels or more of crude oil. Like ULCC vessels, VLCCs are generally used in the longest routes around the world. VLCCs are preferred for long haul trades from the Arabian Gulf to China, Europe or the U.S. Gulf. After discharge in the West, a VLCC will look to load in the Caribbean, Brazil or West Africa to discharge in the Far East, thereby minimizing "ballast" miles – those miles when the tanker is empty. As of the Petition Date, the Debtors owned ten (10) VLCCs which were all participating in the TI Pool. Currently, two (2) of the ten (10) are on commercial management agreements with a separate Charterer. The Tankers International (TI) Pool is described in detail below.

(c) Suezmax

Suezmaxes are large crude oil tankers of approximately 120,000 to 200,000 deadweight tons. The term "Suezmax" denotes the largest ships that are capable of passing through the Suez Canal when fully laden. The Debtors do not own any Suezmax assets, as the Debtors determined in 2013 to cease participation in Suezmax trades and the last remaining Suezmax in the Debtors' fleet was redelivered to the owners on February 12, 2014.

(d) Aframax

Aframaxes are medium size crude oil tankers of approximately 80,000 to 120,000 deadweight tons. Because of their size, Aframaxes are able to operate on many different routes, including from Latin America and the North Sea to the United States. Modern Aframaxes can generally transport from 500,000 to 800,000 barrels of crude oil. The Debtors own a total of ten (10) Aframaxes, including two (2) newbuilds, one of which was delivered on July 16, 2013, that are equipped with efficient electronic engines, alpha lubricators and ballast water management systems. The remaining newbuild vessel is coated and will either enter the Aframax International Pool, trading alongside the additional six (6) chartered-in Aframax vessels or be employed in the clean trade if the clean market is stronger. Two of the Debtors' owned Aframax vessels are dedicated to the lightering trade in the U.S. Gulf of Mexico and can each carry 95,000 deadweight tons. The lightering trade also employs two (2) Aframaxes on third party in-charters.

(e) Panamax

Panamax vessels are approximately 50,000 to 80,000 deadweight tons. The term "Panamax" denotes the largest ships that are capable of passing through the Panama Canal when fully laden. Modern Panamax vessels can generally transport about 500,000 barrels of crude oil. The Debtors' Panamax fleet consists of nine (9) owned vessels, eight (8) of which are part of the Panamax International Pool, four (4) entered directly by the Company and four (4) entered by their time charterer. The remaining vessel is on a bareboat charter out through at least May of 2015. The Panamax International Pool is described below. The Debtors also own four (4) coated Panamax product carriers known as long-range vessels ("LR1").

ii Lightering

The Debtors' International Flag crude fleet also includes a lightering business. Lightering is the process of off-loading crude oil or petroleum products from large size tankers into smaller tankers or barges for discharge in ports from which the larger tankers are restricted due to the depth of the water, narrow entrances or small berths. The Debtors' lightering service operates in the Atlantic, U.S. Gulf, and Pacific West Coast as well as in Panama. The lightering service is managed from Houston, Texas.

The Debtors provide two types of lightering services: full service lightering, and ship-to-ship lightering services. In full service lightering, the Debtors provide not only the receiving vessel, but also support services such as mooring masters, work boats, fenders, hoses and other equipment. The Debtors perform these lighterings utilizing the Aframaxes noted above and vessels chartered in under short-term charters. In ship-to-ship lightering, the Debtors provide these same support services but no receiving vessel. We continue to expand the ship-to-ship portion of our lightering business. The full service business has declined due to reduced international crude imports. The company's intention is to eliminate the full service component of the business by Q4-2014.

The Debtors' lightering business has expanded its strong relationships by developing an offshore "bunker" (e.g., fuel oil) supply partnership with BP Products North America, Inc. ("BP"). Since October

2009, BP and OSG Lightering LLC ("OSGL"), a subsidiary of OIN, have been engaged in a profit and loss sharing arrangement for the sale of marine fuel using ship to ship transfer in the Gulf of Mexico. Pursuant to the arrangement, BP provided two delivery vessels for such transfers and OSGL provided certain operational services to support the vessels. BP provided OSGL with a monthly reconciliation accounting for revenues and certain costs of the services, and any profit or loss was shared evenly between the parties. After generating profit for both parties in 2012, the arrangement was no longer profitable in 2013. After negotiations, OSGL and BP have agreed to terminate the profit sharing arrangement and entered into a profitable new fixed fee arrangement, effective as of July 1, 2013. That settlement was approved by the Court on September 26, 2013.

2. *Product Carriers*

The Debtors are also active in the transport of refined petroleum products, the majority of which are referred to as "clean" products. A product is referred to as "clean" when its color is no darker than 2.5 on the ASTM D-155 color scale or "extra lemon pale." The Debtors hold a leading position in this market segment. These refined cargoes are transported from refineries to consumer markets, and the business involves both short-haul and long-haul routes. Unlike the crude market, the product cargoes are diverse, and include gasoline, diesel, jet fuel, home heating oil, vegetable oils and organic chemicals such as methanol, and ethanol. The vessels in this trade can also carry crude and fuel oil. As a result, vessel operations are more complex, and the crews manning the Debtors' refined products vessels often require specialized certifications. In addition, refineries are often in closer proximity to the cargo destination, resulting in more frequent port calls and therefore more loading, cleaning and discharging operations than crude oil tankers.

The Debtors' International Flag product fleet consists of twenty-three (23) international medium-range (MR) product carriers, one of which was newly delivered in January 2012. These vessels accommodate between 25,000–54,999 deadweight tons. Certain of the Debtors' MR vessels are operated in the Clean Products International pool, described below. As noted above, the Debtors also operate four (4) LR1s that handle cargo between 55,000–79,999 deadweight tons.

3. *U.S. Flag*

The Debtors are one of the largest commercial owners and operators of what are known in the industry as "Jones Act" vessels. The Jones Act, formally Section 27 of the Merchant Marine Act of 1920, requires that all goods transported by water between U.S. ports be carried in U.S. Flag ships, constructed in the United States, crewed by U.S. citizens and U.S. permanent residents, and owned by U.S. companies that are more than 75% controlled by U.S. citizens. This includes trade between ports on the U.S. mainland, Alaska, Hawaii, Puerto Rico and Guam. As a result, the U.S. Flag market is highly concentrated and has high barriers to entry. OSG is the only major global tanker organization with a significant U.S. Flag fleet.

The Debtors have the largest and most modern Jones Act tanker fleet, and the largest fleet of large capacity articulated tug barges. The Debtors also have an exclusive permit for lightering in the Delaware Bay and are the operators of the only two (2) U.S. Flag shuttle tankers in the Gulf of Mexico.

The U.S. Flag business is operated with a fleet of modern, double hull vessels predominantly on medium-term contracts. These vessels include ten (10) Jones Act tankers of about 46,500 deadweight tons, or 53,800 cubic meters. The Debtors also operate eight (8) Jones Act articulated tug barges ("ATBs"), a tug-barge combination system capable of operation on the high seas, coastwise and further inland. These vessels combine a normal barge with a bow resembling that of a ship, but have a deep notch at the stern to accommodate the bow of a tug. The resulting combination behaves almost like a

single vessel. In addition, the Debtors operate two (2) Jones Act lightering ATBs in Delaware Bay. Finally, the Debtors operate two (2) Jones Act shuttle tankers, which "shuttle" oil from offshore oil fields in the Gulf of Mexico to the U.S. Gulf Coast. All vessels' operations are managed by shoreside staff in Tampa, Florida and Newark, Delaware.

4. *MSP*

Two vessels – the Overseas Mykonos and the Overseas Santorini – participate in the MSP. MarAd approved these replacement vessels, which are not Jones Act qualified. On April 24, 2013, the Bankruptcy Court approved the amendment and assumption of the Debtors' MSP operating agreements, extending the participation of the Overseas Mykonos and the Overseas Santorini for ten years after the expiration of the contracts at escalating rates. Under the MSP, the Debtors have agreed to make the participating vessels available upon request to the Department of Defense in the event of a national emergency, in exchange for annual payments that offset partially higher operating costs. All technical and operational management of the Debtors' MSP vessels is conducted from their Tampa, Florida facilities, while commercial chartering is handled in New York.

5. *Joint Ventures*

The Debtors are also partners in a number of joint ventures with third parties that are significant contributors to OSG's businesses (the "Joint Ventures"). The Joint Ventures offer the Debtors the opportunity to participate in the burgeoning offshore and LNG trades as well as the Alaska trade by combining its capabilities and financial resources with other like-minded partners.

i LNG

The LNG Joint Venture, in which OSG holds a 49.9% stake, is the result of a November 7, 2004 agreement between OIN and Qatar Gas Transport Company Limited (Nakilat) ("QGTC"), pursuant to which OSG made an initial $91 million equity investment. The LNG Joint Venture was formed for the purpose of financing the construction of four LNG carriers, which were delivered in 2007 and 2008. At delivery, these vessels were the largest LNG carriers in the world. The vessels commenced 25-year time charters to Qatar Liquified Gas Company Limited (II) ("Qatar Gas"), with two five-year extension options. Under these charters, LNG was originally transported from Ras Laffan, Qatar, to Milford Haven, England. Since that time, discharge ports have now grown, and the LNG vessels make deliveries worldwide. This arrangement provides for delivering up to 3.5 million tons of LNG to the U.K. market every year. Historically, technical management for all four LNG vessels has been performed by the OSG Companies. In connection with the Outsourcing, OSG is working toward transfer of management of these vessels.

The LNG Joint Venture financed the construction of its LNG carriers through long-term bank financing, consisting of a senior and junior facility, each with a variable interest rate. This financing is non-recourse to OIN and the other Debtors. As of December 31, 2013, the amount outstanding on the debt facilities was $ 751 million. The tranches composing the debt balance are scheduled to amortize down to balloons aggregating $340 million by their maturity in the fourth quarter of 2022 and the first quarter of 2023. The joint venture has hedged much of its floating rate interest exposure by entering into interest rate swaps. As of December 31, 2013, the aggregate notional value of these swaps is $728 million. The notional value of the swaps will amortize to almost $0 by the maturity of the bank facilities. On a mark-to-market basis, the swaps have a total value of negative $109 million. Under the terms of the bank debt facilities, the banks have the right to accelerate the maturity of the loans if OSG's stake in the LNG Joint Venture falls below 20%. The acceleration of the bank debt facilities would result in a termination of the swaps, resulting in a significant liability on the swaps which is secured by the LNG carriers.

Under the terms of the joint venture agreement, QGTC has control over any sale process of OSG's Joint Venture interests. For example, OSG must seek QGTC's approval to shop their interest in the LNG Joint Venture to third party buyers, and QGTC retains a right of first refusal which allows it to match any offer made to OSG by a third party. QGTC also retains the right to reject any potential third party buyers. In addition, Qatar Gas has the option to purchase each of the LNG carriers at a previously agreed price, which declines with time. This purchase option effectively caps the proceeds of any potential sale of OSG's interests in the LNG Joint Venture. The current aggregate option price is approximately $931 million. Following confirmation, the Company intends to replace any prepetition guarantees related to the LNG Joint Venture.

ii FSO Joint Ventures

There are two FSO Joint Ventures, in which OSG holds a 50% interest together with Euronav NV ("Euronav"), a Belgian operator of VLCC and Suezmax tankers. Africa Tanker Corporation, a debtor and direct subsidiary of OIN, owns 50% of the shares in the FSO Joint Ventures. The FSO Joint Ventures were formed to convert two ULCC vessels to highly specialized FSO vessels, both of which—the FSO Africa and the FSO Asia—commenced service in 2010 under long-term contracts with Maersk Oil Qatar AS ("MOQ") under service agreements that currently mature in 2017, with certain extension options on the FSO Africa. The modifications made are field specific, which may limit the attractiveness of these units to operators of other fields. Historically, non-Debtor OSG Ship Management (UK) Ltd. has provided technical management services for one of the vessels, the FSO Africa, while the other vessel, the FSO Asia, has been managed by a Euronav entity. Effective March 1, 2014, the Euronav entity will manage both vessels.

The FSO Joint Ventures financed the purchase and retrofitting of the vessels from Euronav and from OSG through shareholder advances and a $500 million credit facility at a variable rate of interest, which credit facility was secured by the vessels and their service contracts and partially guaranteed by both OSG and Euronav on a several basis. As of December 31, 2013, the amount outstanding on the credit facility was $196 million. The FSO Joint Ventures have hedged much of their floating rate exposure through interest rate swaps. On a mark-to-market basis, the swaps have a total value of negative $22 million. In addition, MOQ has been issued bank guarantees in the aggregate amount of $31.5 million, pursuant to a guarantee facility provided by Nordea. Both OSG and Euronav together guarantee the guarantee facility in favor of Nordea.

On August 29, 2013, the external financing provided to the FSO Joint Ventures was, among other things, amended to extend the maturity date of the outstanding tranche of the loan associated with FSO Africa (the "Africa Tranche") by two years and in return to increase the margin on the Africa Tranche by 0.5%. In addition, the FSO Joint Ventures gained the flexibility to use cash in the debt service reserve account associated with FSO Africa to prepay the Africa Tranche during the final six months of that tranche of the facility. The amendment documentation explicitly provides that the status and priority of the pre-petition guarantee granted by Parent to the finance parties is unaffected. Following confirmation, the Company intends to replace any prepetition guarantees related to the FSO Joint Ventures.

MOQ has a purchase option on the FSO Asia vessel and consent rights over any new operation of this FSO vessel. The exercise price of the purchase price declines with time and is currently approximately $335 million. Because MOQ could exercise its purchase price at any time and resell to a third party, MOQ's exercise price acts as a cap to any potential sale value of this FSO vessel. There is no similar purchase option on the FSO Africa vessel.

iii Alaska Tanker Company ("ATC") Joint Venture

OSG has a 37.5% interest in Alaska Tanker Company LLC, which manages vessels carrying Alaskan crude oil from Alaska to the U.S. West Coast for BP Oil Shipping Company, USA ("BP Oil Shipping"). The ATC Joint Venture was formed in 1998 by OSG, BP Oil Shipping and Keystone Alaska LLC to support the transport of BP Oil Shipping's Alaskan North Slope crude oil. On February 25, 2013, Debtor OSG America Operating Company LLC ("OSG America") commenced an adversary proceeding against BP Oil Shipping USA, Inc. ("BP") (Adv. Pro. No. 13-50854 (PJW)). BP purported to notify OSG America that, due to its Chapter 11 filing, OSG America had been divested of its membership interest in Alaska Tanker and that BP was commencing the liquidation and winding up of Alaska Tanker. In the adversary proceeding, OSG America alleged that BP had violated the automatic stay, that the provisions relied upon by BP were impermissible *ipso facto* provisions, and that BP had breached its duties of loyalty, good faith, and fair dealing by terminating OSG America's valuable membership interest in Alaska Tanker. Following extensive negotiations with BP, the Debtors reached a successful settlement of these disputes through an agreed order that preserves OSG America's membership interests during the Chapter 11 Cases and reserves its rights on sale or transfer. That settlement was approved by the Bankruptcy Court on April 10, 2013. Pursuant to the Plan, Debtors anticipate assuming the ATC joint venture agreement and vesting interests in ATC in Reorganized OSG America.

6. *Commercial Pooling Agreements*

As noted above, certain Debtors are participants in commercial pools with other ship owners in order to provide OSG's customers with greater flexibility, economies of scale and service levels, while increasing vessel utilization. As referenced above, commercial pools are formed by independent vessel owners who agree to combine similar sized vessels into a unified fleet. Each pool has a manager who negotiates charters with customers on behalf of pool members, mainly in the spot market. The pool manager is responsible for collecting revenues and paying expenses for the voyages chartered through the pools, and makes distributions to, or requests for working capital from, the pool participants as needed. All pool revenues and expenses are aggregated and net pool revenue is distributed to pool participants based on a pool key determined by the capacity, speed and fuel consumption of the pool participants' pool vessels and other factors. Accordingly, provided that a vessel is vetted (e.g., fully acceptable to be chartered), a participant receives net pool revenue even if such participants' vessels are not employed. The Debtors participate in the following pools:

i Aframax International

Seven (7) Debtor owned and six (6) chartered in Aframax vessels participate in the Aframax International Pool (the "AI Pool"), a contractual arrangement for a commercial pool of crude oil vessels formed in 1996. OIN acts as pool manager for the AI Pool and is a party to a pooling agreement (the "Aframax Pooling Agreement") with the other pool participants. The Aframax Pooling Agreement provides that OIN manages the pool as agent for the other pool members. OIN also manages a bank account as agent for the pool participants. Under the terms of the Aframax Pooling Agreement, all AI Pool revenue is directed into this account and held by OIN as trustee to apply in accordance with the terms of the agreement. OIN keeps separate accounts for the AI Pool's revenues and working capital, which are held in trust for the AI Pool members. Working capital funds the initial voyage expenses, such as bunkers and port charges. Once a vessel's net revenue exceeds voyage expenses and an appropriate portion of accounts receivable, remaining earnings are distributed. The AI Pool focuses on short and medium-haul routes in the Atlantic Basin, the North Sea, and the Mediterranean, on both spot and short-term time charter markets. The Debtors are winding down the AI Pool and placing its Aframax vessels in a third party managed pool.

ii Panamax International

Twelve (12) Debtor Panamax vessels participate in the Panamax International Shipping Company Limited ("Poolco"), the corporate form for the Panamax International Pool (the "PI Pool"), which is managed by Panamax International Limited (the "Panamax Manager"). The Panamax Manager is co-owned by Overseas Shipping (GR) Ltd. and an independent company, Sonap International, Inc. Poolco is equally owned by Debtor OIN, Sonap, and Flopec, an Ecuadorian government entity. It includes both crude oil and coated refined product vessels, which are able to trade in both the Atlantic and Pacific Basins. These ships load crude and fuel oil and focus on the East and West coasts of the Americas.

iii Tankers International

Eight (8) Debtor VLCC vessels participate in the Tankers International (the "TI Pool"), one of the largest VLCC pools in the world. The TI Pool, which was formed by OSG and other leading tanker companies in 1999, is a global pool that is focused on long-haul crude oil voyages. The TI Pool is managed by Tankers International LLC (the "TI Manager"), in which OSG owns a significant stake. Tankers International LLC has responsibility for commercial management of the pool. Its subsidiary, Tankers (UK) Agencies Ltd, arranges transportation contracts. Debtors' vessels' voyage results have been ring fenced during Chapter 11, but continue to have similar time charter equivalent ("TCE") revenues to all other TI vessels.

iv Clean Products International

Five (5) Debtor owned plus four (4) chartered in medium range product carriers participate in the Clean Products International Pool (the "Clean Products Pool"). The Clean Products International Pool was formed in 2006. Debtor OSG Clean Products International, Inc. ("OSG Clean Products") and Ultragas International S.A. ("Ultragas International") together own Clean Products International Limited, the corporate form for the Clean Products Pool. These members also manage the Clean Products Pool, with OSG Clean Products as the charter manager and Ultragas International as the operations manager. As the charter manager of the Clean Products Pool, OSG Clean Products is responsible for entering into transportation contracts on behalf of pool vessels, marketing the pool's services, and promoting the interests of the pool. Clean Products International operates primarily in the Americas and Atlantic Basin. Debtors are evaluating continuing as participants in CPI with Ultragas under a new independent pool agreement, as well as additional market alternatives.

v Suezmax International

The Suezmax International Pool (the "SI Pool") is a commercial pool that was managed by Debtor Suezmax International Agencies, Inc. (the "Suezmax Manager") that was focused on the transportation of crude oil on the spot market in the Atlantic Basin. The Debtors redelivered the last Suezmax vessel to its owners on February 12, 2014.

E. Summary of Prepetition Indebtedness

The Debtors' capital structure includes an unsecured revolving credit facility, three series of unsecured notes, and two separate secured subsidiary-level credit facilities, as well as financing for the Debtors' LNG and FSO Joint Ventures that was guaranteed by Parent pursuant to prepetition guarantees.

1. *Revolving Credit Facility*

Parent, OIN and OBS are parties to that certain $1.5 billion credit agreement, dated as of February 9, 2006 (as amended, modified, or otherwise supplemented, the "2006 Credit Agreement"), by and among (a) OSG, OBS, and OIN, as joint and several borrowers, (b) U.S. Bank National Association in its capacity as successor and administrative agent (the "Credit Agreement Agent"), and (c) the Credit Agreement Lenders party thereto from time to time. The 2006 Credit Agreement has a commitment of $1,500,000,000, of which there was a total of $1,490,261,803 of borrowings and accrued interest (including commitment fees) outstanding as of the Petition Date. The 2006 Credit Agreement matured on February 8, 2013. On November 9, 2012, Parent, OIN and OBS received a letter from DNB Bank A.S.A. (formerly known as DNB Bank NOR A.S.A., "DNB") as agent under the 2006 Credit Agreement, stating that as a result of certain statements contained in the Form 8-K filed by Parent with the Securities and Exchange Commission on October 22, 2012 (the "October 22, 2012 8-K"), DNB was reserving the rights of the Lenders under the 2006 Credit Agreement to assert that one or more events of default occurred under the 2006 Credit Agreement.

On May 26, 2011, Parent, OIN, OBS, DNB Bank ASA, New York Branch as administrative agent and certain of the lenders (the "2011 Credit Agreement Lenders") entered into a Credit Agreement providing for a $900,000,000 unsecured forward start revolving facility (the "2011 Credit Agreement"). By its own terms, subject to satisfaction of certain conditions, OSG, OIN and OBS were not permitted to begin borrowing under the 2011 Credit Agreement until on or about February 8, 2013, the day on which the 2006 Credit Agreement expired. The 2011 Credit Agreement was scheduled to mature on December 31, 2016. Financial covenants under the 2011 Credit Agreement first became applicable on December 31, 2012. On November 9, 2012, Parent, OIN and OBS received a letter from DNB as agent under the 2011 Credit Agreement stating that as the result of certain statements in the October 22, 2012 8-K, DNB was reserving the rights of the 2011 Credit Agreement Lenders to assert that one or more events of default occurred under the 2011 Credit Agreement. Because certain of the conditions precedent under the 2011 Credit Agreement (including repayment in full of all obligations under the 2006 Credit Agreement) did not occur prior to the scheduled borrowing date thereunder, the 2011 Credit Agreement expired by its own terms. The Credit Agreement Claims shall receive postpetition interest calculated from the Petition Date at the rate of 2.98% per annum.

2. *Unsecured Notes and Debentures*

Parent issued three separate series of unsecured notes or debentures, under which there is more than $500 million in principal outstanding. The maturities on these securities stretch from 2013 to 2024:

i 8.75% Notes Due 2013

Parent is the issuer of 8.75% unsecured debentures due 2013 (the "8.75% Notes") pursuant to an indenture dated December 1, 1993 between Parent and The Bank of New York as successor trustee to JPMorgan Chase Bank. The 2013 Debentures consist of $63,603,000 in face amount debentures with an outstanding balance, including accrued interest, of $66,122,827 as of the Petition Date. The 8.75% Notes matured on December 1, 2013, and an interest payment of approximately $2.8 million came due in respect thereof on December 1, 2012. The 8.75% Notes do not provide for the payment of default interest.

ii 8.125% Senior Notes Due 2018

Parent is also the issuer of 8.125% unsecured senior notes due 2018 (the "8.125% Notes") pursuant to an indenture dated March 29, 2010 between Parent and The Bank of New York Mellon Trust Company, N.A. as Trustee. The 2018 Notes consist of $300,000,000 in face amount notes with an

outstanding balance, including accrued interest, of $302,979,167 as of the Petition Date. The 8.125% Notes mature on March 30, 2018. The 8.125% Notes provide for the payment of default interest at the rate of 9.125% per annum.

iii 7.500% Notes Due 2024

Parent is also the issuer of 7.500% unsecured notes due 2024 (the "7.500% Notes") pursuant to an indenture dated March 7, 2003 between OSG and Wilmington Trust Company as trustee as supplemented by a supplemental indenture dated February 19, 2004. The 2024 Notes consist of $146,000,000 in face amount notes with an outstanding balance, including accrued interest, of $148,707,083 as of the Petition Date. The 7.500% Notes mature on February 15, 2024. The 7.500% Notes do not provide for the payment of default interest.

3. *Secured Credit Facilities*

As of the Petition Date, certain of the Debtors were also parties to two separate secured credit facilities each of which are secured by separate groups of vessels operating in Debtors' International Flag fleet:

i DSF Secured Facility

In August 2008, certain Debtor subsidiaries of OIN, as borrowers (the "DSF Borrowers"[3]), entered into a Second Amended and Restated Loan Agreement (as amended, the "DSF Loan Agreement") with certain banks and financial institutions as lenders, DSF as agent, and Parent, OBS, and OIN as Guarantors. The DSF Loan Agreement provides for up to $366,244,988.22 of borrowings, of which approximately $267 million (in principal and interest) was outstanding as of the Petition Date. The maturity of the loans under the DSF Loan Agreement varies by tranche, ranging from 2014 to 2020. The proceeds of the DSF facility were used to purchase nine vessels that are currently in the Debtors' fleet.[4] The DSF Loan Agreement is secured by first priority mortgages on the DSF Vessels and earnings assignments from those vessels. The DSF Loan Agreement was amended in March 2012 to provide for, among other things, a reduction in the minimum required loan-to-value ratio from 110% to 100% through January 1, 2013. On October 31, 2012, DSF delivered a notice to OSG stating that the DSF Borrowers' collateral had fallen below the minimum required loan-to-value ratio. This correspondence demanded that the DSF Borrowers deliver approximately $18 million in additional collateral in order to comply with the loan-to-value provisions of the DSF Loan Agreement.

ii CEXIM Secured Facility

In August 2009, certain Debtor subsidiaries of OIN, as borrowers (the "CEXIM Borrowers"[5]), entered into a Loan Agreement (the "CEXIM Loan Agreement"), with CEXIM as Original Lender and

[3] The original DSF Borrowers were 1372 Tanker Corporation, Alcesmar Limited, Alcmar Limited, Andromar Limited, Antigmar Limited, Ariadmar Limited, Shirley Tanker Srl, Leyte Product Tanker Corporation and Samar Product Tanker Corporation. Rosalyn Tanker Corporation became an additional DSF Borrower pursuant to an amendment to that agreement dated as of May 7, 2010.

[4] Those vessels (the "DSF Vessels"), and their classes, are: Overseas Rosalyn (VLCC), Overseas Mulan (VLCC), Overseas Shirley (Aframax), Overseas Samar (LR1), Overseas Leyte (LR1), Overseas Ariadmar (MR), Overseas Antigmar (MR), Overseas Andromar (MR), Overseas Alcmar (MR), Overseas Alcesmar (MR).

[5] The CEXIM Borrowers are Delta Aframax Corporation, Epsilon Aframax Corporation, Front President Inc., Maple Tanker Corporation, and Oak Tanker Corporation.

Agent, and Parent as Guarantor. The CEXIM Loan Agreement provided for up to $388,962,688 in borrowings, of which approximately $315 million (in principal and interest) was outstanding as of Petition Date. The maturity of the loans under the CEXIM Loan Agreement ranges from 2021 to 2023. These borrowings were made in order to finance the construction of three VLCCs and the acquisition of two Aframax vessels in China, which were all delivered as of January 2012.[6] These borrowings are secured by interests in certain deposit accounts, first priority mortgages on the CEXIM Vessels, and shares in certain of the CEXIM Borrowers. The CEXIM Loan Agreement was amended in December 2011, reducing the total borrowing capacity of the facility by approximately $28 million and reducing the minimum required loan-to-value ratio from 125% to 105% through January 4, 2013.

F. Events Leading to the Commencement of the Chapter 11 Cases

Immediately prior to the Petition Date, OSG faced a liquidity shortfall due to the approaching maturity of certain debt obligations, at the same time that it announced it was investigating whether its financial statements needed to be restated due to certain tax-related concerns, which eliminated any access to the capital and credit markets. These tax-related issues were at the heart of the Debtors' decision to seek Chapter 11 protection.

In addition, in the several years prior to the Petition Date, there was a general decline in global demand for oil and petroleum products and, concurrently, a dramatic increase in global shipping capacity as new vessels entered the market. This led to a sharp decrease in international tanker utilization and downward pressure on industry charter rates. This downward movement has only recently started to reverse, with charter rates beginning to rebound and projections of further upward pressure on rates for the near to medium future. This confluence of factors led the Debtors to conclude that Chapter 11 represented the best opportunity to preserve and maximize value for their creditors, shareholders, employees and other stakeholders.

1. *The Global Recession and its Challenges for the Shipping Industry*

In the years preceding the commencement of these Chapter 11 Cases, the Debtors' business operated in a uniquely challenging economic environment. During this time period, the growth in the supply of international crude oil and product tankers significantly exceeded growth in demand, leading to a sharp fall in rates and utilization.

Growth in demand for international crude oil and petroleum product transportation services was depressed in the years prior to the Petition Date due to structural changes in global oil supply and consumption. First, the global recession, which began in 2008, depressed demand for crude oil and refined petroleum products. Global consumption of crude oil went from 87.1 million barrels of oil per day in 2007 to 85.5 million barrels of oil per day in 2009, reversing a trend of increasing oil consumption that lasted more than 25 years. While consumption rebounded somewhat in 2010 and 2011, the benefit was somewhat offset by reduced growth in demand for seaborne transportation, particularly in North America.

Additionally, a larger portion of global crude oil consumption was and is being supplied from increased domestic production or crude oil inventory stock rather than from foreign suppliers. From 2007 to 2011, consumption by members of the Organization for Economic Co-operation and Development

[6] Those vessels (the "CEXIM Vessels"), and their classes are: *Overseas Kilimanjaro* (VLCC), *Overseas McKinley* (VLCC), *Overseas Everest* (VLCC), *Overseas Yellowstone* (Aframax), and *Overseas Yosemite* (Aframax).

("OECD"),[7] which predominantly includes net importers of crude oil, decreased by 3.7 million barrels per day, or 7.4%, while OECD production for the same period increased. Thus, fewer international tankers were needed to transport crude oil from oil-producing countries to OECD countries.

Moreover, a growing percentage of oil produced by members of the Organization of the Petroleum Exporting Countries ("OPEC") was and is being used internally by the members of OPEC or to supply China and the Far East, while U.S. consumption of oil produced by members of OPEC has dropped. For example, oil consumed by the United States from members of OPEC decreased by 21% from 2008 to 2011, from 5.4 million barrels per day to 4.2 million barrels per day. Conversely, Chinese consumption of oil produced by members of OPEC increased from 2.6 million barrels per day in 2008 to 3.4 million barrels per day in 2011 (an increase of 31%). This shift led to a decrease in international tanker usage, as the voyage to the U.S. from the Middle East is one of the longest possible voyages for seaborne crude oil (approximately 44 days one-way from Saudi Arabia to Louisiana via the Cape of Good Hope), while the voyage to China from the Middle East is generally less than half that length (18 days). Overall, demand for international oil tankers decreased because growth of non-OECD demand was not sufficient to offset declining oil demand in OECD areas and increased production in non-OPEC areas.

Against this backdrop of decreased demand for international oil tankers, the global supply of oil and refined product tanker capacity increased steadily from 2002. Improved market conditions during the years 2000 to 2007 resulted in shipping companies ordering a substantial number of new vessels from 2006 to 2008. As new tankers are typically delivered eighteen to thirty-six months after they are ordered, a substantial number of new tankers entered the market between 2008 and 2011. The size of the global tanker fleet grew from 291 million deadweight tonnage ("DWT") in 2002 to 475 million DWT in 2011.[8] Further, the international order book for new vessels (for tankers greater than 10,000 DWT) that were on order as of the Petition Date represented 15 percent of the then-existing supply of new vessels.[9] Thus, deliveries of tankers ordered before the 2008 recession have extended capacity beyond what demand has absorbed.

The increased supply of international crude and product tankers currently in the market, together with decreased demand for international oil tanker services over the four years prior to the Petition Date, caused charter rates for international crude and product vessels to plummet, creating the worst crisis to hit the industry in decades.[10]

2. *Credit Agreement Maturity and Restatement of Financials*

OSG entered into discussions with the 2006 Credit Agreement Lenders in 2011 concerning the approaching maturity of its 2006 Credit Agreement, resulting in the 2011 Credit Agreement. In the midst of the Debtors' consideration of the various alternatives related to the extension or restructuring of its 2006 Credit Agreement, on October 22, 2012, OSG publicly announced that it was in the process of reviewing a tax issue arising from the fact that OSG is domiciled in the United States but has substantial international operations, in relation to the interpretation of certain provisions contained in OSG's loan

[7] The OECD is an international organization of 34 countries, including the United States, the United Kingdom, and many European countries, which was founded in 1961 to stimulate economic progress and world trade. Most OECD members are high-income economies and regarded as "developed" countries.

[8] RS Platou, "The Platou Report 2012" (2012) at 17-21.

[9] For very large crude carriers ("VLCCs") and Aframaxes the orderbooks for new vessels are approximately 13% and 11% of the current operational fleet, respectively.

[10] See Robert Wright and Simon Rabinovitch, *China Vows to Turn Tide on Flood of Ships*, Financial Times, Nov. 3, 2011.

agreements. As a result, OSG announced that investors should not rely on its financial statements for at least the last three years. OSG also disclosed that it was in the process of determining whether a restatement of those financial statements may be required and the nature and amount of any potential restatement.

On October 22, 2012, Standard & Poor's Ratings Services lowered its credit rating on OSG from "CCC+" to "CCC-." In addition, on October 22, 2012, Moody's lowered its credit rating on OSG from "Caa1" to "Ca." As a result of these downgrades and the disclosures made in the October 22, 2012 8-K, OSG effectively was foreclosed from accessing the commercial paper, capital and credit markets. The downgrade of OSG's credit rating also jeopardized the ongoing relationship between OSG and its creditors and complicated the process of obtaining additional liquidity.

After exploring all practicable alternatives, OSG concluded that, if it did not seek protection from creditors in an organized reorganization, it faced significant risk of individual creditor action to the detriment of the value and stability of its business. Further, OSG determined that serious questions existed as to OSG's ability to effectively recapitalize absent a fundamental financial and business restructuring, which would be best achieved within the framework of a comprehensive reorganization. As a result, OSG decided to seek creditor protection under Chapter 11 of the Bankruptcy Code.

IV.
THE CHAPTER 11 CASES

A. Significant Events During the Bankruptcy Cases

1. *Bankruptcy Filing*

As noted above, the Debtors filed for relief under Chapter 11 of the Bankruptcy Code on November 14, 2012. Since the Petition Date, the Debtors have continued to operate as debtors-in-possession subject to the supervision of the Bankruptcy Court in accordance with the Bankruptcy Code. An immediate effect of the filing of the Debtors' bankruptcy petitions was the imposition of the automatic stay under section 362(a) of the Bankruptcy Code which, with limited exceptions, enjoined the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtors and the continuation of litigation against the Debtors.

2. *First and Second Day Orders*

Upon the commencement of the Chapter 11 Cases, the Debtors filed numerous motions seeking the relief provided by certain first day orders (the "First Day Orders"). First Day Orders are intended to ensure a seamless transition between a debtor's prepetition and postpetition business operations by approving certain normal business conduct that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court.

On November 15, 2012, the Bankruptcy Court granted the Debtors' first day motions for various relief designed to stabilize the Debtors' business operations and business relationship with customers, vendors, employees, and others. The First Day Orders in the Chapter 11 Cases authorized the Debtors to, among other things:

- procedurally consolidate each of the Chapter 11 cases for ease of administration;
- continue to pay critical vendors and service providers;

- continue to use the Debtors' cash management system and to make and receive intercompany loans;

- pay certain prepetition employee wages, reimbursable expenses, and benefits;

- use of collateral (including cash collateral) under the CEXIM Loan Agreement to continue the operation of vessels owned by the CEXIM Borrowers, subject to provision of adequate protection;

- establish restrictions on trading in Parent's common stock to protect the value of net operating losses from prior years;

- pay for goods and services ordered pre-petition but delivered post-petition.

Certain of the First Day Orders were entered on an interim basis and later approved in the subsequent months.

Shortly following the commencement of the Chapter 11 Cases, the Debtors filed motions seeking additional relief ("Second Day Orders"). The Second Day Orders included equity and claims trading orders and an order authorizing the Debtors to use collateral under the DSF Loan Agreement to continue the operation of vessels owned by the DSF Borrowers, subject to payment of adequate protection. The Second Day Orders also authorized the Debtors to retain, as of the Petition Date, various professionals and advisors to assist the Debtors during the Chapter 11 proceedings, including:

- Cleary Gottlieb Steen & Hamilton LLP as counsel;

- Morris Nichols Arsht & Tunnel LLP as Delaware and general bankruptcy counsel;

- Chilmark Partners, LLC, as financial advisors;

- John J. Ray, III, as Chief Reorganization Officer; and

- Other professionals relied upon in the Debtors' ordinary course of business.

3. *Recognition of the Chapter 11 Proceedings*

Due to the global nature of the Debtors' business operations, the ability of creditors to arrest vessels in foreign ports, and the possibility that creditors and courts in foreign jurisdictions may not respect the automatic stay, the Debtors conducted an analysis of jurisdictions where it would be sensible to obtain recognition of these Chapter 11 Cases and enforcement of the automatic stay, where remedies were available under local law.

The Debtors first obtained recognition of the automatic stay and the bankruptcy proceedings in South Africa, which has safeguarded the Debtors' vessels in a jurisdiction known both for its importance to the international shipping industry and for its otherwise liberal requirements for claims seeking vessel arrest or attachment. Specifically, on December 7, 2012, the High Court of South Africa (KwaZulu-Natal High Court, Durban) entered an order applying the automatic stay with full force in the Republic of South Africa and its territorial waters. Local counsel in South Africa has informed the Debtors that such recognition is the first of its kind in South Africa and that the South African court's order established new legal precedent.

The Debtors also obtained an order dated January 29, 2013 from the High Court of Justice of England & Wales, Chancery Division, Companies Court, with respect to certain of the Debtors, recognizing their bankruptcy proceedings as foreign main proceedings and entering a stay as a matter of English law. The Debtors were motivated to seek recognition and a stay under English law because Debtor entities are party to three arbitrations and one litigation in England, and the Debtors' secured lenders requested that the Debtors obtain recognition in order to better protect their collateral. Since the English Court's order was entered, the Debtors have, through a revised order entered by the High Court, voluntarily lifted the stay in one of the arbitrations in which one of the Debtor entities is the claimant, which could potentially yield a recovery for that Debtor.

4. *Appointment of Creditors' Committee*

On November 29, 2012, The United States Trustee appointed an official committee of unsecured creditors (the "Committee"). The Committee initially consisted of (1) DNB Bank ASA, New York Branch, (2) Bank of New York Mellon, (3) John Hancock Life Insurance Company (USA), (4) Pension Benefit Guaranty Corporation, and (5) MCA Associates, Inc. DNB Bank ASA, New York Branch, resigned from the Committee on January 28, 2014 and John Hancock Life Insurance Company resigned from the Committee on February 13, 2014. The Committee now consists of (1) Bank of New York Mellon, (2) Pension Benefit Guaranty Corporation, and (3) MCA Associates, Inc.

The Committee retained Akin Gump Strauss Hauer & Feld LLP and Pepper Hamilton LLP as co-counsel; FTI Consulting, Inc., as financial advisor; and Houlihan Lokey Capital, Inc., as financial advisor and investment banker.

5. *Cash Management*

On January 24, 2013, the Bankruptcy Court issued a final order (D.I. 396) concerning the Debtors' cash management. The Debtors negotiated with multiple parties in interest over the terms of this final cash management order, consulted with the U.S. Trustee on preferred money market and bank accounts, and negotiated protections concerning foreign accounts. Furthermore, the Debtors and the Committee, along with their financial advisors, agreed on a protocol for ongoing reporting. The cash management system approved by the Bankruptcy Court included three prepetition secured intercompany facilities. Through these intercompany DIP facilities, OSG provides working capital to OIN and OBS, and OIN provides working capital to OSG Ship Management (UK) Ltd. in exchange for security interests in receivables, cash, and equity in subsidiaries. As a result of these efforts, the Debtors have ensured that the relative rights and priorities of creditors are preserved as cash moves between Debtors and non-debtors, and domestic and foreign accounts.

6. *Employment-Related Matters*

On February 11, 2013, Morten Arntzen, the Chief Executive Officer of Overseas Shipholding Group, Inc., resigned from all positions and offices he held with the Debtors. Captain Robert Johnston was appointed President and Chief Executive Officer of OSG following Mr. Arntzen's resignation. In connection with his election as President and Chief Executive Officer, Captain Johnston entered into an employment letter with OSG and OSG Ship Management, Inc. ("OSGM" and together with OSG, the "Debtor Employers"), which was approved by the Bankruptcy Court on March 22, 2013 (the "Employment Letter"). The Employment Letter set forth certain terms and conditions of Captain Johnston's continued employment with the Debtor Employers, including an increase in his base salary and annual bonus opportunity. In addition, the Debtors waived any rights to reclaim the retention bonus paid to Captain Johnston in June 2012 pursuant to a retention bonus agreement OSG had previously entered into with Captain Johnston, provided that he remains continuously employed with the Debtor

Employers until the earlier of (i) the date of the Debtors' emergence from the proceedings under Chapter 11 or (ii) the date Captain Johnston's employment is terminated in connection with a divesture of one or more of the Debtors' assets or businesses. Furthermore, OSGM agreed that Captain Johnston would have an Allowed Administrative Claim against OSGM under the Bankruptcy Code in the amount of $6,399,259 on account of amounts owed to Captain Johnston under the SESP, provided he remains employed by the Debtor Employers through December 1, 2014, or such earlier date if his employment is terminated due to his death or disability, by the Debtor Employers without cause or by Captain Johnston for good reason.

7. *Non-Residential Real Property Leases*

In April 2013, the Debtors relocated their New York headquarters to more efficient and affordable premises by obtaining court approval for the Debtors' rejection of their existing lease agreement and entry into a new lease agreement. The new lease agreement allowed the Debtors to realize significant savings in their rental payments, at an average of approximately $2 million a year. Moreover, the new lease agreement consolidated the Debtors' headquarters into a more efficient and manageable space of less than half the square footage of the Debtors' former leased premises. As part of this relocation, the Debtors terminated a third-party sublease agreement for a portion of their former leased premises.

Additionally, in May 2013, the Debtors assumed five unexpired leases for nonresidential real property in Florida, Texas and Delaware. These leases covered premises that serve, among other things, as the primary office for the Debtors' U.S. Flag operations, as the primary office for Debtor OSG Lightering LLC, as a satellite office for the Debtors' U.S. Flag lightering business, and as warehouse and storage space for the Debtors' vessels and equipment. The Debtors also obtained approval for amendment of one of these lease agreements to require lower rental payments.

8. *Restatement of Financials*

In October 2012, at the request and under the direction of the audit committee of the board of directors of OSG (the "Audit Committee"), OSG, with the assistance of counsel, commenced an inquiry into the Company's provision for 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. 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. With assistance from its independent auditor PricewaterhouseCoopers LLP ("PwC") and other professionals, OSG prepared its annual report on Form 10-K for the year ended December 31, 2012 (the "10-K") and its quarterly report on Form 10-Q for the quarter ending September 30, 2012 (the "10-Q"), and on August 26, 2013, OSG filed the 10-K and the 10-Q with the U.S. Securities and Exchange Commission, accompanied by an audit report from PwC with respect to the audited financial statements. The filings included restated financial statements for the years 2010 and 2011 and for the quarters ended March 31 and June 30, 2012, as well as adjustments for years starting in 2000.

9. *Professional Liability Litigation*

On November 18, 2013, OSG filed an adversary complaint with a demand for a jury trial in the Bankruptcy Court against the Company's former external legal counsel, Proskauer Rose LLP, Alan. P. Parnes, Richard H. Rowe, Peter G. Samuels and Steven O. Weise (together, the "Professional Liability Defendants"). The complaint asserts claims against the Professional Liability Defendants for legal malpractice and breach of fiduciary duty and seeks actual and consequential damages, as well as interest, attorneys' fees, and the return of any and all fees paid by Debtors to Proskauer Rose LLP for the services giving rise to the complaint. The claims arise from legal advice that the Professional Liability Defendants provided to the Company in connection with certain credit agreements and the tax consequences of those agreements under Section 956 of the Internal Revenue Code. On November 27, 2013, the parties filed a stipulation extending the Professional Liability Defendants' time to answer, move or otherwise respond to the complaint to January 17, 2014.

On January 17, 2014, the Professional Liability Defendants filed a motion to dismiss the adversary complaint and a motion for permissive abstention, along with documents in support of the motions, including memoranda of law. In their memorandum of law supporting the motion to dismiss, the Professional Liability Defendants argued that this litigation is without merit on the grounds that three of the four claims are time-barred, causation cannot be established, and OSG obtained the advice in question by making false representations to Proskauer Rose LLP. The Professional Liability Defendants additionally argued that the breach of fiduciary duty claims are meritless as substantially identical to the malpractice claims. In their memorandum of law supporting permissive abstention, the Professional Liability Defendants argued that the Court should abstain from deciding the litigation because New York state law issues predominate, and resolution of OSG's claims against the Professional Liability Defendants in New York state court would not interfere with the efficient administration of the estate because the claims are non-core issues that lack a nexus to the bankruptcy case.

On February 21, 2014, the Court granted the Professional Liability Defendants' motion for permissive abstention. Thereafter, on February 23, 2014, the Professional Liability Defendants filed a complaint in New York state court alleging fraud, constructive fraud, negligent misrepresentation, and contribution based on breach of fiduciary duty against James Edelson and Myles Itkin. The suit remains pending.

OSG also conducted a thorough investigation regarding other professional advice it had received in connection with these credit agreements and the tax consequences thereof. These professionals included Frankel, Clifford Chance, Ernst & Young, and PricewaterhouseCoopers. Following this investigation, OSG decided not to pursue litigation against these parties.

10. *Securities Litigation*

i Class Action Lawsuits and Derivative Actions

After the Company filed for Chapter 11 relief, three putative class action suits pending in the Southern District of New York against the Company were consolidated into one amended complaint. As a result of the automatic stay, the consolidated suit does not name the Company as a defendant, and purports to be filed on behalf of purchasers of Company securities between March 1, 2010 and October 19, 2012 and purchasers of notes in the March 2010 offering. The plaintiffs allege that certain documents that the Company filed with the SEC between 2011 and 2012 were defective, inaccurate and misleading, that the plaintiffs relied on such documents in purchasing the Company's securities, and that, as a result, the plaintiffs suffered losses. The plaintiffs assert claims under the Securities Act of 1933 (the "Securities

Act") against all defendants and claims under the Securities Exchange Act of 1934 (the "Exchange Act") against the former President and former Chief Financial Officer of the Company.

Plaintiffs have not pursued discovery against the officer and director defendants or against the Company. In addition, the Bankruptcy Court stayed the consolidated suit against the individual defendants (the former President and former Chief Financial Officer of the Company and certain current and certain former directors of the Company), except with respect to certain motions to dismiss, through September 17, 2013, subject to the Company's right to request further extensions. The Company did not request such extension, and the district court in the Southern District of New York dismissed the claims against certain former officers, granting plaintiffs leave to re-plead their Exchange Act claims. The district court denied the motions to dismiss the claims against all defendants arising under the Securities Act. On October 10, 2013, the plaintiffs re-pleaded their Exchange Act claims against the former President and former Chief Financial Officer in a second amended complaint. On November 12, 2013, all defendants filed answers to the second amended complaint with respect to the Securities Act claims, and the former President and former Chief Financial Officer also moved to dismiss the re-pleaded Exchange Act claims. On December 11, 2013, plaintiffs filed their brief in opposition to the motion to dismiss. On February 7, 2014, the district court granted plaintiffs' request to amend the consolidated complaint in light of allegations made by the Professional Liability Defendants in their motion to dismiss the adversary complaint. On February 13, 2014, the district court granted plaintiffs' request for an extension until February 18, 2014, to file the amended complaint. Plaintiffs filed a third amended complaint on February 18, 2014. The former President and former Chief Financial Officer filed a responsive memorandum of law to the third amended complaint on February 25, 2014, and plaintiffs filed an opposition to that response on March 4, 2014. The motion to dismiss remains pending. No decision or briefing has been made on the question of certification of the purported class, which will only commence following determination of the motions to dismiss.

ii SEC Investigation

On November 1, 2012, the Company received from the staff of the SEC a request for documents relating to the statements in the Company's October 22, 2012 Form 8-K. The Company responded on November 13, 2012, and on January 29, 2013, the SEC issued a formal order of private investigation of the Company. The Company has produced documents in response to the SEC's requests and intends to continue to cooperate fully with the SEC's investigation.

11. *Equity Committee*

On October 31, 2013, a group of Holders of Old Equity Interests (the "Equity Group") informed the Debtors that they intended to seek the appointment of an official equity committee from the U.S. Trustee, and requested the Debtors' support.

On January 27, 2014, a second group of Holders of Old Equity Interests sought the appointment of an official equity committee from the U.S. Trustee. The decision of the U.S. Trustee is pending.

12. *Plan Support Agreement Negotiations and Execution*

In late 2013 and early 2014, the Debtors engaged in substantial negotiations with creditors and interest Holders regarding the terms of a plan of reorganization. Beginning in December 2013, the Debtors, at the behest of OSG's board of directors, explored the feasibility of a plan term sheet proposal submitted by certain Holders of Notes Claims (the "Noteholders"), including the availability of exit financing at the levels proposed thereunder. In January 2014, the Debtors received an unsolicited plan term sheet from certain Credit Agreement Lenders, which contemplated a lower amount of requisite exit

financing than did the Noteholders' proposal. The Debtors carefully analyzed each of these proposals and ultimately determined that the term sheet proposed by the Credit Agreement Lenders represented the highest and best value for creditors and interest Holders while also presenting the least execution risk.

Beginning on February 6, 2014, certain of the Credit Agreement Lenders entered into non-disclosure agreements with the Debtors and were subsequently given access to certain confidential information in order to determine the final terms of a plan term sheet. Following a brief negotiation period, the Debtors and certain Credit Agreement Lenders (the "Consenting Lenders") entered into a Plan Support Agreement on February 11, 2014, and the Debtors filed a motion for an order approving their entry into and performance under the Plan Support Agreement on February 12, 2014, to be heard at the March 20, 2014 omnibus hearing. On February 27, 2014, the Debtors and the Consenting Lenders amended the Plan Support Agreement, agreeing to an increased Subscription Commitment amount and to support a Plan that would satisfy the DSF Claims in full.

On February 28, 2014, the Debtors and the Commitment Parties entered into the Equity Commitment Agreement, which sets forth, among other things, the terms of the Rights Offering. Pursuant to the Equity Commitment Agreement, the Commitment Parties have agreed to subscribe to a Rights Offering with an aggregate offering amount of $300 million dollars of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants. Each Commitment Party has committed to subscribe for any Unsubscribed Rights in proportion to its Subscription Commitment Percentage. Subject to the Bankruptcy Court's approval, in consideration for entering into this Equity Commitment Agreement, the Commitment Parties will receive (i) the Commitment Premium, 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) Reorganized OSG Stock or Reorganized OSG Jones Act Warrants, 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, the Debtors will use the proceeds of the sale of the Rights Offering Securities to fund payments under the Plan. Among other things, these proceeds will enable the Debtors to retain the CEXIM Vessels and the DSF Vessels and pay the Allowed CEXIM Claims and Allowed DSF Claims in full in Cash. The Equity Commitment Agreement provides the Commitment Parties with certain protections, including, among other things, certain conditions to funding, including the absence of any material adverse effect and the satisfaction of certain milestones and Plan requirements. Those requirements include a condition precedent that the total Allowed IRS Claims for taxes through 2012, excluding amounts previously paid, do not exceed $285 million. Finally, the Commitment Parties may terminate the Equity Commitment Agreement if, among other things, the Plan Support Agreement is terminated, the Plan Value as determined by the Bankruptcy Court is less than approximately $1.951 billion or the Rights Offering is not consummated by August 31, 2014.

In furtherance of the Debtors' obligations under the Plan Support Agreement, the Debtors are proceeding to complete diligence and documentation of the proposed exit financing facility contemplated by the Plan Support Agreement. That facility will include a total of approximately $735 million in a senior secured loan facility, comprised of a term loan of approximately $325 million secured by substantially all the Debtors' U.S. Flag assets, and a term loan of approximately $410 million secured by substantially all the Debtors' International Flag assets. In addition, the Debtors contemplate a combination of additional drawn borrowings plus undrawn revolving credit facilities which together could provide up to $200 million of additional liquidity. Based on the more than three months of diligence conducted with numerous potential financiers, the Debtors believe that this financing is well within the range of leverage that the market would support. The Debtors anticipate completing diligence and documentation of a commitment letter in advance of the hearing on the disclosure statement.

B. Secured Facilities

1. *Cash Collateral, Adequate Protection, and Intercompany Debtor-in-Possession Financing Orders*

On February 5, 2013, the Bankruptcy Court issued orders granting adequate protection to DSF and CEXIM (the "Secured Lenders") in consideration for (i) the granting of *pari passu* liens in the Secured Lenders' collateral in connection with the debtor-in-Possession loan facilities (the "OIN DIP Loans") issued by OIN, (ii) the imposition of the automatic stay, (iii) the OSG Companies' use, sale or lease of vessels and other collateral encumbered by the security interest of the Secured Lenders, and (iv) with respect to CEXIM, the OSG Companies' continued use of cash collateral for the ongoing operation and maintenance of the CEXIM Vessels. Pursuant to these orders, the Debtors were authorized to make use of the funds generated from the ongoing operation of the encumbered vessels in the following order of priority (i) to reimburse its ship management subsidiaries and other affiliates for voyage expenses, vessel operating expenses, capital expenditures and drydocking expenses incurred on behalf of the encumbered vessels (ii) to fund a reserve for future drydocking expenses, (iii) to reimburse the Secured Lenders for certain legal costs, (iv) to pay the Secured Lenders amounts equal to current interest payments due on the outstanding pre-petition loan balances at the non-default contract rate of interest set forth in the term loan agreements (the "Adequate Protection Interest Payments" and together with amounts described in (iii), the "Adequate Protection Payments") and (v) to pay any interest outstanding under the OIN DIP Loans. The Debtors and certain other parties in interest preserved the right to challenge the amount, extent, type or characterization of any Adequate Protection Payments or any other costs, fees or expenses, including the right to seek recharacterization of any such payments as payments on the prepetition principal amounts outstanding under the term loan agreements.

2. *Retention of the CEXIM and DSF Vessels*

Over the course of the last six months, the Debtors engaged in substantive discussions with the Secured Lenders. These discussions did not result in any agreement with either Secured Lender as to the potential restructuring of their respective secured loans on mutually acceptable terms.

On February 3, 2014, the Debtors filed a motion to sell the five CEXIM Vessels to a stalking horse bidder, subject to an auction for higher or better offers. From February 6-11, 2014, certain of the Consenting Lenders became restricted and received confidential information regarding the Debtors' business. Based on this information, such Consenting Lenders requested that the Debtors retain the CEXIM Vessels and committed in the Plan Support Agreement, filed on February 11, 2014, to support a Plan that would satisfy the CEXIM Claims in full. The Debtors then withdrew their motion to approve the sale of the CEXIM Vessels. On February 27, 2014, the Debtors and the Consenting Lenders amended the Plan Support Agreement, agreeing to an increased Subscription Commitment amount and to support a Plan that would satisfy the DSF Claims in full.

Pursuant to the Plan, the Debtors will retain the CEXIM Vessels and the DSF Vessels and pay the Allowed CEXIM Claims and Allowed DSF Claims in full in Cash.

C. Charter Rejections and Renegotiations, and Newbuilds

1. *International Flag Charters*

In the first several months of the Chapter 11 Cases, the Debtors rejected and/or renegotiated the charters for most of the twenty-eight (28) vessels chartered to OSG's International Flag fleet with significant unexpired terms. In general, the Debtors had chartered these vessels when prevailing charter

rates were far higher, and the subsequent drop in market rates, described earlier, made it difficult if not impossible to employ these vessels out profitably. As a result, the Debtors rejected the charters on twenty-five (25) of these vessels. The Debtors entered into renegotiated charters for seven (7) of the rejected charters, while expressly preserving the vessel owners' ability to assert damages on the basis of the rejected charters. On two (2) vessels, the Debtors assumed and amended the existing charter to lower rates and shortened the term. The other International Flag charter extant as of the Petition Date with a significant unexpired term remains chartered out "back to back" with the charter in, meaning that the charter-in and charter-out rates are equal and offsetting.

i Chartworld Vessels

The Debtors bareboat chartered six (6) vessels owned by subsidiaries of Chartworld Shipping Corporation ("Chartworld"), specifically three relatively old MRs (*Overseas Nedimar*, *Overseas Limar*, and *Overseas Rimar*) with charter expirations in 2014 and 2015, two newer LR1s (*Overseas Palawan* and *Overseas Mindoro*) with charter expirations in 2020 and 2021, and a newer Aframax (*Overseas Everglades*) with charter expiration in 2020. Both OSG and OIN were guarantors of all six of these charters. The relevant Debtors rejected these charters and redelivered these vessels in December 2012 – February 2013.

The Chartworld subsidiaries filed proofs of claim against the relevant Debtors and OSG and OIN, as guarantors, in the asserted amounts of $9,113,285.16 for the *Overseas Nedimar*, $8,019,562.23 for the *Overseas Limar*, $16,371,219.80 for the *Overseas Rimar*, $54,546,230.14 for the *Overseas Palawan*, $56,295,895.20 for the *Overseas Mindoro*, and $47,243,660.87 for the *Overseas Everglades* (the "Chartworld Claims"). On [March 20, 2014], the Court approved a stipulation agreed to by the relevant Debtors and Chartworld that allows the Chartworld Claims as general unsecured claims in the amount of $5,945,829.72 for the *Overseas Nedimar*, $5,232,246.18 for the *Overseas Limar*, $10,681,163.11 for the *Overseas Rimar*, $35,587,890.73 for the *Overseas Palawan*, $36,729,434.13 for the *Overseas Mindoro*, and $30,823,436.13 for the *Overseas Everglades*. Unlike the other rejected charter agreements, the Chartworld charters did not make provision for contractual or default interest. Accordingly, the stipulation between the Debtors and Chartworld similarly caps their Claims at the allowed amounts without provision for any postpetition interest. The Chartworld Claims are thus subject to the Presumed Postpetition Interest Rate described in Section II.E above.

ii DHT Vessels

The Debtors bareboat chartered two (2) Suezmaxes (*Overseas Newcastle* and *Overseas London*) owned by subsidiaries of DHT Holdings, Inc. ("DHT"), with expirations in 2014 and 2017. OSG was guarantor of both of these charters. The relevant Debtors rejected and redelivered these vessels in December 2012 – January 2013.

The DHT subsidiaries filed proofs of claim against the relevant Debtors and OSG, as guarantor, in the amounts of $13,848,808 for the *Overseas Newcastle* and $37,989,324 for the *Overseas London* (the "DHT Claims"). DHT then transferred the DHT Claims to Citigroup Financial Products Inc., and on December 19, 2013, the Court approved a stipulation agreed to by the relevant Debtors and Citigroup Financial Products Inc. that allows the DHT Claims as general unsecured Claims in the amount of $13,450,000 for the *Overseas Newcastle* and $32,550,000 for the *Overseas London*. Pursuant to the underlying charters, the DHT Claims will receive postpetition interest calculated from the Petition Date at the specified contractual rate of 2.27% per annum (i.e., LIBOR plus 2%).

iii Capital Vessels

The Debtors bareboat chartered three (3) MRs (*Overseas Serifos*, now renamed the *Alexandros II*, *Overseas Sifnos*, and *Overseas Kimolos*) owned by subsidiaries of Capital Products Partners, LP ("Capital"), with expirations in 2017 and 2018. OSG was guarantor of all three of these charters. The relevant Debtors rejected these charters in March 2013 and entered renegotiated charters for the vessels for the same periods at reduced rates. OSG was guarantor of all three of the rejected charters and is guarantor, on a post-petition basis, of all three of the renegotiated charters. Capital preserved its right to claim as damages the difference in rates and certain other variances between the rejected and renegotiated charters.

The relevant Capital subsidiaries filed proofs of claim against the relevant Debtors and OSG, as guarantor, in the amounts of $18,981,877 for the *Overseas Serifos*, $17,337,467 for the *Overseas Sifnos*, and $17,776,217 for the *Overseas Kimolos* (the "Capital Claims") The relevant Capital subsidiaries later transferred the Capital Claims to Deutsche Bank Securities Inc. ("Deutsche Bank"), and on February 3, 2014, the Court approved a stipulation agreed to by the relevant Debtors and Deutsche Bank that allows the Capital Claims as general unsecured Claims in the reduced amounts of $15,088,497.02 for the *Overseas Serifos*, $13,781,372.58 for the *Overseas Sifnos*, and $14,130,130.40 for the *Overseas Kimolos*. Pursuant to the underlying charters, the Capital Claims will receive postpetition interest calculated from the Petition Date at the specified contractual rate of 1.21% per annum (i.e., 1 month LIBOR plus 1%).

iv Parakou Vessels

The Debtors time chartered four (4) MRs (*Overseas Cygnus*, *Overseas Hercules*, *Overseas Orion*, *Overseas Sextans*, and now named *M.T. Cygnus*, *M.T. Hercules*, *M.T. Orion*, and *M.T. Sextans*) from subsidiaries of Parakou Shipmanagement Pte. Ltd. ("Parakou"), with expirations in 2016 and 2017. The relevant Debtors rejected these charters in April 2013 and immediately entered renegotiated charters for shorter fixed terms at reduced rates. OSG was guarantor of all four of the rejected charters and, on a post-petition basis, is guarantor of all four of the renegotiated charters. Parakou preserved its right to claim as damages the difference in rates and certain other variances between the rejected and renegotiated charters.

The relevant Parakou subsidiaries filed proofs of claim against the relevant Debtors and OSG, as guarantor, in the amounts of $8,117,781.72 for the *Overseas Cygnus*, $5,621,356.72 for the *Overseas Hercules*, $6,118,973.39 for the *Overseas Orion*, and $10,041,022.61 for the *Overseas Sextans* (the "Parakou Claims"). The relevant Parakou subsidiaries then transferred the Parakou Claims to Jefferies Leveraged Credit Products, LLC ("Jefferies"), and on December 19, 2013, the Court approved a stipulation agreed to by the relevant Debtors and Jefferies, which allows the Parakou Claims as general unsecured Claims in the reduced amounts of $3,936,830.90 for the *Overseas Cygnus*, $2,726,154.96 for the *Overseas Hercules*, $2,967,480.88 for the *Overseas Orion*, and $4,869,533.26 for the *Overseas Sextans*. Pursuant to the underlying charters, the Parakou Claims will receive postpetition interest calculated from the Petition Date at the specified contractual rate of 4.25% per annum (i.e., prime rate plus 1%).

v Diamond S Vessels

The Debtors time chartered seven (7) MRs (*Adriatic Wave*, *Aegean Wave*, *Atlantic Aquarius*, *Atlantic Grace*, *Atlantic Leo*, *Atlantic Pisces*, and *Atlantic Polaris*) owned by subsidiaries of Diamond S Shipping ("Diamond S"), with expirations in 2014, 2015, 2018, and 2019.[11] OSG was guarantor of all

[11] The Debtors continue to charter an eighth Diamond S vessel, the *Atlantic Star*, which is chartered out back-to-back to a third party.

seven of these charters, six of which included profit-sharing provisions that obligated the Debtors to make additional payments to vessel owners when chartering rates exceeded certain thresholds. The relevant Debtors rejected and redelivered these charters in April 2013.

The Diamond S subsidiaries filed proofs of claim against the relevant Debtors and OSG, as guarantor, in the amounts of $9,696,950 for the *Adriatic Wave*, $9,751,880 for the *Aegean Wave*, $5,221,972 for the *Atlantic Aquarius*, $1,959,981 for the *Atlantic Grace*, $5,397,466 for the *Atlantic Leo*, $12,964,909 for the *Atlantic Pisces*, and $12,403,317 for the *Atlantic Polaris* (the "Diamond S Claims"). On February 3, 2014, the Court approved a stipulation agreed to by the relevant Debtors and the Diamond S subsidiaries that allows the Diamond S Claims as general unsecured Claims in the reduced amounts of $4,350,379.75 for the *Adriatic Wave*, $4,375,023.20 for the *Aegean Wave*, $2,342,753.26 for the *Atlantic Aquarius*, $879,313.77 for the *Atlantic Grace*, $2,421,485.81 for the *Atlantic Leo*, $5,816,496.69 for the *Atlantic Pisces*, and $5,564,547.52 for the *Atlantic Polaris*. Pursuant to the underlying charters, the Diamond S Claims will receive postpetition interest calculated from the Petition Date at the specified contractual rate of 4.25% per annum (i.e., prime rate plus 1%).

vi Blue Wake Vessels

(a) *Carina*

The Debtors time chartered one MR (*Carina*) from Blue Wake Shipping Pte, Ltd. ("Blue Wake"), with expiration in 2018. OSG was guarantor of this charter. The relevant Debtor rejected and redelivered this vessel in March – April 2013.

Blue Wake filed a proof of claim against the relevant Debtor and OSG, as guarantor, in the amount of $7,268,237.91 (the "Carina Claim"). Soon after, Blue Wake transferred the Carina Claim to Jefferies, and on December 19, 2013, the Court approved a stipulation agreed to by the relevant Debtor and Jefferies, which Allows the Carina Claim as a general unsecured Claim in the reduced amount of $4,100,000.

(b) *Valorous Queen*

The Debtors also chartered one specialty chemical carrier (*Valorous Queen*) from Blue Wake. The relevant Debtor amended and assumed the charter for this vessel in December 2012 at reduced rates and for a reduced term that ended in September 2013. At the same time, the relevant Debtor assumed a charter-out agreement for the vessel that also ended in September 2013. Blue Wake expressly agreed to waive damages Claims based on the reduced hire and rates, which permitted structuring the new terms as an amended and assumed charter.

vii Other Vessels

(a) *Overseas Acadia*

The Debtors time chartered one Aframax (*Overseas Acadia*) from Alpha Aframax Corporation ("Alpha"), with expiration in 2018. OSG was guarantor of this charter. The relevant Debtor rejected this charter in February 2013. Thereafter, the vessel was immediately re-chartered for one year to non-debtor OSG Company International Seaways, Inc.

Alpha filed a proof of claim against the relevant Debtor and OSG, as guarantor, in the amount of $26,900,218.00 (the "Alpha Claim"). Thereafter, Alpha transferred the Alpha Claim to Citigroup Financial Products Inc. On November 19, 2013, the Debtors filed an objection (the "Alpha Objection") to

the Alpha Claim, asserting that the Alpha Claim should be Allowed as a general unsecured Claim in the amount of $20,303,714.00. On December 19, 2013, the Court granted the Alpha Objection. Pursuant to the underlying charters, the Alpha Claim will receive postpetition interest calculated from the Petition Date at the specified contractual rate of 4.25% per annum (i.e., prime rate plus 1%).

(b) *Freja Taurus*

The Debtors time chartered one MR (*Freja Taurus*) from Lauritzen Tankers A/S ("Lauritzen"), with expiration in 2014. There was no guarantor of this charter. The relevant Debtor rejected and redelivered this vessel in March 2013. On May 24, 2013, Lauritzen filed a proof of claim against the relevant Debtor in the asserted amount of $6,424,885 (the "Lauritzen Claim").

On November 21, 2013, the Court approved a stipulation entered into by the relevant Debtor and Lauritzen, allowing the Lauritzen Claim as a general unsecured Claim in the reduced amount of $300,000. Pursuant to the underlying charters, the Lauritzen Claim will receive postpetition interest calculated from the Petition Date at the specified contractual rate of 4.25% per annum (i.e., prime rate plus 1%).

(c) *Yasa Orion*

The Debtors time-chartered one (1) Suezmax (*Yasa Orion*) from Seanote Navigation S.A. The relevant debtor amended and assumed the charter for this vessel in April 2013 at reduced rates and for a reduced term that ended in January 2014. Seanote expressly agreed to waive damages Claims based on the reduced hire and rates, which permitted structuring the new terms as an amended and assumed charter.

2. *U.S. Flag Charters*

In contrast to the actions taken to trim the International Flag fleet, the Debtors have in general acted to secure continued use of chartered-in U.S-Flag vessels and have secured several new, more profitable charters-out for these vessels.

i Election to Perform Under Certain U.S. Flag Charters

The Debtors charter 10 U.S. Flag tankers (the "ASC Vessels") from subsidiaries of American Shipping Corporation ("ASC"). These Jones Act qualified tankers form the largest and most modern tanker fleet in the U.S. Flag Jones Act market, carrying crude oil and clean petroleum products in the U.S. Gulf Coast, U.S. Atlantic Coast, U.S. West Coast and Alaska trades. The ASC Vessels were built to U.S. and world-wide industry specifications in Philadelphia, Pennsylvania.

The terms of the charter agreements provide the Debtors with long-term use of the ASC Vessels at attractive rates. With the exception of the vessel that will be selected for conversion to a shuttle tanker in connection with the Shell "Stones" Project (see below), which is expected to be the *Overseas Tampa*, the ASC Vessels are bareboat chartered through 2019, subject to extension options for the life of the ASC Vessels, at pre-determined fixed charter rates, subject to adjustment under certain circumstances. So long as the Debtors are not in material default under the charters, their quiet use and enjoyment of the vessels is protected by covenants from both ASC and its lenders under the vessel mortgages. The Debtors may transfer crews from ASC Vessel to ASC Vessel, share training, and purchase common spare parts. The combination of flexibility and high standards makes the 10 Jones Act qualified vessels a valuable part of the Debtors' fleet.

The contractual relationship between the Debtors and ASC also includes a profit-sharing arrangement, whereby the parties agreed to split, on a 50-50 basis, any profit from the operation of the

ASC Vessels after the Debtors recoup certain agreed amounts. To date, no profit has been due or payable to ASC under this arrangement.

Because section 1110 of the Bankruptcy Code provides special protection to vessel lessors like ASC, ASC would have been entitled to repossess its vessels had the Debtors not offered certain assurances. Accordingly, in December 2012, the Debtors formally elected to perform their obligations under the charters for the ASC Vessels and to cure any defaults in those charters. The Bankruptcy Court approved the Debtors' election in in an order entered on January 9, 2013. By so electing, the Debtors ensured the continued application of the automatic stay to the ASC Vessels, and, consequently, the continued availability of those vessels to the Debtors for profitable deployment.

(a) Shell "Stones"

In June 2013, the Debtors received Court authorization to amend and assume certain existing agreements, and to enter into certain new agreements in order to take advantage of commercial opportunities arising out of increased oil exploration and production in the U.S. Gulf of Mexico. Specifically, after the Debtors won a lucrative long-term time-charter for one shuttle tanker to serve a deep-water oil field operated by Shell Trading (US) Company and its affiliates and partners, the Debtors sought and received authorization to amend and assume a series of agreements under which one of the ASC Vessels was and is chartered to the Debtors, and to enter into new agreements to convert that product tanker into a shuttle tanker appropriate for service under the time-charter agreement with Shell Trading (US) Company.

Although the Debtors anticipate that they will select the *Overseas Tampa* for the conversion, the relevant agreements provide some flexibility in choosing a vessel. Under the amended and assumed bareboat charter agreement, which the Debtors expect to sign in 2014 upon selection of a vessel for conversion, the selected vessel will be bareboat chartered until the later of (i) 10 years from the date of the amendment to the bareboat charter agreement or (ii) the expiration of the initial term of the time-charter agreement with Shell Trading (US) Company (subject to various factors, expected to occur in 2023), subject to extension options for the life of the vessel, at a pre-determined fixed charter rate, subject to adjustment under certain circumstances.

(b) *Overseas Martinez*, *Overseas Boston*, and *Overseas Nikiski*

Also in June 2013, the Debtors received Court authorization to amend the existing charters-out and to enter extended new charters-out for three ASC Vessels (the *Overseas Martinez*, *Overseas Boston*, and *Overseas Nikiski*) that are chartered to Gold Star Maritime Company ("Gold Star"), an affiliate of Tesoro Petroleum Corporation. The effect of the amendments and new charters was to ensure continued employment for these three ASC Vessels with valued partners Gold Star and Tesoro on improved terms. The Debtors' entry into this new arrangement was conditioned upon Gold Star's exercising its first optional extension period on the *Overseas Martinez* shortly after execution of the new charters, which Gold Star subsequently did. Gold Star also subsequently exercised its first option on the *Overseas Boston*, absent which Gold Star would have been required to return the *Overseas Boston* to the Debtors.

(c) *OSG-192*

In August 2013, the Debtors received Court authorization to assume the existing charter-out and enter a new charter-out for *OSG-192*, a barge-and-tug combination chartered to Koch Supply and Trading of Houston, Texas ("Koch Texas"). By assuming the existing charter, the Debtors were able to accommodate, and to receive the benefit of, Koch Texas's desire to exercise its option for extended chartering of *OSG-192* at an escalated rate of hire. By entering the new charter, which charters *OSG-192*

to Koch Shipping, Inc., of Wichita, Kansas, in direct continuation of the assumed charter, the Debtors ensured continued employment of *OSG-192* with a valued partner on favorable terms.

3. *Newbuilds*

In December 2012 and March 2013, the Debtors received Court authorization to assume existing contracts for the building of two International Flag oil tankers as to which the Debtors had already made substantial payments.

i *Overseas Redwood*

Prepetition, Debtor Batangas Tanker Corporation ("Batangas") entered a contract for the construction of hull S-5102, a 113,000 DWT crude tanker. As of the Petition Date, Batangas had made timely payments totaling $55.7 million. A final payment of $11.1 million was due postpetition, in March 2013. The fair market value of the vessel at that time was approximately $40 million. In December 2012, following this Court's authorization to assume the construction contract, Batangas paid the final installment in order to obtain the benefit of the $40 million vessel, which was delivered on July 16, 2013 in compliance with all present and future regulations then under consideration.

ii *Overseas Shenandoah*

Prepetition, Debtor Mindanao Tanker Corporation ("Mindanao") entered a contract for construction of hull S-5103, a 113,000 DWT crude/product tanker with coated tanks. As of the Petition Date, Mindanao had made timely payments totaling $32.1 million. In December 2012, the Court authorized Mindanao to pay, and Mindanao subsequently did pay, a $700,000 payment required to remain current on the contract. Thereafter, future payments of $36.7 million remained due. The fair market value of the vessel at the time of assessment in late 2012 was approximately $44 million. In March 2012, the Court authorized Mindanao to assume the construction contract and pay the remaining installments in order to obtain the benefit of the $44 million vessel. Mindanao subsequently has paid the installments as they have become due. Delivery of the vessel is expected in the second quarter of 2014.

D. Claims

1. *Bar Dates*

On April 10, 2013, the Bankruptcy Court entered an order (the "Bar Date Order") establishing May 31, 2013 at 4:00 p.m., Pacific time as the last date and time for each person or entity to file proofs of claim based on prepetition Claims or on section 503(b)(9) of the Bankruptcy Code. Additionally, the Bar Date Order establishes separate Bar Dates for Claims arising from Debtors' rejection of executory contracts and unexpired leases and Claims that Debtors have amended in Debtors' Schedules (collectively, the "Bar Dates").

On April 11, 2013, Debtors mailed a notice of the Bar Dates to the U.S. Trustee, the Committee, and other parties as required by the Bar Date Order. Additionally, in compliance with the Bar Date Order, the Debtors published notice of the Bar Date in the *Financial Times* and the *Tampa Bay Times* on April 17, 2013, and in *Tradewinds News* on April 19, 2013.

2. *Claims Reconciliation Process*

As of February 28, 2014, approximately 1663 proofs of claim had been filed against the Debtors, asserting approximately $13.5 billion in aggregate liquidated Claims.

Over the past year, the Debtors have begun to reconcile the amount and classification of Claims asserted against them and to prosecute objections to certain of these Claims. To date, the Debtors have expunged, reclassified, and reduced 385 Claims through orders of the Bankruptcy Court. The Debtors have satisfied 74 Claims in part or in full. The Debtors have satisfied 76 Claims in part or in full. The Debtors have resolved certain other Claims through joint stipulations, and are negotiating additional consensual resolutions. The Debtors expect to continue preparing, filing and resolving objections to Claims throughout the course of the Chapter 11 Cases.

Nonetheless, a significant number of Claims have not yet been resolved, additional Claims could be filed and the actual ultimate aggregate amount of Allowed Claims may differ significantly from the amounts used for the purposes of the Debtors' estimates. The Debtors continue to investigate differences between the claim amounts filed by Creditors and claim amounts determined by the Debtors. Certain Claims filed may be duplicative (particularly given the multiple jurisdictions involved in the Creditor Protection Proceedings), may be based on contingencies that have not occurred, or may be otherwise overstated, and would therefore be subject to revision or disallowance. The Debtors intend to file, with the Plan Supplement, a schedule of Claims that will become Disputed Claims for the purposes of distributions and will remain subject to future potential objection.

3. *Claims Motions*

The Debtors have filed twenty-three omnibus Claims objections over the course of these the Chapter 11 Cases:

- On June 24, 2013, the Debtors filed their first omnibus objection. The Court granted the objection on July 23, 2013, reclassified some noteholders as non-priority, general unsecured claimants while expunging other noteholder Claims and Claims for equity interests with prejudice.

- On July 26, 2013, and August 27, 2013, Debtors filed their second and third omnibus objections, respectively. The Court granted the second objection on August 26, 2013 and the third objection on September 26, 2013, reclassifying, reassigning, and reducing certain Claims, as well as disallowing and expunging certain duplicative, amended, or insufficiently documented Claims, and preserving others in each order.

- On September 27, 2013, the Debtors filed their fourth, fifth, and sixth omnibus objections. The Court granted those objections on October 29, 2013, disallowing, reducing, reassigning, and reclassifying certain Claims.

- On October 22, 2013, the Debtors filed their seventh, eighth, ninth, and tenth omnibus objections. On November 21, 2013, the Court granted those objections, disallowing, reassigning, and reclassifying certain Claims.

- On November 19, 2013, the Debtors filed their eleventh, twelfth, thirteenth, and fourteenth omnibus Claims objections, requesting that the court disallow certain Claims alleging asbestos-related liability.

- On November 19, 2013, the Debtors also filed individual objections to derivatives Claims by Deutsche Bank, Royal Bank of Scotland, and ING, requesting that the Court reduce and allow those Claims alleging derivatives liability. The Court entered orders approving the objections to the Royal Bank of Scotland Claim on December 16, 2013, and to the Deutsche Bank and ING Claims on December 19, 2013.

- On December 31, 2013, the Debtors filed their fifteenth omnibus objection. The Court granted this omnibus objection on February 3, 2014, disallowing, reducing, reassigning, and reclassifying certain Claims.

- On January 3, 2014, the Debtors filed their sixteenth, seventeenth, eighteenth, and nineteenth omnibus objections requesting that the Court disallow certain Claims alleging asbestos-related liability. The Bankruptcy Court held a hearing on those objections on February 20, 2014, and the matter is sub judice.

- On February 18, 2014, the Debtors filed their twentieth omnibus objection.

- Also on February 18, 2014, the Debtors filed their twenty-first, twenty-second, and twenty-third omnibus Claims objections, requesting that the court disallow certain Claims alleging asbestos-related liability.

The Debtors have also filed five motions to deem Claims partially or totally satisfied, and the court has granted the relief sought in all such motions upon the filing of certificates of no objection.

See also discussion of Asbestos Claims in Section IV.D.5 below.

4. *The IRS Claims*

As described above, the Debtors' potential additional tax liabilities were at the heart of the Debtors' decision to seek bankruptcy protection. Uncertainty over tax liabilities led to OSG's announcement of the potential need to restate certain of the group's historical financial statements and to the inability to file timely financial statements for the third quarter of 2012, which in turn precipitated the Chapter 11 filing.[12] In the months following the Petition Date and prior to the Bar Date, the Internal Revenue Service (the "IRS") filed forty-two separate proofs of claim against the Debtors, asserting corporate income tax related liability (the "IRS Claims") plus additional amounts for excise and other taxes.[13] The IRS Claims asserted income-tax liability of over $463 million.

Over the course of the Chapter 11 Cases, the Debtors and their advisors engaged in extensive discussions with the IRS regarding the IRS Claims. The Debtors presented evidence regarding tax liabilities applicable to the Debtors, including a model to address deemed dividends due to joint and several liability of the Debtors pursuant to the 2006 Credit Agreement, among other issues.

Following these discussions, on December 19, 2013, the IRS filed Claim number 1654, a Priority Claim against OSG for corporate income tax and interest for the years 2004, 2005, 2009, 2010 and 2011,

[12] See Declaration of Captain Robert E. Johnston in Support of Chapter 11 Petitions and First Day Motions, ¶¶ 48-52 (D.I. 2) (the "First Day Declaration").

[13] The IRS filed a total of forty-two Claims against the Debtors. Eighteen of these Claims were amended by other Claims and subsequently expunged. See Order Granting Debtors' Second Omnibus Objection (Non-Substantive And Substantive) To Certain Claims Pursuant To 11 U.S.C. § 502, Fed. R. Bankr. P. 3007 And Del. Bankr. L.R. 3007-1, Exhibit B, Aug. 26, 2013 (D.I. 1730) (disallowing IRS Claims 30 through 36, 39 through 41, and 44, as they were each amended by subsequent Claims); Order Granting Debtors' Fourth Omnibus Objection (Non-Substantive And Substantive) To Certain Claims Pursuant To 11 U.S.C. § 502, Fed. R. Bankr. P. 3007 And Del. Bankr. L.R. 3007-1, Exhibit A, October 29, 2013 (D.I. 1960) (disallowing IRS Claims 37, 43, and 105); Order Granting Debtors' Seventh Omnibus Objection (Substantive And Non-Substantive) To Certain Claims Pursuant To 11 U.S.C. § 502, Fed. R. Bankr. P. 3007 And Del. Bankr. L.R. 3007-1, Exhibit B, November 21, 2013 (D.I. 2056) (disallowing IRS Claim 38); Order Granting Debtors' Fifteenth Omnibus Objection (Substantive And Non-Substantive) To Certain Claims Pursuant To 11 U.S.C. § 502 and Fed. R. Bankr. P. 3007 , Exhibit C, February 3, 2014 (D.I. 2384) (disallowing IRS Claim 1649, 1650, and 1651).

in the amount of $264,277,962.29, amending Claim number 82 in the amount of $463,013,177.63. On February 24, 2013, the IRS additionally filed Claim number 1663, an amended administrative Claim against OSG for corporate income tax, interest and penalties for 2012, in the amount of $758.28, amending Claim number 1650, which had originally been filed in the amount of $1,654,764.80, and previously amended to $1,659,739.94 by Claim number 1653. As a result of additional discussions, on January 21, 2014 the IRS filed Claim number 1658, a further amended proof of claim further reducing Claim number 1654 to $255,760,439.22. The Debtors' understanding with the IRS at the time of the December 19, 2013 amendment was that claim 1658 would be paid in full in Cash on the Initial Distribution Date.

Pursuant to the Plan, upon the entry of the Confirmation Order, all of the IRS Claims shall be Allowed in full, including postpetition interest due and owing pursuant to Section 7.2 of the Plan. The Plan shall constitute a good faith resolution between the Debtors and the Internal Revenue Service of the Debtors' federal tax liability for the tax years 2003 through 2012. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Allowance of the IRS Claims in full, and the Bankruptcy Court's findings shall constitute its determination that Allowing the IRS Claims in full is in the best interests of the Debtors, their estates, creditors, and other parties-in-interest, and that no other amounts are due and owing pursuant to the IRS Claims. On or about the Initial Distribution Date, the Debtors or Reorganized Debtors shall pay the amount of the IRS Claims in Cash, which payment shall be in full, final and complete satisfaction of the IRS Claims. No further distributions shall be made by the Debtors or Reorganized Debtors on account of federal tax liability for the tax years 2003 through 2012.

5. *Asbestos Claims*

The Debtors have been leading owners and operators of oceangoing vessels for more than forty years, including during a period that gave rise to thousands of suits brought by mariners alleging exposure to asbestos while on vessels owned or operated by the Debtors and their current and former affiliates. The proofs of claim filed in these Chapter 11 Cases include more than 7,000 Claims filed alleging exposure to asbestos or other occupational diseases (the "Asbestos Claims"). The vast majority of the Asbestos Claims were filed by a single counsel, the Jaques Admiralty Firm, P.C. ("Jaques"), and relate to proceedings that had been brought solely against certain former affiliates of the Debtors (each such entity, a "Non-Debtor OSG Defendant"). The vast majority of the proceedings to which the Asbestos Claims relate (the "Asbestos Proceedings") were initiated between 1986 and 2000 in the United States District Court for the Northern District of Ohio and subsequently transferred to the United States District Court for the Eastern District of Pennsylvania (the "MARDOC Court"), where they have been consolidated into a multi-jurisdictional litigation styled 2:02-md-00875-ER (the "Maritime Docket" or "MARDOC"). The Asbestos Proceedings typically accused certain Debtors and Non-Debtor OSG Defendants (and various other defendants, jointly and severally) of, among other things, negligent maintenance of their vessels, negligence under the Jones Act, and unseaworthiness under the General Admiralty and Maritime Law. The Asbestos Proceedings typically demanded damages in an unliquidated amount on account of loss of earnings, pain and suffering, and an array of other costs, in addition to punitive damages. They allege injuries stemming from alleged exposure in the 1960s through the 1990s. The vast majority of the Asbestos Claims relate to Asbestos Proceedings that were dismissed by the MARDOC Court prior to the Petition Date.

Due to the volume of the Asbestos Claims, Jaques sought, and the Debtors agreed to, a procedure by which Jaques could file consolidated Claims on behalf of the claimants. This agreement was entered by the Court on May 24, 2013 (D.I. 1354). The Court subsequently entered orders modifying the procedures for omnibus substantive objections to the Asbestos Claims, (1) waiving the requirement of Local Rule 3007-1(f)(iii) with respect to the Debtors' initial substantive omnibus objection to each

Asbestos Claim (D.I. 1814) and (2) permitting the inclusion of up to 1,000 Jaques-filed Asbestos Claims in each such objection (D.I. 2167).

The Debtors have conducted an extensive review of the Asbestos Claims and have filed 17 objections to a total of 6,290 Asbestos Claims (the "Asbestos Claim Objections"). The basis of the Asbestos Claim Objections has been that those Asbestos Claims that relate to Asbestos Proceedings filed several years prior to the Petition Date and subsequently voluntarily dismissed without prejudice are time-barred under federal maritime law by the applicable three-year statute of limitations. As of the current date, 10 of the Asbestos Claim Objections have been sustained by orders of the Bankruptcy Court (the "Asbestos Claim Disallowance Orders"). The Debtors continue their review of the Asbestos Claims and assessment of grounds for objection to those Asbestos Claims that have not yet been the subject to Asbestos Claim Objections, which currently number 1,289; seven of the Asbestos Claims Objections, which relate to 3,772 Claims, are currently pending before the Bankruptcy Court. Jaques has appealed in respect of four of the Asbestos Disallowance Orders (the "Asbestos Appeals").[14] The Asbestos Appeals relate to 1,134 Claims and are currently pending before the U.S. District Court for the District of Delaware.

The terms of the Plan provide that any Asbestos Claims that are designated by the Debtors as unimpaired personal injury Claims will be Unimpaired and, upon the later of (i) the Effective Date or (ii) the date of allowance of such Claims, be Reinstated as against the Debtors in order to permit the Asbestos Proceedings related to such allowed Asbestos Claims to proceed in the MARDOC Court or other venue in which they were initiated, subject to the rights, defenses, and objections the Debtors have with respect to such Claims.

The Debtors and the Non-Debtor OSG Defendants have at various times been members in certain protection and indemnity insurance associations ("P&I Clubs") that, among other things, provide certain coverage for members' losses stemming from injury to and illness of mariners aboard their vessels. P&I Club coverage is subject to certain deductibles and coverage limits, and no payment is made from P&I Club proceeds until and unless the covered entity makes a payment in respect of covered losses, at which point such entity is indemnified where coverage is available after applicable deductibles have been met. The Debtors have conducted an extensive review of P&I Club coverage for losses relating to the Asbestos Claims, and have concluded that there is P&I Club coverage in place in respect of the vast majority of the Asbestos Claims, including those that have not been the subject of any Asbestos Claim Objection. The Debtors thus far have been unable to confirm coverage for certain of the Claims that have been the subject of Asbestos Claim Objections, including those subject to the Asbestos Appeals. The Debtors are continuing their efforts to confirm P&I Club coverage for additional Asbestos Claims, including with respect to 62 Asbestos Claims that are not currently the subject of any Asbestos Claim Objection for which they have not yet confirmed P&I Club coverage. In the event that the Asbestos Appeals result in a reversal of the Bankruptcy Court's orders and there is not P&I Club coverage available, Reorganized OSG could be exposed to significant liability.

6. *Alternative Dispute Resolution Procedures*

In order to address the considerable number of complex Claims filed in these Chapter 11 Cases, the Debtors obtained authorization to implement alternative dispute resolution procedures (the "ADR Procedures") (D.I. 2165). The ADR Procedures allow the Debtors to designate certain Claims to participate in meaningful settlement discussions with a full exchange of information. If necessary, the Debtors may further designate a Claim for non-binding mediation with the assistance of a neutral third

[14] See Notice of Appeal, Dec. 30, 2013 (D.I. 2206); Notice of Appeal, Dec. 30, 2013 (D.I. 2207); Notice of Appeal, Dec. 30, 2013 (D.I. 2208); Notice of Appeal, Dec. 30, 2013 (D.I. 2209).

party. The ADR Procedures provide claimants with the necessary motivation to engage the Debtors in settlement discussions and help the Debtors avoid being forced to litigate each Claim to judgment, which would incur significant expense and require a considerable time investment from the Debtors' personnel and advisors. As of [March 7], 2014, the Debtors have designated three personal injury Claims for the ADR Procedures.

E. Employees and Employee Plans

1. *Employee Benefit Plans*

i Pension Plans

OSG historically maintained various retirement programs. After the Petition Date, the Company received Court approval to continue contributing to the following pension plans offered in the US: the Retirement Plan of Maritrans, Inc., the American Maritime Officers Pension Plan, the Marine Engineers' Beneficial Association Defined Benefit Pension Plan, and the Seafarers International Union Pension Plan. The aggregate termination or withdrawal liability, as appropriate, of all such US-based pension plans is approximately $59 million. OSG also participates in several UK-based pension plans: the Merchant Navy Officers Pension Fund and the Merchant Navy Ratings Pension Fund, which are both multi-employer pension plans, along with the OSG Ship Management (UK) Ltd. Retirement Benefits Plan (the "OSG UK Pension Plan"), a single-employer defined benefit pension plan. The aggregate withdrawal or solvency deficits of such UK-based pension plans is approximately $61 million. OSG expects to continue making all required contributions to the aforementioned pension plans in the ordinary course, and all of the Debtors' pension plans will be assumed as of the Effective Date. In addition, Reorganized OSG shall issue any replacement guarantee in respect of the Debtors' or their affiliates' obligations as may be required in respect of the OSG UK Pension Plan.

ii Post-Retirement Benefit Plans

The Company also provides post-retirement medical and life insurance benefits to certain employees, retirees, and certain of their dependents, provided the employees were hired before January 1, 2005 and meet minimum age and service requirements. The post-retirement medical and life insurance plans will be assumed, and such benefits will continue to be an obligation of Reorganized OSG after the Effective Date. The estimated obligation of these plans is approximately $5.0 million.

2. *Employee Incentive Plans*

In order to succeed in the Debtors' competitive business environment, the Debtors historically maintained incentive plans designed to ensure sustained, focused efforts from their employees. The Debtors' Annual Incentive Plan ("AIP") provides for the payment of incentive awards based upon the achievement of pre-determined corporate-wide and business unit financial and operational objectives. As the Debtors' financial difficulties compounded, the AIP, as initially structured, lost some of its ability to provide the necessary incentive to the Debtors' employees. Given these circumstances, after the Petition Date the Debtors reviewed the executive officer component of the AIP and developed a non-executive incentive plan (the "NEIP") in consultation with Mercer, the Debtors' compensation consultant, designed to motivate employees to achieve a number of critical milestones related to the restructuring. In addition, in connection with the Outsourcing, the Debtors developed a supplemental non-executive incentive plan (the "Supplemental NEIP") in consultation with Mercer to offer compensation incentives to substantially all non-executive employees whose responsibilities will ultimately be outsourced or rendered unnecessary. Below is a detailed description of these plans, as approved by the Court:

i NEIP

The Debtors offered participation in the NEIP to non-executive, shoreside employees, with the purpose of ensuring that these critical employees have a stake in the Debtors' reorganization efforts. The NEIP provides for the payment of cash incentive awards at three separate milestone dates based on the completion of specified pre-determined objectives, which are designed to maximize the size of the Debtors' estates while guiding the Debtors out of bankruptcy as swiftly as possible. At each milestone date, the completion of the applicable objectives is determined and NEIP participants who have remained actively employed through such date are paid twenty-five percent of the applicable NEIP bonus for that period. At the later of June 30, 2014 or the NEIP Termination Date (as defined below) participants who have remained actively employed through such date will be paid the remaining seventy-five percent of the participant's first, second and third NEIP bonus awards. The "NEIP Termination Date" is the earlier of (i) emergence of the Debtors from the Chapter 11 proceedings, or (ii) December 1, 2014. The objectives for the first NEIP milestone date of June 30, 2013 were achieved at 108%, and cash awards relating to that period (representing 25% of the first NEIP bonus) were subsequently paid to participants in July 2013. The objectives for the second NEIP milestone date of December 31, 2013 were achieved at 125%, and cash awards relating to that period (representing 25% of the second NEIP bonus) were subsequently paid to participants in January 2014. The third milestone and the remaining deferred balances for the prior two milestone periods are estimated at approximately $9.6 million.

ii Supplemental NEIP

The Supplemental NEIP is a broad-based plan which offers compensation incentives to substantially all non-executive, shoreside employees whose responsibilities will ultimately be outsourced or rendered unnecessary by virtue of the Debtors' restructuring of their international operations, including the Outsourcing. The Supplemental NEIP is designed to enhance the morale, motivation and focus of such employees through performance-based incentives based on objectives tied to the successful operation and transition of the Debtors' international business operations to the new, outsourced business model. Executive officers and employees who will remain with the Debtors' international business operations, as well as employees of the Debtors' U.S. Flag operations, are excluded from participation in the Supplemental NEIP. The Supplemental NEIP provides for the payment of cash incentive awards to plan participants in a single lump sum payment as soon as practicable following the individual "bonus determination date," as communicated to each participant, provided that the participant (i) remains actively employed as of such bonus determination date and (ii) achieves the specific objectives assigned to such participant. Target awards under the Supplemental NEIP range from 25% to 75% of base salary, depending on how critical the participant is to the transition process. The estimated target awards will not exceed $6.0 million as approved by the Bankruptcy Court on February 3, 2014.

iii AIP

The Debtors received the Bankruptcy Court's permission, as part of the first day relief, to continue payments of cash awards under the AIP to non-executive employees in the ordinary course during the course of the Chapter 11 proceedings. Because the NEIP excluded OSG executive participation, the Debtors subsequently received Court approval to continue the AIP and make payments to eight members of the OSG executive leadership team critical to OSG's financial performance and ability to successfully reorganize. Aimed to reward quality performance across business units and corporate functions, the continuation of the AIP for these executives is calibrated to incentivize the achievement of OSG's financial, operational and strategic goals. The AIP for both executive and non-executive employees ties cash incentive payments to four types of targets developed each year by the executive team and the heads of each strategic business unit, and such targets are reviewed annually by OSG's Compensation Committee. The cash incentive payments for the 2013 calendar period will be paid

in March 2014 and total approximately $17.4 million. The current estimated target payment for the 2014 period is $12.2 million, of which approximately $5.0 million will be paid during 2014 as employees are terminated or made redundant during the transitional changes in the Debtor's international business operations.

3. *Merit Increases*

For the past several years, it has been the Debtors' ordinary practice, which is common in the shipping and other industries, to grant annual merit increases (the "Merit Increases") in the base salaries of its executive and non-executive shoreside employees. Each October, the Debtors survey various compensation consultants to determine the appropriate basis for Merit Increases. The Debtors then establish a target percentage for Merit Increases, as well as a dollar amount that represents their target merit pool to fund those Merit Increases. The merit pool target percentage for Merit Increases has averaged 3.5% over the past several years. Individual performance reviews then take place in mid-November of each year and are completed by year end. As a result of these performance reviews, at the Debtors' discretion, employees may be awarded Merit Increases, which become effective as of January 1st of the following year, and are paid retroactively in February of such year upon approval by the Debtors' Compensation Committee. The Debtors received Court approval as part of the first day relief to continue paying Merit Increases, up to a set limit, to non-executive employees in 2013. Subsequently, the Debtors sought Court approval to pay Merit Increases to both executive and non-executive employees in 2014, and the Court entered the order approving such payment on February 3, 2014.

4. *Assumption of Supplemental Executive Savings Plan ("SESP")*

The SESP is the supplemental executive retirement plan sponsored by the Debtors which provides deferred compensation benefits to certain eligible employees who become participants. On December 21, 2012, the SESP was amended to freeze accrual of obligations, providing that, effective as of the Petition Date, (a) no further eligible employees shall be permitted to become participants in the SESP, and (b) the accrued account balance earned by each participant is fixed at its Petition Date amount. Other than with respect to Captain Johnston, whose rights under the SESP are separately set forth in the Employment Letter as described in section IV.A.6 above, the Debtors intend to assume the SESP for all employees who will be retained post confirmation, other than those retained solely on a transitional basis. The aggregate liability is estimated at $817,482.

V.
THE PLAN

THE FOLLOWING IS A SUMMARY OF SOME OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN.

A. Treatment of Claims

1. *Classification of Claims*

(a) *Class A1: Personal Injury Claims*.

(i) *Classification*. Class A1 consists of all Personal Injury Claims.

(ii) *Treatment*. Effective as of the Effective Date, on, or as soon as reasonably practicable after, the Initial Distribution Date if such Class A1 Claim is Allowed on the

Effective Date or otherwise the date on which such Class A1 Claim becomes Allowed, each Allowed Class A1 Claim shall be Reinstated.

(iii) *Voting*. Class A1 Claims are Unimpaired and the Holders of Allowed Class A1 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(b) *Class A2: Admiralty Lien Claims*.

(i) *Classification*. Class A2 consists of all Admiralty Lien Claims.

(ii) *Treatment*. Effective as of the Effective Date, on, or as soon as reasonably practicable after, the Initial Distribution Date if such Class A2 Claim is Allowed on the Effective Date or otherwise the date on which such Class A2 Claim becomes Allowed, each Allowed Class A2 Claim shall be Reinstated.

(iii) *Voting*. Class A2 Claims are Unimpaired and the Holders of Allowed Class A2 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(c) *Class B1: Secured Vessel DIP Claims*.

(i) *Classification*. Class B1 consists of all Secured Vessel DIP Claims.

(ii) *Treatment*. On, or as soon as reasonably practicable after, the Initial Distribution Date if such Class B1 Claim is Allowed on the Effective Date or otherwise the date on which such Class B1 Claim becomes Allowed, each Holder shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class B1 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class B1 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class B1 Claim shall have agreed upon in writing; or (z) such other treatment such that the applicable Allowed Class B1 Claim will be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code.

(iii) *Voting*. Class B1 Claims are Unimpaired and the Holders of Allowed Class B1 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(d) *Class B2: Secured Vessel Claims*.

(i) *Classification*. Class B2 consists of all Secured Vessel Claims.

(ii) *Treatment*. On, or as soon as reasonably practicable after, the Initial Distribution Date if such Class B2 Claim is Allowed on the Effective Date or otherwise the date on which such Class B2 Claim becomes Allowed, each Holder shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class B2 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class B2 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class B2 Claim shall have agreed upon in writing; or (z) such other treatment such that the applicable Allowed Class B2 Claim will be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code.

(iii) *Voting*. Class B2 Claims are Unimpaired and the Holders of Allowed Class B2 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(e) *Class C1: Other Secured Claims.*

(i) *Classification*. Class C1 consists of all Other Secured Claims.

(ii) *Treatment*. On, or as soon as reasonably practicable after, the Initial Distribution Date if such Class C1 Claim is Allowed on the Effective Date or otherwise the date on which such Class C1 Claim becomes Allowed, each Holder shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class C1 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class C1 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class C1 Claim shall have agreed upon in writing; or (z) such other treatment such that it will not be Impaired pursuant to section 1124 of the Bankruptcy Code.

(iii) *Voting*. Class C1 Claims are Unimpaired and the Holders of Allowed Class C1 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(f) *Class D1: Credit Agreement Claims.*

(i) *Classification*. Class D1 consists of all Claims pursuant to the Credit Agreement.

(ii) *Treatment*. Class D1 Claims shall be Allowed in the aggregate amount of $1,490,261,803, plus applicable contractual and default interest through the Effective Date, and fees and expenses of the Credit Agreement Agent and Credit Agreement Lenders, including with respect to post-Effective Date distributions. On, or as soon as reasonably practicable after the Initial Distribution Date, each Holder of an Allowed Class D1 Claim shall receive, in full satisfaction, settlement, discharge and release of, its Allowed Class D1 Claim, (i) its *Pro Rata* share of all of the Reorganized OSG Equity issued pursuant to the Plan that is not otherwise distributed to Holders of Old Equity Interests and Subordinated Claims under the Plan, subject to dilution on account of the Management and Director Incentive Program, the Rights Offering, and the Commitment Premium Shares and Warrants, and (ii) the right to participate in the Rights Offering. The Reorganized OSG Equity to be distributed to each (x) Domestic Holder of an Allowed Class D1 Claim shall be in the form of Reorganized OSG Stock and (y) Foreign Holder of an Allowed Class D1 Claim shall be in the form of a combination of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants, as necessary for Reorganized OSG to comply with the Jones Act. To the extent that any of the reasonable fees and expenses of the Credit Agreement Agent and Credit Agreement Lenders incurred through the Effective Date are not otherwise paid by the Debtors, such fees and expenses shall be paid in full in Cash on the Initial Distribution Date. The Allowed Class D1 Claims shall not be subject to any legal or equitable defenses, setoff, or recoupment.

(iii) *Voting*. Class D1 Claims are Impaired and the Holders of Allowed Class D1 Claims as of the Voting Record Date are entitled to vote to Accept or reject the Plan.

(g) *Class D2: Satisfied Noteholder Claims.*

(i) *Classification*. Class D2 consists of all Satisfied Noteholder Claims.

(ii) *Treatment*. Class D2 Claims shall be Allowed in the aggregate amount of $66,122,827.00, plus any applicable overdue interest at the applicable contractual rate and the reasonable fees and expenses of the 8.750% Debentures Trustee, including with respect to post-Effective Date distributions. On, or as soon as reasonably practicable after, the Initial Distribution Date, each

Holder of an Allowed Class D2 Claim shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class D2 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class D2 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class D2 Claim shall have agreed upon in writing; or (z) such other treatment such that the applicable Allowed Class D2 Claim will be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code. The Allowed Class D2 Claims shall not be subject to any legal or equitable defenses, setoff or recoupment.

(iii) *Voting*. Class D2 Claims are Unimpaired and the Holders of Allowed Class D2 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(h) *Class D3: Reinstated Noteholder Claims*.

(i) *Classification*. Class D3 consists of all Reinstated Noteholder Claims.

(ii) *Treatment*. Class D3 Claims shall be allowed in the aggregate amount of $451,686,250.00, plus any applicable overdue interest at the applicable contractual and/or default rates and the reasonable fees and expenses of the 7.500% Notes Trustee and the 8.125% Notes Trustee, including with respect to post-Effective Date distributions. On, or as soon as reasonably practicable after, the Initial Distribution Date, each Holder of an Allowed Class D3 Claim shall be deemed Reinstated in full satisfaction, settlement, discharge and release of its Allowed Class D3 Claim, such that it will be rendered Unimpaired in accordance with section 1124 of the Bankruptcy Code. The Allowed Class D3 Claims shall not be subject to any legal or equitable defenses, setoff or recoupment.

(iii) *Voting*. Class D3 Claims are Unimpaired and the Holders of Allowed Class D3 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(i) *Class D4: Charter Rejection Claims.*

(i) *Classification*. Class D4 consists of all Charter Rejection Claims.

(ii) *Treatment*. On, or as soon as reasonably practicable after, the Initial Distribution Date if such Class D4 Claim is Allowed on the Effective Date or otherwise the date on which such Class D4 Claim becomes Allowed, each Holder shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class D4 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class D4 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class D4 Claim shall have agreed upon in writing; or (z) such other treatment such that the applicable Allowed Class D4 Claim will be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code.

(iii) *Voting*. Class D4 Claims are Unimpaired and the Holders of Allowed Class D4 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(j) *Class D5: Other Unsecured Claims.*

(i) *Classification*. Class D5 consists of all Other Unsecured Claims.

(ii) *Treatment*. On, or as soon as reasonably practicable after, the Initial Distribution Date if such Class D5 Claim is Allowed on the Effective Date or otherwise the date on which

such Class D5 Claim becomes Allowed, each Holder shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class D5 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class D5 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class D5 Claim shall have agreed upon in writing; or (z) such other treatment such that the applicable Allowed Class D5 Claim will be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code.

(iii) *Voting*. Class D5 Claims are Unimpaired and the Holders of Allowed Class D5 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(k) *Class E1: Subordinated Claims and Old Equity Interests in OSG*.

(i) *Classification*. Class E1 consists of all Subordinated Claims and Old Equity Interests in OSG.

(ii) *Treatment*. Effective as of the Effective Date, on, or as soon as reasonably practicable after the Initial Distribution Date, each Holder of an Allowed Class E1 Claim or Allowed Class E1 Old Equity Interest shall receive, in full satisfaction, settlement, discharge and release of, its Allowed Class E1 Claim or Allowed Class E1 Old Equity Interest, as the case may be, a pro rata share of Reorganized OSG Equity equal to $61.4 million, subject to dilution on account of the Management and Director Incentive Program, the Rights Offering, and the Commitment Premium Shares and Warrants. The Reorganized OSG Equity to be distributed to each (x) Domestic Holder of an Allowed Class E1 Claim or Allowed Class E1 Old Equity Interest shall be in the form of Reorganized OSG Stock, and (y) Foreign Holder of an Allowed Class E1 Claim or Allowed Class E1 Old Equity Interest shall be in the form of a combination of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants, as necessary for Reorganized OSG to comply with the Jones Act.

(iii) *Voting*. Class E1 Claims are Impaired and the Holders of Allowed Class E1 Claims and Allowed Class E1 Old Equity Interest as of the Voting Record Date are entitled to vote to Accept or reject the Plan.

2. *Special Provision Regarding Unimpaired Claims*

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Unimpaired Claims, including, without limitation, all rights with respect to legal and equitable defenses, including setoff or recoupment, against any such Unimpaired Claim.

3. *General Settlement of Claims and Interests*

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to the Plan.

B. Means for Implementation of the Plan

1. *Corporate Existence*

Except as otherwise provided in the Plan, each Debtor shall continue to exist after the Effective Date as a separate corporate Entity, limited liability company, partnership, or other form, as the case may

be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and without any further notice to or action, order, or approval of the Bankruptcy Court or any other court of competent jurisdiction (other than any requisite filings required under applicable state, provincial, or federal law).

2. *Reconciliation of IRS Claims*

Upon the entry of the Confirmation Order, all of the IRS Claims shall be Allowed in full, including postpetition interest due and owing pursuant to Section 7.2 of the Plan. The Plan shall constitute a good faith resolution between the Debtors and the Internal Revenue Service of the Debtors' federal tax liability for the tax years 2003 through 2012. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Allowance of the IRS Claims in full, and the Bankruptcy Court's findings shall constitute its determination that Allowing the IRS Claims in full is in the best interests of the Debtors, their Estates, Creditors, and other parties-in-interest, and that no other amounts are due and owing pursuant to the IRS Claims. On or about the Initial Distribution Date, the Debtors or Reorganized Debtors shall pay the amount of the IRS Claims in Cash, which payment shall be in full, final and complete satisfaction of the IRS Claims. No further distributions shall be made by the Debtors or Reorganized Debtors on account of federal tax liability for the tax years 2003 through 2012.

3. *Issuance of the Plan Securities*

On the Effective Date, Reorganized OSG is authorized to and shall issue and distribute, or cause to be distributed, the Plan Securities, including Reorganized OSG Stock, Reorganized OSG Jones Act Warrants (and, to the extent exercised, Reorganized OSG Stock issuable upon exercise thereof) and the Subscription Rights, and any and all other securities, notes, stock, instruments, certificates and other documents or agreements required to be issued, executed or delivered pursuant to the Plan (collectively, the "New Securities and Documents"). The issuance of the Plan Securities shall be authorized, as of the Effective Date, without further notice to or order of the Bankruptcy Court, any further corporate action, or any further act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person. In no event shall non-U.S. Citizens own more than 23% of the total number of shares of Reorganized OSG Stock outstanding on the Effective Date or following the consummation of the Rights Offering. All of the Reorganized OSG Stock and all of the shares of Reorganized OSG Stock underlying the Reorganized OSG Jones Act Warrants (upon payment of the exercise price in accordance with the terms of such Reorganized OSG Jones Act Warrants) issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable.

4. *Transfer Restrictions*

Reorganized OSG Stock and Reorganized OSG Jones Act Warrants may only be sold subject to transfer restrictions contained in Reorganized OSG's certificate of incorporation or bylaws, which transfer restrictions shall be designed to ensure compliance with the Jones Act (in the case of Reorganized OSG Stock) and applicable federal and state laws.

5. *Issuance of the Reorganized OSG Jones Act Warrants*

The issuance of the Reorganized OSG Jones Act Warrants is authorized without the need for any further corporate action. The Reorganized OSG Jones Act Warrants shall have the following terms:

1 the exercise price for the Reorganized OSG Jones Act Warrants shall be $0.01 per share of Reorganized OSG Stock and shall be paid pursuant to a cashless exercise procedure;

2 the Reorganized OSG Jones Act Warrants shall expire on the twenty-fifth anniversary of the date of the warrant agreement;

3 the Reorganized OSG Jones Act Warrants may only be exercised by (i) an Entity that is a U.S. Citizen or (ii) a non-U.S. Citizen in compliance with the certificate of incorporation and by-laws of Reorganized OSG and shall be exercised when held by a U.S. Citizen;

4 the Reorganized OSG Jones Act Warrants shall be freely transferable to any person, party or entity subject to applicable securities laws; and

5 the Reorganized OSG Jones Act Warrants shall include antidilution protection in the event of stock dividend, recapitalization, stock split or reclassification of Reorganized OSG Stock, and as otherwise set forth in the terms of such Reorganized OSG Jones Act Warrants.

6. *Payment of Consenting Lender Fees and Expenses*

The Debtors or Reorganized Debtors, as applicable, shall pay the PSA/ECA Professional Expenses after notice to the Committee.

7. *Post-Confirmation Property Sales*

To the extent the Debtors or Reorganized Debtors, as applicable, purchase or sell any property prior to or including the date that is one year after the Confirmation Date, the Debtors or Reorganized Debtors, as applicable, may elect to purchase or sell such property pursuant to sections 363, 1123(a)(5)(D), 1141(c), and 1146(a) of the Bankruptcy Code.

8. *Letter of Credit*

OSG and OBS are party to a cash collateral agreement related to an arbitration proceeding, pursuant to which the Debtors deposited $9,146,100 as cash collateral (the "LOC Collateral") in an account over which DNB Bank ASA ("DNB") has a control agreement and DNB issued a letter of credit ("LOC") guarantee to the arbitration counterparty. Promptly following the Effective Date, DNB shall return the LOC Collateral to OSG, with applicable interest. Promptly following receipt of the LOC Collateral, the Reorganized Debtors shall distribute Reorganized OSG Equity to DNB in the amount of the LOC Collateral at Plan value, which Reorganized OSG Equity (or the proceeds thereof) shall be held to secure obligations under the LOC. Once the LOC has terminated pursuant to its terms, DNB shall promptly return to the Reorganized Debtors the difference between any amounts drawn on the LOC and the Reorganized OSG Equity (or its proceeds) pledged as collateral.

9. *Effectuating Documents; Further Transactions*

Each of the matters provided for by the Plan involving the corporate structure of the Debtors or corporate or related actions to be taken by or required of the Reorganized Debtors, whether taken prior to or as of the Effective Date, shall be authorized without the need for any further corporate action or without any further action by the Debtors or the Reorganized Debtors, as applicable. Such actions may include (i) the appointment of the Reorganized OSG Board, (ii) the authorization, issuance and distribution of Reorganized OSG Stock, or Reorganized OSG Jones Act Warrants and any other securities to be authorized, issued and distributed pursuant to the Plan, and (iii) the consummation and implementation of the Exit Financing.

On and after the Effective Date, the Reorganized Debtors, and the officers and members of the boards of directors thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorizations, or consents except for those expressly required pursuant to the Plan.

10. *Liquidation of Certain Debtors*

On or after the Effective Date, the Debtors listed on Exhibit H, if any, will be liquidated pursuant to the Plan. A certificate of cancellation or dissolution, as applicable for each Debtor, will be filed with Delaware's Secretary of State or the appropriate authority immediately after the Effective Date.

11. *Restructuring Transactions*

On, prior to, or after the Effective Date, the Debtors or the Reorganized Debtors, as applicable, may enter into the following transactions and take any actions as may be necessary or appropriate to effectuate a corporate restructuring of their respective businesses of the overall corporate structure of the Reorganized Debtors.

Such restructuring may include one or more mergers, consolidations, restructures, dispositions, liquidations or dissolutions, as may be determined by the Reorganized Debtors to be necessary or appropriate, provided such Restructuring Transactions comply with the terms of (including applicable lender or shareholder consent requirements), and are not prohibited by, the Plan, the Plan Support Agreement or the Equity Commitment Agreement. In each case where the surviving, resulting or acquiring corporation in any such transaction is a successor to a Reorganized Debtor, such surviving, resulting or acquiring corporation will perform the obligations of the Reorganized Debtor pursuant to the Plan to pay or otherwise satisfy the Allowed Claims to the extent not already paid or satisfied.

The actions to effectuate the Restructuring Transactions may include (i) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, disposition, liquidation or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and such other terms to which the applicable entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms of the Plan and having such other terms to which the applicable entities may agree; (iii) the filing of appropriate certificates or articles of merger, consolidation or dissolution pursuant to applicable law; (iv) pledging, granting of liens or security interests over, assuming or guarantying obligations or taking such similar actions as may be necessary to preserve the rights and collateral interests of the secured creditors

of the Debtors and their subsidiaries at all times prior to the effectiveness and consummation of the Plan; and (v) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law in connection with such transactions.

12. *Exit Financing*

On the Effective Date, the New OSG Exit Revolver and the New OSG Exit Facility shall become effective. From and after the Effective Date, the Reorganized Debtors, subject to any applicable limitations set forth in any post-Effective Date financing, shall have the right and authority without further order of the Bankruptcy Court to raise additional capital and obtain additional financing as the boards of directors of the applicable Reorganized Debtors deem appropriate.

13. *Secured Vessels*

The vessels securing the CEXIM Loan Agreement and the DSF Loan Agreement shall be retained by the Debtors.

14. *Revesting of Assets*

Except as otherwise set forth herein, in the Plan Supplement or in the Confirmation Order, as of the Effective Date, all property of each of the Estates, including all Causes of Action (unless released pursuant to Section 11.3(a)) shall vest and revest in each of the appropriate Reorganized Debtors free and clear of all Claims, Liens, encumbrances and Old Equity Interests. From and after the Effective Date, the Reorganized Debtors may operate their businesses and use, acquire and dispose of property and settle and compromise Claims, Equity Interests, or Causes of Action without supervision by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order. Without limiting the generality of the foregoing, the Reorganized Debtors may, without application to or approval by the Bankruptcy Court, pay fees that they incur after the Effective Date for professional fees and expenses.

15. *Closing of the Chapter 11 Cases*

When all Disputed Claims against any Debtor or Reorganized Debtor either have become Allowed or have been disallowed by Final Order, and no contested matter remains outstanding, the Reorganized Debtors shall ask the Bankruptcy Court to close the applicable Debtor's Chapter 11 Case in accordance with the Bankruptcy Code and the Bankruptcy Rules.

16. *Cancellation of Notes, Instruments and Debentures*

On the Effective Date, except to the extent otherwise provided herein, all notes, instruments, certificates, and other documents evidencing Claims or Equity Interests shall be cancelled and the obligations of the Debtors or Reorganized Debtors and their non-Debtor Affiliates thereunder or in any way related thereto shall be discharged; provided, however, that notwithstanding confirmation of the Plan or the occurrence of the Effective Date, any indenture or agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of (1) allowing Holders to receive distributions under the Plan, and (2) allowing and preserving the rights of the Credit Agreement Agent, the Notes Trustees, and OSG and OIN as lenders under an Intercompany Facility. For the avoidance of doubt, the 8.125% Notes and the 7.500% Notes will not be cancelled on the Effective Date.

17. *Exemption from Registration*

To the extent that the Plan Securities constitute "securities," as defined in section 2(a)(1) of the Securities Act, and except with respect to any Entity that is an underwriter as defined in Section X.C.3 of this Disclosure Statement, the issuance of the Plan Securities, including any Rights Offering Shares and Rights Offering Warrants issued in the Initial Rights Offering and the Oversubscription Rights Offering, shall be exempt from registration under U.S. state and U.S. federal securities laws pursuant to section 1145 of the Bankruptcy Code, section 4(a)(2) of the Securities Act ("Section 4(a)(2)") and/or other available exemptions from registration under the Securities Act and state securities laws, as applicable. Issuances of Reorganized OSG Stock in connection with any exercise of Reorganized OSG Jones Act Warrants, which exercises shall be made on a cashless basis, will be exempt from Securities Act registration pursuant to section 1145 of the Bankruptcy Code, section 3(a)(9) of the Securities Act, or another available exemption from registration under the Securities Act and state securities laws, as applicable.

On the Effective Date, Reorganized OSG shall enter into and deliver the Registration Rights Agreement in substantially the form included as Exhibit K to the Plan. The Registration Rights Agreement shall be deemed to be valid, binding, and enforceable in accordance with its terms on those parties set forth in each such agreement filed as Exhibit K to the Plan.

Without limiting the effect of section 1145 of the Bankruptcy Code, all documents, agreements and instruments entered into and delivered on or as of the Effective Date contemplated by or in furtherance of the Plan, and any other agreement or document related to or entered into in connection with same, shall become, and shall remain, effective and binding in accordance with their respective terms and conditions upon the parties thereto, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person or Entity (other than as expressly required by such applicable agreement).

18. *Intercompany Claims and Intercompany Equity Interests*

Notwithstanding anything in the Plan to the contrary, on the Effective Date, the Intercompany Claims shall be, at the option of Reorganized OSG, Reinstated or discharged and satisfied by contributions, distributions or otherwise.

Notwithstanding anything in the Plan to the contrary, on the Effective Date, the Intercompany Equity Interests shall be Reinstated.

19. *Intercompany Account Settlement*

The Debtors and the Reorganized Debtors, and their respective Affiliates, will be entitled to transfer funds between and among themselves consistent with the terms of the Cash Management Order. Any changes in intercompany account balances resulting from such transfers will be accounted for and settled in accordance with the ordinary course intercompany account settlement practices and will not violate the terms of the Plan.

C. Rights Offering

1. *Rights Exercise Form*

In accordance with the terms of the Rights Offering Procedures, the Debtors will cause to be delivered a form (the "Rights Exercise Form") to each Eligible Participant in order to determine which

Eligible Participants elect to exercise their Subscription Rights. In order to exercise its Subscription Rights, each Eligible Participant must, in accordance with the terms set forth in the Rights Exercise Form, validly complete and return a Rights Exercise Form by the date specified (the "Rights Offering Expiration Date"). Only Eligible Participants shall be permitted to participate in the Rights Offering.

2. *Issuance of Subscription Rights*

Each Eligible Participant shall have the right, but not the obligation, to participate in the Initial Rights Offering and the Oversubscription Rights Offering as set forth herein and in the Rights Offering Procedures. Each Eligible Participant that elects to exercise Subscription Rights in accordance with the terms of the Rights Offering, that completes an affidavit of citizenship and is reasonably deemed a U.S. Citizen by OSG shall receive Rights Offering Shares in exchange for the exercise of its Subscription Rights. In the Initial Rights Offering, each Eligible Participant will be entitled to subscribe for the number of Rights Offering Securities equal to the product (rounded down to the nearest whole share or warrant) of: (a) the Subscription Commitment Percentage of such Holder, multiplied by (b) the total number of Rights Offering Securities.

To the extent there are Unsubscribed Securities in the Initial Rights Offering, each Eligible Participant, based on such Eligible Participant's Subscription Commitment Percentage, will be entitled to subscribe for any number of Rights Offering Securities provided that the total number of Rights Offering Securities that each Eligible Participant may receive in the Oversubscription Rights Offering will not exceed the 1145 Cap. Further, if Eligible Participants, as a whole, elect to exercise more Oversubscription Rights than, when taken together with all validly exercised and paid for Initial Rights, exceed the Rights Offering Securities, then the amount of Oversubscription Rights Offering Securities to be purchased by ach Eligible Participant exercising rights in the Oversubscription Rights Offering will be reduced proportionately to the extent of such aggregate over-election based on the number of Rights Offering Securities each Eligible Participant is entitled to receive in the Initial Rights Offering.

Each Eligible Participant that elects to exercise Subscription Rights in accordance with the terms of the Rights Offering and is unable or fails to timely complete an affidavit of citizenship, or is reasonably deemed to be a non-U.S. Citizen by the Debtors, shall receive: (i) Rights Offering Shares in exchange for the exercise of its Rights if Foreign Eligible Participants elect to purchase in the aggregate Rights Offering Securities that account for less than 23% of all of the Rights Offering Securities to be purchased pursuant to the Rights Offering, or (ii) if Foreign Eligible Participants elect to purchase in the aggregate Rights Offering Securities that account for 23% or more of all of the Rights Offering Securities to be purchased pursuant to the Rights Offering, (A) a number of Rights Offering Shares equal to the product determined by multiplying (I) 23% of the total number of Rights Offering Shares issued pursuant to the Rights Offering by (II) a fraction, (x) the numerator of which is the number of Rights Offering Securities such Foreign Eligible Participant elects to purchase in accordance with the terms of the Rights Offering and (y) the denominator of which is the aggregate number of Rights Offering Securities that all Foreign Eligible Participants elect to purchase in accordance with the terms of the Rights Offering, and (B) Rights Offering Warrants equal to the number of Rights Offering Securities that such Foreign Eligible Participant elects to purchase in accordance with the terms of the Rights Offering minus the number of Rights Offering Shares issued to such Foreign Eligible Participant pursuant to subclause (A) above, in exchange for the exercise of its Subscription Rights.

3. *Transfer Restriction*

Except as provided in the Equity Commitment Agreement, the Subscription Rights issued to each Eligible Participant will be severable from such Eligible Participant's Allowed Credit Agreement Claim and may be separately sold, transferred, assigned or pledged to other Eligible Participants as of the

subscription date for the Rights Offering (so long as neither the sale, transfer, assignment or pledge of such Subscription Rights nor the subsequent exercise of such Subscription Rights will require registration under the Securities Act), in whole or in part with the consent of the Debtors, such consent not to be unreasonably withheld.

Each Eligible Participant shall provide noticed to the Debtors of any proposed sale, transfer, assignment, or pledge of Subscription Rights using the form of proposed notice attached to the Plan as Exhibit L. The Debtors shall return such notice indicating their consent or non-consent within five business days of receipt. Upon closing such sale, transfer, assignment, or pledge, the applicable buyer transferee, assignee, or pledgee shall provide notice to KCC in accordance with the form attached to the Plan as Exhibit M. No such sale, transfer, assignment, or pledge will be recorded or given effect for purposes of distribution unless notice is received by KCC on or before the Rights Offering Expiration Date.

The obligations of the parties to the Equity Commitment Agreement shall be transferable consistent with the terms of the Equity Commitment Agreement.

4. *Subscription Period and Mailing*

The Rights Offering shall commence for each Eligible Participant on the day upon which the Rights Exercise Form is first mailed or made available to Eligible Participants and shall expire on the Rights Offering Expiration Date, unless extended by the Debtors, with the consent of the Requisite Commitment Parties (such consent not to be unreasonably withheld, conditioned or delayed). Eligible Participants will be mailed Rights Exercise Forms together with instructions for the proper completion, due execution, and timely delivery of such Rights Exercise Forms, as well as instructions for payment.

5. *Exercise of Subscription Rights*

To exercise its Subscription Rights, an Eligible Participant that is not a Commitment Party must: (i) return a validly completed Rights Exercise Form to the Rights Offering Agent so that such Rights Exercise Form is actually received by the Rights Offering Agent on or before the Rights Offering Expiration Date and (ii) pay to the Rights Offering Agent on or before the Rights Offering Expiration Date the Purchase Price multiplied by the number of Rights Offering Securities such Eligible Participant has elected to purchase pursuant to its Subscription Rights, in accordance with the wire instructions set forth on the Rights Exercise Form.

Each Commitment Party must: (i) return a validly completed Rights Exercise Form to the Rights Offering Agent so that such Rights Exercise Form is actually received by the Rights Offering Agent on or before the Rights Offering Expiration Date, (ii) on or before the Rights Offering Expiration Date, pay to the Rights Offering Agent the Purchase Price multiplied by the number of Rights Offering Securities such Eligible Participant has elected to purchase pursuant to its Subscription Rights in the Initial Rights Offering, and (iii) within the Commitment Party Funding Time (as defined in the Rights Exercise Form), pay to the Rights Offering Agent the Purchase Price multiplied by the number of Rights Offering Securities such Commitment Party is obligated to purchase pursuant to its Oversubscription Rights, in each case in accordance with the wire instructions set forth on the Rights Exercise Form.

If the Rights Offering Agent for any reason does not receive on or prior to the Rights Offering Expiration Date from an Eligible Participant a validly completed Rights Exercise Form and immediately available funds as set forth in Article VI of the Plan and in the Rights Exercise Form, such Eligible Participant shall be deemed to have relinquished and waived its right to participate in the Rights Offering. The Debtors shall not be obligated to honor any purported exercise of Subscription Rights received by the

Rights Offering Agent after the Rights Offering Expiration Date, regardless of when the documents relating to such exercise were sent. Once the Eligible Participant has validly exercised its Subscription Rights, such exercise will not be permitted to be revoked, rescinded, or modified, unless the Rights offering is not consummated by August 31, 2014.

The payments made in accordance with the Rights Offering shall be deposited and held by the Rights Offering Agent in an escrow account. The Rights Offering Agent will maintain such account for the purpose of holding the money for administration of the Rights Offering until the Effective Date or such other later date at the option of the Reorganized Debtors. The Rights Offering Agent shall not use such funds for any other purpose and shall not encumber or permit such funds to be encumbered with any Lien or similar encumbrance. Such funds shall be held in such escrow account and disbursed only in accordance with the procedures described in Article VI of the Plan, the Rights Offering Procedures, and the Equity Commitment Agreement.

The Debtors, in consultation with the Requisite Consenting Lenders, may adopt such additional detailed procedures consistent with the provisions of Article VI of the Plan, the Rights Offering Procedures, and the Equity Commitment Agreement to more efficiently administer the exercise of the Subscription Rights.

6. *Subscription Commitment Procedures*

The Commitment Parties shall be obligated to consummate their Subscription Commitment with respect to Unsubscribed Securities on the terms and subject to the conditions set forth in the Equity Commitment Agreement. The Commitment Parties shall receive (i) a fee allocated among the Commitment Parties, as provided in the Equity Commitment Agreement paid promptly following the Effective Date, at each Commitment Party's option, either in the form of (x) shares of Reorganized OSG Equity, equal to 5% of the aggregate amount raised in the Rights Offering or (y) the cash equivalent thereof and (ii) the reimbursement of all applicable reasonable documented fees and expenses. Those Commitment Parties that do not comply with Jones Act citizenship requirements will receive a combination of Reorganized OSG Stock to the extent permissible and Reorganized OSG Jones Act Warrants, as determined by the Debtors with the consent of the Commitment Parties and the Credit Agreement Agent, in compliance with the Jones Act.

D. Provisions Governing Distributions

1. *Distributions for Claims Allowed as of the Effective Date*

Except as otherwise provided herein or as ordered by the Bankruptcy Court, distributions to be made on account of Claims that are Allowed Claims as of the Effective Date shall be made on the Initial Distribution Date or as soon thereafter as is practicable.

(b) Notwithstanding anything to the contrary herein, on the Initial Distribution Date, or as soon thereafter as is reasonably practicable, the Disbursing Agent will distribute to (i) each Holder of an Allowed Class B1, B2, C1, D4 or D5 Claim the treatment accorded to such Holder in Article III; (ii) the Notes Trustees cash sufficient to fund the treatment accorded to Holders of Allowed Class D2 and D3 Claims in Article III; and (iii) to the Credit Agreement Agent or, if so directed by the Credit Agreement Agent, to the Holders directly, the treatment accorded to Holders of Allowed Class D1 Claims in Article III.

Any distribution to be made pursuant to the Plan shall be deemed to have been made on the Effective Date. Any payment or distribution required to be made under the Plan on a day other than a

Business Day shall be made on the next succeeding Business Day. Distributions on account of Disputed Claims that first become Allowed Claims after the Effective Date shall be made pursuant to Article IX of the Plan.

2. *Postpetition Interest on Claims Against Debtors*

Postpetition interest shall accrue and be paid on all Allowed Claims in Classes D1 through D5 and on the IRS Claims. Holders of Allowed Claims in Classes D1 through D5 will receive postpetition interest on their Allowed Claims, calculated from the Petition Date, at the contractual rate of interest, if any (including default interest rate, to the extent applicable) set forth in each of the agreements underlying the respective Claims. Postpetition interest shall accrue and be paid on the IRS Claims at the rate of interest specified in section 6621 of the Internal Revenue Code. Holders of Allowed Claims in Class D5 or in Class D4 whose relevant agreements do not entitle them to any contractual rate of interest or who do not file an objection (a "Postpetition Interest Rate Objection") by the Confirmation Objection Deadline will receive postpetition interest on their Allowed Claims calculated from the Petition Date at the Presumed Postpetition Interest Rate. Any Holder of a Claim in Class D4 or D5 who wishes to opt out of the Presumed Postpetition Interest Rate must file a Postpetition Interest Rate Objection, specifying the postpetition interest rate such Holder believes it is entitled to receive and providing the basis for such an interest rate. Any Holder of a Claim in Class D4 or D5 who does not file a Postpetition Interest Rate Objection shall be deemed to accept the application of the Presumed Postpetition Interest Rate to such Holder's Allowed Claim.

3. *Disbursing Agent*

Except as otherwise provided herein, all Cash distributions and other distributions to be made by the Debtors or the Reorganized Debtors, under the Plan or otherwise in connection with the Chapter 11 Cases (including, without limitation, professional compensation and statutory fees) shall be made by the Disbursing Agent. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. The Disbursing Agent may employ or contract with other entities to assist in or make the distributions required by the Plan.

4. *Delivery of Distributions and Undeliverable or Unclaimed Distributions*

i Delivery of Distributions to Holders of Allowed Claims in General.

Unless otherwise agreed to between the Debtors or the Reorganized Debtors, as applicable, and the Holder of an Allowed Claim, the Debtors shall make distributions to the Holders of Allowed Claims in the same manner and to the same addresses as such payments are made in the ordinary course of the Debtors' businesses, unless another address is listed on the Holder's proof of claim form, in which case such address will be used; provided, however, that, to the extent any distributions are made on account of the PSA/ECA Professional Expenses, they shall be made to the Credit Agreement Agent.

No distributions shall be made on a Disputed Claim until and unless such Disputed Claim becomes an Allowed Claim.

In order to permit distributions under the Plan, Reorganized OSG may, but will not be required to, establish reasonable reserves for Disputed Claims.

Other than the evidentiary certificates referred to at the end of this paragraph, physical certificates representing Plan Securities will not be issued pursuant to the Plan. The Reorganized OSG Stock and the

Reorganized OSG Jones Act Warrants will be registered on the New York Stock Exchange. A certificate shall be issued to evidence registration in these shareholder and warrants registers.

ii Undeliverable, Unnegotiated and Unclaimed Distributions.

Holding of Undeliverable, Unnegotiated and Unclaimed Distributions. If the distribution to any Holder of an Allowed Claim is returned to the Disbursing Agent as undeliverable or is otherwise unclaimed or not negotiated, no further distributions shall be made to such Holder unless and until the Disbursing Agent is notified in writing of such Holder's then current address.

After Distributions Become Deliverable. The Disbursing Agent shall make all distributions that have become deliverable or have been claimed since the Initial Distribution Date as soon as practicable after such distribution has become deliverable or has been claimed.

Failure to Claim Undeliverable or Unnegotiated Distributions. Any Holder of an Allowed Claim (or any successor or assignee or other Person or Entity claiming by, through, or on behalf of, such Holder) that does not assert a claim pursuant to the Plan for an undeliverable or unclaimed distribution within six (6) months after the later of the Effective Date or the date such distribution was made shall be deemed to have forfeited its Claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting any such Claim for an undeliverable or unclaimed distribution against the Debtors or their Estates, the Reorganized Debtors or their property. In such cases, (a) any Cash for distribution on account of such Claims for undeliverable or unclaimed distributions shall become the property of the Reorganized Debtors free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary and (b) any New Securities and Documents held for distribution on account of such Claim shall be sold by the Administrative and Disputed Claims Agent and the proceeds of such sale shall become the property of the Reorganized Debtors free of any restrictions thereon. Nothing contained in the Plan shall require the Debtors, the Reorganized Debtors, the Disbursing Agent, or the Administrative and Disputed Claims Agent to attempt to locate any Holder of an Allowed Claim.

No Effect on Cash Distributions. Any Holder of an Allowed Claim (or any successor or assignee or other Person or Entity claiming by, through, or on behalf of, such Holder) entitled to receive both a distribution of Cash and a distribution of Plan Securities may receive such Cash distribution even if its distribution of Plan Securities has not yet occurred, is returned to the Disbursing Agent as undeliverable, or is otherwise unclaimed.

5. *Distribution Record Date*

On the Distribution Record Date, the Claims Register shall be closed and the Disbursing Agent shall be authorized and entitled to recognize only those Holders listed on the Claims Register as of the close of business on the Distribution Record Date. Notwithstanding the foregoing, if a Claim or Equity Interest is transferred less than 20 days before the Distribution Record Date, the Disbursing Agent shall make distributions to the transferee only to the extent practical and in any event only if the relevant transfer form contains an unconditional and explicit certification and waiver of any objection to the transfer by the transferor.

6. *Cash Payments*

Payments made pursuant to the Plan shall be made by the Disbursing Agent in Cash and by (i) checks drawn on or (ii) wire transfer from a domestic bank selected by the Disbursing Agent. Any Cash distributions required under the Plan to foreign Creditors may be made, at the option of the Disbursing Agent, by such means as are necessary or customary in a particular foreign jurisdiction. Any check

issued by the Disbursing Agent shall be null and void if not negotiated within ninety (90) days. Any Cash distributions required under the Plan in respect of Allowed Notes Claims shall be paid by the Disbursing Agent to the applicable trustees by federal funds wire transfer on the Initial Distribution Date.

7. *Limitation on Recovery*

No Holder of an Allowed Claim shall receive in respect of such Claim any distribution in excess of the Allowed amount of such Claim including, without limitation, distributions from more than one Debtor due to guarantees, undertakings, or joint and several obligations. In the event that the sum of distributions from several Debtors' Estates with respect to an Allowed Claim would be in excess of one hundred percent (100%) of the applicable Holder's Allowed Claim, then the proceeds remaining to be distributed to such Holder in excess of such one hundred percent (100%) shall be redistributed to other Holders of Allowed Claims against such Debtor or Debtors, or shall revest in the Reorganized Debtors, in accordance with the provisions of the Plan and the Bankruptcy Code.

8. *Withholding and Reporting Requirements*

In connection with the Plan and all distributions hereunder, the Reorganized Debtors shall comply with all withholding and reporting requirements imposed by any U.S. federal, state or local taxing authority or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements. The Reorganized Debtors shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. All Persons holding Claims shall be required to provide any information necessary to effectuate information reporting and the withholding of such taxes. Notwithstanding any other provision of the Plan to the contrary, (a) each Holder of an Allowed Claim shall be liable for any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution, (b) any amounts deducted or withheld from any distribution to a Holder by the Reorganized Debtors in respect of any tax shall be treated as if distributed to such Holder in connection with the Plan, and (c) at the discretion of the Reorganized Debtors, no distribution shall be made to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Reorganized Debtors for the payment and satisfaction of such tax obligations. Any Cash, New Securities and Documents and/or other consideration or property to be distributed pursuant to the Plan shall, pending the implementation of such arrangements, be treated as an unclaimed distribution pursuant to Section 7.4(b) of the Plan.

9. *Setoffs*

The Reorganized Debtors may, pursuant to section 553 of the Bankruptcy Code and applicable non-bankruptcy law, but shall not be required to, set off against any payments or other distributions to be made pursuant to the Plan in respect of an Allowed Claim, claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the Holder of such Claim; provided, however, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Reorganized Debtors of any claim that the Debtors or the Reorganized Debtors may have against such Holder.

10. *No Fractional Shares or Warrants*

There shall be no distribution of (i) fractional shares or (ii) fractional warrants. Where a fractional share, or fractional warrant would otherwise be called for, the actual issuance shall reflect a rounding down of such fraction.

11. *Hart-Scott-Rodino Compliance*

Any shares of Reorganized OSG Stock to be distributed under the Plan to any entity required to file a Premerger Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or to meet any similar requirements under applicable non-U.S. law, shall not be distributed until the notification and waiting periods applicable under such law to such entity shall have expired or been terminated.

E. Treatment of Executory Contracts and Unexpired Leases

1. *Assumption, Rejection and Assignment of Executory Contracts and Unexpired Leases*

On the Effective Date, all executory contracts and unexpired leases of the Debtors will be deemed assumed, in accordance with and subject to the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, unless such executory contracts and unexpired leases are (i) identified on Exhibit C to be filed with the Plan Supplement as Rejected Contracts and not removed from such exhibit prior to the Effective Date, (ii) previously rejected by order of the Bankruptcy Court, or (iii) the subject of a motion to reject filed with the Bankruptcy Court on or before the Effective Date.

Each Assigned Contract shall be listed on Exhibit G, along with the proposed counterparty to such Assigned Contract.

Each Rejected Contract shall be rejected only to the extent that it constitutes an executory contract or unexpired lease.

The proposed rejection damages for any Rejected Contract shall be zero dollars unless otherwise indicated in Exhibit C.

Without amending or altering any prior order of the Bankruptcy Court approving the assumption, assignment or rejection of any executory contracts and unexpired leases, entry of the Confirmation Order shall constitute approval of the assumptions, assignments and rejections as applicable, provided herein, pursuant to sections 365(a), 365(f) and 1123 of the Bankruptcy Code. To the extent any provision in any executory contracts and unexpired leases assumed or assigned pursuant to the Plan (including, without limitation, any "change of control" provision) conditions, restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the applicable assumption or assignment of such executory contract or unexpired lease, or that terminates or modifies such executory contract or unexpired lease or allows the counterparty to such executory contract or lease to terminate, modify, recapture, impose any penalty, condition renewal or extension, or modify any term or condition upon any such assumption or assignment, then such provision shall be deemed void and of no force or effect such that the transactions contemplated by the Plan shall not entitle the non-debtor party thereto to terminate or modify such executory contract or unexpired lease or to exercise any other default-related rights with respect thereto. Confirmation of the Plan and consummation of the transactions contemplated thereby shall not constitute a change of control under any executory contract or unexpired lease assumed by the Debtors on or prior to the Effective Date.

2. *Cure of Defaults of Assumed Executory Contracts and Unexpired Leases*

The proposed cure amount (the "Cure Amount") for any executory contract or unexpired lease that is assumed or assumed and assigned pursuant to the Plan shall be zero dollars unless otherwise indicated in a schedule to be filed with the Bankruptcy Court as part of the Plan Supplement or another

pleading filed by the Debtors (the "Cure Notice"). All Cure Amounts shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment in Cash in the amounts set forth in the Cure Notice, or on such other terms as the parties to each such executory contract or unexpired lease may otherwise agree in writing, on or as soon as practicable following the Effective Date or on such other terms as the parties to each such executory contract or unexpired lease may otherwise agree. Pursuant to section 365(b)(2)(D) of the Bankruptcy Code, no counterparty to an executory contract or unexpired lease shall be allowed a Claim, as part of its cure Amount, for a default rate of interest or any other form of late payment penalty.

In the event of a dispute pertaining to assumption, assignment, or the Cure Amount set forth in the Cure Notice, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the resolution of the dispute in accordance with Section 8.3 of the Plan. Pending the resolution of such dispute, the executory contract or unexpired lease at issue shall be deemed conditionally assumed by the relevant Reorganized Debtor unless otherwise ordered by the Bankruptcy Court. To the extent that any Person fails to timely File an objection to the assumption, assumption and assignment, or the Cure Amount listed in the Cure Notice or otherwise as set forth in Section 8.3 of the Plan, such Person is deemed to have consented to such Cure Amounts and the assumption or assumption and assignment of such executory contracts or unexpired leases pursuant to the Plan. The Cure Amounts set forth in the Cure Notice shall be final and binding on all non-debtor parties (including any successors and designees) to such executory contracts or unexpired leases set forth in the Cure Notice, and shall not be subject to further dispute or audit based on performance prior to the time of assumption, irrespective of the terms and conditions of such executory contract or unexpired lease. Each counterparty to an assumed or assumed and assigned executory contract or unexpired lease, whether entered before or after the Petition Date, shall be forever barred, estopped, and permanently enjoined from (i) asserting against any Reorganized Debtor, or its property, any default existing as of the Effective Date or any counterclaim, defense, setoff or any other interest asserted or assertable against the Debtors; and (ii) imposing or charging against any Reorganized Debtor any accelerations, assignment fees, increases or any other fees as a result of any assumption or assignment pursuant to the Plan.

Upon the assignment of any Assigned Contract, no default shall exist thereunder and no counterparty to any such Assigned Contract shall be permitted to declare a default by the Debtors or the Reorganized Debtors thereunder or otherwise take action against the Reorganized Debtors or their property as a result of any of the Restructuring Transactions, or any Debtor's financial condition, bankruptcy or failure to perform any of its obligations under such Assigned Contract prior to the Effective Date. Any provision in any Assigned Contract that is assigned under the Plan which prohibits or conditions the assignment or allows the counterparty thereto to terminate, recapture, impose any penalty, condition on renewal or extension, or modify any term or condition upon such assignment, constitutes an unenforceable anti-assignment provision that is void and of no force and effect.

3. *Objections to Rejection, Assumption, Assignment or Cure*

Except as provided by Section 8.4 of the Plan regarding amendments to Exhibit C and Exhibit G, responses or objections (each a "Treatment Objection"), if any, to the (i) rejection, including any applicable rejection damages as listed on Exhibit C, (ii) assumption, (iii) assumption and assignment of Assigned Contracts as listed on Exhibit G, or (iv) any Cure Amount related to any contracts or leases to be assumed or assumed and assigned under the Plan as identified on the Cure Notice, shall be Filed, together with proof of service, with the Clerk of the United States Bankruptcy Court, District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801, and served such that the responses or objections are actually received no later than **4:00 p.m. (ET) on [May 15], 2014** (the "Confirmation Objection Deadline") by each of the following parties:

(i) counsel to the Debtors, Cleary Gottlieb Steen & Hamilton LLP, One Liberty Plaza, New York, New York 10006, Attention: James L. Bromley, Esq., and Luke A. Barefoot, Esq.; and Morris Nichols, Arsht & Tunnell LLP, 1201 North Market Street, P.O. Box 1347, Wilmington, Delaware 19801, Attention: Derek C. Abbott, Esq.;

(ii) the Office of the United States Trustee, U.S. Department of Justice, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attention: Mark Kenney, Esq.;

(iii) counsel to the Committee, Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036, Attention: Daniel H. Golden, Esq., and Fred S. Hodara, Esq.; and

(iv) counsel to the Credit Agreement Agent, Milbank, Tweed, Hadley & McCloy LLP, One Chase Manhattan Plaza, New York, NY 10005, Attention: Dennis F. Dunne, Esq. and Samuel A. Khalil, Esq.

Any objection to the Cure Amount set forth in the Cure Notice or to the proposed rejection damages shall state with specificity the cure amount or rejection damages amount, as applicable, the objecting party believes is required and provide appropriate documentation in support thereof. If any Treatment Objection is not timely Filed and served before the Confirmation Objection Deadline, each counterparty to an assumed, assumed and assigned, or rejected executory contract or unexpired lease, whether entered before or after the Petition Date, shall be forever barred from (i) objecting to the rejection, assumption, assignment, rejection damages amount, and/or Cure Amount provided hereunder, and shall be precluded from being heard at the Confirmation Hearing with respect to such objection; (ii) asserting against any Reorganized Debtor, or its property, any default existing as of the Effective Date or any counterclaim, defense, setoff or any other interest asserted or assertable against the Debtors; and (ii) imposing or charging against any Reorganized Debtor any accelerations, assignment fees, increases or any other fees as a result of any assumption or, assumption and assignment or rejection pursuant to the Plan.

On and after the Effective Date, the Reorganized Debtors may, in their sole discretion, settle Treatment Objections without any further notice to or action by the Bankruptcy Court or any other party (including by paying any agreed "cure" amounts).

For each executory contract or unexpired lease as to which a Treatment Objection is timely Filed and properly served and that is not otherwise resolved by the parties on or before the date of the Confirmation Hearing, the Debtors, in consultation with the Bankruptcy Court, may schedule a hearing on such Treatment Objection and provide at least twenty-one calendar days' notice of such hearing to the party filing such Treatment Objection. Unless the Bankruptcy Court expressly orders or the parties agree otherwise, any assumption, rejection, or assignment approved by the Bankruptcy Court notwithstanding a Treatment Objection shall be effective as of the effective date originally proposed by the Debtors or specified in the Plan or the Confirmation Order. Any cure shall be paid as soon as reasonably practicable following the entry of a Final Order resolving a Cure Amount or assumption or assignment dispute unless the Debtors elect to reject the executory contract or unexpired lease as described below.

4. *Reservation of Rights*

The Debtors reserve their right, on or before 3:00 p.m. (prevailing Eastern Time) on the Business Day immediately before the Confirmation Hearing, as may be rescheduled or continued, to (i) amend

Exhibit C to delete or add any unexpired lease or executory contract, and (ii) amend Exhibit G to delete or add any Assigned Contracts, in each case subject to the consent of the Requisite Consenting Lenders. The counterparty to any executory contracts or unexpired leases first listed on or removed from Exhibit C, or Exhibit G, as applicable, later than the date that is ten calendar days before the Confirmation Hearing, shall have five calendar days from the date of service of amended Exhibit C, or Exhibit G, as applicable, to file a Treatment Objection. The counterparty to any executory contract or unexpired lease first listed on or removed from Exhibit C, or Exhibit G, as applicable, later than the date that is five (5) calendar days before the Confirmation Hearing, shall have until the Confirmation Hearing to file a Treatment Objection. The counterparty to any executory contracts or unexpired leases first listed on or removed from Exhibit C, or Exhibit G, as applicable, on or after the date of the Confirmation Hearing, shall have ten calendar days from the service of such amended Exhibit to file a Treatment Objection.

If the Debtors, in their discretion, determine that the amount asserted to be the necessary "cure" amount would, if ordered by the Bankruptcy Court, make the assumption and/or assignment of the executory contract or unexpired lease imprudent, then the Debtors may elect to (i) reject the relevant executory contract or unexpired lease or (ii) request an expedited hearing on the resolution of the "cure" dispute, exclude assumption or rejection of the contract or lease from the scope of the Confirmation Order, and retain the right to reject the executory contract or unexpired lease pending the outcome of such dispute.

If the Debtors, in their discretion, determine that the amount asserted to be the necessary rejection damages amount would, if ordered by the Bankruptcy Court, make the rejection of the executory contract or unexpired lease imprudent, then the Debtors may elect to (i) assume the relevant executory contract or unexpired lease, (ii) assume and assign the relevant executory contract or unexpired lease, or (iii) request an expedited hearing on the resolution of the rejection damages dispute, exclude assumption or rejection of the contract or lease from the scope of the Confirmation Order, and retain the right to assume or assume and assign the executory contract or unexpired lease pending the outcome of such dispute.

Neither the exclusion nor inclusion of any contract or lease in Exhibit C or Exhibit G, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an executory contract or unexpired lease or that the Reorganized Debtors have any liability thereunder.

5. *Compensation and Benefit Programs*

Reorganized OSG shall administer the Management and Director Incentive Program. The Reorganized OSG Board shall determine the initial grants under the Management and Director Incentive Program, which shall be in form and substance reasonably satisfactory to the Requisite Consenting Lenders.

Except as otherwise expressly provided in the Plan, including the limitations set forth herein with respect to the Management and Director Incentive Program, on and after the Effective Date, subject to any Final Order, the Reorganized Debtors shall have the sole discretion to (1) amend, adopt, assume, and/or honor, in the ordinary course of business or as otherwise provided for herein, any contracts, agreements, policies, programs, and plans for, among other things, compensation, pursuant to the terms thereof or hereof, including any incentive plan, as applicable, including health care benefits, disability benefits, deferred compensation benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation benefits, life insurance, and accidental death and dismemberment insurance for the directors, officers, and employees of any of the Debtors who served in such capacity from and after the Petition Date, and (2) honor, in the ordinary course of business, any accrued vacation time arising prior to the Petition Date for employees employed as of the Effective Date.

As of the Effective Date, the Reorganized Debtors shall continue (and shall continue their obligations with respect to) the Pension Plans in accordance with, and subject to, their terms, ERISA, the Internal Revenue Code, and applicable law, and shall preserve all of their rights thereunder. All Proofs of Claim filed on account of Claims in connection with the termination of the Pension Plans shall be deemed disallowed and expunged as of the Effective Date without any further action of the Debtors or Reorganized Debtors and without any further action, order, or approval of the Bankruptcy Court. Notwithstanding anything to the contrary in the Plan, no provision in the Plan or the Confirmation Order, or proceeding within the Chapter 11 Cases, shall in any way be construed as discharging, releasing, or relieving the Debtors, the Reorganized Debtors, or any other party in any capacity, from any liability with respect to the Pension Plans under any law, governmental policy, or regulatory provision, including for breach of fiduciary duty.

Collective bargaining agreements shall be treated as executory contracts under the Plan and shall be assumed on the Effective Date.

6. *Preexisting Obligations to the Debtors Under Rejected Contracts*

Rejection of any Rejected Contract pursuant to the Plan shall not constitute a termination of pre-existing obligations owed to the applicable Debtor(s) under such Rejected Contract. In particular, notwithstanding any nonbankruptcy law to the contrary, the Reorganized Debtors expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased by the contracting Debtors or Reorganized Debtors, as applicable, from counterparties to any Rejected Contract.

7. *Subsequent Modifications, Amendments, Supplements or Restatements.*

Unless otherwise provided by the Plan or by separate order of the Bankruptcy Court, each executory contract and unexpired lease that is assumed, whether or not such executory contract or unexpired lease relates to the use, acquisition or occupancy of real property, shall include (a) all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease and (b) all executory contracts or unexpired leases appurtenant to the premises, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, and uses, unless any of the foregoing agreements has been or is rejected pursuant to an order of the Bankruptcy Court or is otherwise rejected as part of the Plan. Modifications, amendments, supplements and restatements to prepetition executory contracts and unexpired leases that have been executed by the Debtors during the Chapter 11 Cases and actions taken in accordance therewith (i) do not alter in any way the prepetition nature of the executory contracts and unexpired leases, or the validity, priority or amount of any Claims against the Debtors that may arise under the same, (ii) are not and do not create postpetition contracts or leases, (iii) do not elevate to administrative expense priority any Claims of the counterparties to the executory contracts and unexpired leases against any of the Debtors and (iv) do not entitle any entity to a Claim under any section of the Bankruptcy Code on account of the difference between the terms of any prepetition executory contracts or unexpired leases and subsequent modifications, amendments, supplements or restatements

F. Procedures for Resolving Disputed Claims

1. *Resolution of Disputed Claims*

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Reorganized Debtors and the Administrative and Disputed Claims Agent shall have the exclusive right to make and

File objections to Claims (other than Administrative Expense Claims and Professional Fees Claims to which other parties may object as set forth in Section 3.1 and Section 13.5 of the Plan) and shall serve a copy of each objection upon the Holder of the Claim to which the objection is made as soon as practicable, but in no event later than ninety (90) days after the Effective Date (the "Claims Objection Deadline") or such later date as is established by the filing of a notice by the Reorganized Debtors prior to the expiration of the then current Claims Objection Deadline. Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the Holder thereof if service is effected in any of the following manners: (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (b) by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto; or (c) by first class mail, postage prepaid, on any counsel that has appeared on the Holder's behalf in the Chapter 11 Cases. The Reorganized Debtors and the Administrative and Disputed Claims Agent shall be authorized to, and shall, resolve all Disputed Claims by withdrawing or settling such objections thereto or by litigating to Final Order in the Bankruptcy Court the validity, nature and/or amount thereof.

2. *No Distributions Pending Allowance*

Notwithstanding any other provision of the Plan to the contrary, no payments or distributions of any kind or nature shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order and the Disputed Claim has become an Allowed Claim.

3. *Distributions on Account of Disputed Claims Once They Are Allowed*

If a Disputed Claim becomes an Allowed Claim after the Initial Distribution Date, the Administrative and Disputed Claims Agent shall be authorized to cause a distribution to be made on account of such Disputed Claim on the date of Allowance or as soon as reasonably practicable thereafter. Such distributions will be made pursuant to the applicable provisions of Article VII of the Plan.

4. *Estimation of Claims*

The Debtors or the Reorganized Debtors may at any time request that the Bankruptcy Court estimate any contingent Claim, unliquidated Claim or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether any of the Debtors or the Reorganized Debtors previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to such Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent Claim, unliquidated Claim or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtors or the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

5. *Disputed Claims Reserve*

On the Effective Date, the Administrative and Disputed Claims Agent shall hold in the Disputed Claims Reserve the amount of Cash and Reorganized OSG Equity that the Reorganized Debtors

determine, in consultation with the Committee, would likely have been distributed to the Holders of all Disputed Claims if such Disputed Claims had been Allowed on the Effective Date. The amount of such Disputed Claims is to be determined, solely for the purposes of establishing reserves and for maximum distribution purposes, to be the lesser of (a) the asserted amount of the Disputed Claim filed with the Bankruptcy Court as set forth in the non-duplicative Proof of Claim, or (if no proof of such Claim was filed) listed by the Debtors in the Schedules, (b) the amount, if any, estimated by the Bankruptcy Court pursuant to section 502(c) of the Bankruptcy Code or ordered by other order of the Bankruptcy Court, or (c) the amount otherwise agreed to by the Debtors or the Reorganized Debtors, as applicable, in consultation with the Holder of such Disputed Claim for distribution purposes. With respect to all Disputed Claims that are unliquidated or contingent and/or for which no dollar amount is asserted on a Proof of Claim, the Debtors will reserve Cash equal to the amount reasonably determined by the Debtors or Reorganized Debtors.

The Administrative and Disputed Claims Agent may, at the direction of the Debtors or the Reorganized Debtors, adjust the Disputed Claims Reserve to reflect all earnings thereon (net of any expenses relating thereto, and net of taxes calculated at the applicable combined highest marginal tax rates imposed on a corporation resident in New York for federal, state and local tax purposes on the amount of all such earnings recognized by the Debtors or Reorganized Debtors for federal, state or local tax purposes) to be distributed on the Distribution Dates, as required by the Plan. The Administrative and Disputed Claims Agent shall hold in the Disputed Claims Reserve all dividends, payments and other distributions made on account of, as well as any obligations arising from, the property held in the Disputed Claims Reserve, to the extent that such property continues to be so held at the time such distributions are made or such obligations arise. To the extent that dividends are issued on the Reorganized OSG that the Administrative and Disputed Claims Agent holds in reserve, the Administrative and Disputed Claims Agent will also distribute such dividends in accordance with the Section 9.5 when distributions are made on Disputed Claims.

After any reasonable determination by the Reorganized Debtors that the Disputed Claims Reserve should be adjusted downward in accordance with the Section 9.5, the Administrative and Disputed Claims Agent shall, at the direction of the Debtors or the Reorganized Debtors, effect a distribution to the Reorganized Debtors in the amount of such adjustment as required by the Plan (an "Adjustment Distribution").

After all Disputed Claims have become either Allowed or disallowed and all distributions required pursuant to Article VII of the Plan have been made, the Administrative and Disputed Claims Agent shall, at the direction of the Reorganized Debtors, distribute the Cash remaining in the Disputed Claims Reserve to the Reorganized Debtors.

It is expected that the Disputed Claims Reserve will be treated as a grantor trust owned by the Reorganized Debtors for U.S. federal income tax purposes. Absent definitive guidance from the IRS or a contrary determination by a court of competent jurisdiction, the Administrative and Disputed Claims Agent shall, to the extent permitted by applicable law, report consistently with the foregoing characterization for state and local income tax purposes. All affected holders of Disputed Claims shall report, for income tax purposes, consistently with the foregoing.

6. *No Amendments to Claims*

A Claim may be amended before the Confirmation Date only as agreed upon by the Debtors and the holder of such Claim, with the consent of the Requisite Consenting Lenders, or as otherwise permitted by the Bankruptcy Court, the Bankruptcy Rules or applicable non-bankruptcy law. On or after the Confirmation Date, the holder of a Claim (other than an Administrative Expense Claim or a Professional

Fees Claim) must obtain prior authorization from the Bankruptcy Court or Reorganized Debtors to file or amend a Claim. Any new or amended Claim (other than Rejection Claims) filed after the Confirmation Date without such prior authorization will not appear on the Claims Register and will be deemed disallowed in full and expunged without any action required of the Debtors or the Reorganized Debtors and without the need for any court order.

7. *No Late-Filed Claims*

In accordance with the Bar Date Order and section 502(b)(9) of the Bankruptcy Code, any Entity that failed to file a proof of Claim by the applicable Bar Date or was not otherwise permitted to file a proof of Claim after the applicable Bar Date by a Final Order of the Bankruptcy Court is and shall be barred, estopped and enjoined from asserting any Claim against the Debtors (a) in an amount that exceeds the amount, if any, that is identified in the Schedules on behalf of such Entity as undisputed, noncontingent and liquidated; or (b) of a different nature or a different classification than any Claim identified in the Schedules on behalf of such Entity.

All Claims filed after the applicable Bar Date and for which no Final Order has been entered by the Bankruptcy Court determining that such Claims were timely filed shall be disallowed and expunged without any further action required by the Debtors, the Reorganized Debtors or the Bankruptcy Court. Any Distribution on account of such Claims shall be limited to the amount, if any, listed in the applicable Schedules as undisputed, noncontingent and liquidated. The Debtors or the Reorganized Debtors have no obligation to review or respond to any Claim filed after the applicable Bar Date unless: (y) the filer has obtained an order from the Bankruptcy Court authorizing it to file such Claim after the Bar Date; or (z) the Reorganized Debtors have consented to the filing of such Claim in writing.

G. Miscellaneous Provisions

1. *Insurance Preservation*

Nothing in the Plan, including any releases, shall diminish or impair the enforceability of any insurance policies or other policies of insurance that may cover insurance Claims or other Claims against the Debtors or any other Person.

2. *Exemption from Transfer Taxes*

Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, Transfer or exchange (or deemed issuance, Transfer or exchange) of the Plan Securities; (b) the creation of any mortgage, deed of trust, Lien, pledge or other security interest; (c) the making or assignment of any lease or sublease; or (d) the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan (including, without limitation, any merger agreements, agreements of consolidation, restructuring, disposition, liquidation, dissolution, deeds, bills of sale and transfers of tangible property) will not be subject to any stamp tax, recording tax, personal property tax, real estate transfer tax, transaction privilege tax, privilege taxes, or other similar taxes in the United States. Unless the Bankruptcy Court orders otherwise, all sales, transfers and assignments of owned and leased property approved by the Bankruptcy Court on or prior to the Effective Date shall be deemed to have been in furtherance of or in connection with the Plan.

3. *Bar Dates for Administrative Expense Claims*

Holders of asserted Administrative Expense Claims (other than (i) Professional Fees Claims and (ii) the PSA/ECA Professional Expenses not paid prior to the Effective Date shall submit proofs of Claim

on or before the Administrative Expense Claims Bar Date or forever be barred from doing so, unless such alleged Administrative Expense Claim is incurred in the ordinary course of business by any Debtor and is not yet past-due, in which case the applicable Administrative Expense Claims Bar Date shall be thirty (30) days after such due date or as otherwise ordered by the Bankruptcy Court. The Debtors and the Reorganized Debtors shall have thirty (30) days (or such longer period as may be allowed by order of the Bankruptcy Court) following the Administrative Expense Claims Bar Date to review and File objections to such Administrative Expense Claims, if necessary. In the event an objection is Filed as contemplated by Section 13.5 of the Plan, the Bankruptcy Court shall determine the Allowed amount of such Administrative Expense Claim.

4. *Administrative Claims Reserve*

On the Effective Date, the Administrative and Disputed Claims Agent shall hold in the Administrative Claims Reserve Account the amount of Cash that the Debtors determine will be required after the Effective Date to satisfy Allowed Administrative Expense Claims (the "Administrative Claims Reserve").

The Administrative and Disputed Claims Agent may, at the direction of the Debtors or the Reorganized Debtors, adjust the Administrative Claims Reserve to reflect all earnings thereon (net of any expenses relating thereto, and net of taxes calculated at the applicable combined highest marginal tax rates imposed on a corporation resident in New York for federal, state and local tax purposes on the amount of all such earnings recognized by the Debtors or Reorganized Debtors for federal, state or local tax purposes), to be distributed on the Distribution Dates, as required by the Plan. The Administrative and Disputed Claims Agent shall hold in the Administrative Claims Reserve all payments and other distributions made on account of, as well as any obligations arising from, the property held in the Administrative Claims Reserve, to the extent that such property continues to be so held at the time such distributions are made or such obligations arise.

After any reasonable determination by the Reorganized Debtors that the Administrative Claims Reserve should be adjusted downward in accordance with Section 13.6 of the Plan, the Administrative and Disputed Claims Agent shall, at the direction of the Debtors or the Reorganized Debtors, effect an Adjustment Distribution, and any date of such distribution shall be an Interim Distribution Date.

After all Administrative Expense Claims have become either Allowed or disallowed and all distributions required pursuant to Article VII of the Plan have been made, the Administrative and Disputed Claims Agent shall, at the direction of the Reorganized Debtors, effect a final distribution of the Cash remaining in the Administrative Claims Reserve. Any amounts remaining in such reserve or reserves shall revest in the Reorganized Debtors.

It is expected that the Administrative Claims Reserve will be treated as a grantor trust owned by the Reorganized Debtors for U.S. federal income tax purposes. Absent definitive guidance from the IRS or a contrary determination by a court of competent jurisdiction, the Administrative and Disputed Claims Agent shall, to the extent permitted by applicable law, report consistently with the foregoing characterization for state and local income tax purposes. All affected holders of Administrative Expense Claims shall report, for income tax purposes, consistently with the foregoing.

5. *Payment of Statutory Fees*

All fees payable pursuant to section 1930 of title 28, United States Code, as determined by the Bankruptcy Court, shall be paid for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed or closed, whichever occurs first.

6. *Amendment or Modification of the Plan*

Subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123 and 1125 of the Bankruptcy Code, the Debtors reserve the right to alter, amend or modify the Plan at any time prior to or after the Confirmation Date but prior to the substantial consummation of the Plan, with material modifications being subject to the consent of the Requisite Consenting Lenders (it being understood that any modifications impacting the recoveries on the Credit Agreement Claims or the treatment of any other Claims or Old Equity Interests shall be considered to be material), and consultation with the Committee. A Holder of a Claim that has Accepted the Plan shall be deemed to have Accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder.

7. *Severability of Plan Provisions*

If, prior to the Confirmation Date, any term or provision of the Plan is determined by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation, provided, however, that, to the extent any alteration or interpretation of any term or provision of the Plan adversely affects the Consenting Lenders, then the Debtors shall be required to obtain the consent of the Requisite Consenting Lenders, with respect to such alteration or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

8. *Tax Reporting and Compliance*

Reorganized OSG is hereby authorized, on behalf of each of the Debtors, to request an expedited determination under section 505(b) of the Bankruptcy Code of the tax liability of the Debtors for all taxable periods ending after the Petition Date through and including the Effective Date.

VI.
CONFIRMATION OF THE PLAN OF REORGANIZATION

A. Solicitation of Votes

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims and Allowed Old Equity Interests in Classes D1 and E1 of the Plan are Impaired, and only the Holders of Allowed Claims and Old Equity Interests in Classes D1 and E1 are allowed to vote to Accept or reject the Plan. The Claims in Classes A1, A2, B1, B2, C1, D2, D3, D4 and D5 are Unimpaired and are conclusively presumed to have Accepted the Plan, and the solicitation of Acceptances with respect to such Classes is not required under section 1126(f) of the Bankruptcy Code.

As to Classes of Claims entitled to vote on the Plan, section 1126(c) of the Bankruptcy Code defines Acceptance of a plan by a Class of creditors as Acceptance by Holders of at least two-thirds in amount and more than one-half in number of the Claims of that Class that have timely voted to Accept or reject a plan. As to Classes of Equity Interests entitled to vote on the Plan, section 1126(d) of the Bankruptcy Code defines Acceptance of a Plan by a Class of Holders of interests as Acceptance by

Holders of at least two-thirds in amount of the interests of a Class that have timely voted to Accept or reject a Plan. Any Class of Claims that is not occupied as of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily Allowed under Bankruptcy Rule 3018, shall be deemed eliminated from the Plan for purposes of voting to Accept or reject the Plan and for purposes of determining Acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code. If no votes to Accept or reject the Plan are received with respect to a Class whose votes have been solicited under the Plan (other than a Class that is deemed eliminated pursuant to Section 4.5 of the Plan), such Class shall be deemed to have voted to Accept the Plan.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that Acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Unless otherwise agreed by the Debtors, any Holder of a Claim that is scheduled by the Debtors as unliquidated, disputed or contingent is not entitled to vote unless the Holder of such Claim has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan. In addition, unless otherwise agreed by the Debtors, Holders of Claims or Equity Interests entitled to vote on the Plan that wish to vote their Claims in an amount listed on a proof of Claim filed before the applicable Bar Date, rather than as scheduled by the Debtors, will likewise need to obtain an order of the Bankruptcy Court temporarily allowing such Claim in such amount, provided, however, that the Credit Agreement Claims shall be Allowed **for voting purposes only** in the amount of $1.5743 billion, which includes postpetition interest calculated from the Petition Date at the rate of 2.98% per annum. Solely for voting purposes, Old Equity Interests in OSG will be allowed in the amount of $1 per share. Subordinated Claims shall be Allowed for voting purposes only in the amount of $1.

1. *Solicitation Package*

Accompanying this Disclosure Statement for the purpose of soliciting votes on the Plan are copies of (i) the Plan; (ii) the notice of among other things, the time for submitting Ballots to Accept or reject the Plan, the date, time, and place of the Confirmation Hearing; and, as applicable, (iii) a Ballot or Ballots (and return envelope(s) that you may use in voting to Accept or reject the Plan), or a notice of non-voting status, (collectively the "Solicitation Package"). Only Holders eligible to vote in favor of or against the Plan will receive a Ballot or Ballots as part of their Solicitation Package. Such Holders will only receive a Ballot in respect of each Class in which such Holder holds a Claim or Old Equity Interest. If you did not receive a Ballot and believe that you should have, please contact the Voting Agent at the address or telephone number listed below:

OSG Processing
c/o Kurtzman Carson Consultants
2335 Alaska Avenue
El Segundo, CA 90245

US and Canada: (866) 967-1780
International: (310) 751-2680

2. *Voting Instructions*

After carefully reviewing the Plan, this Disclosure Statement, all related Exhibits, and the instructions accompanying your Ballot, please indicate your Acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Please complete and sign your Ballot and return it in the envelope provided. Your ballot must be RECEIVED by the Voting Agent on or before the Plan

voting deadline of [May 15], 2014, at 5:00 p.m. prevailing Eastern Time (the "Voting Deadline") as set forth on the Ballot.

Any person signing a Ballot in a fiduciary or representative capacity, including but not limited to those acting as a trustee, executor, administrator, guardian, attorney-in-fact, or officer of a corporation, should indicate such capacity when signing and, unless otherwise determined by the Debtors, submit proper evidence satisfactory to Debtors of authority to so act.

B. The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing to consider confirmation of a proposed plan. The Bankruptcy Court has scheduled the Confirmation Hearing for [May 23], 2014 at [2:00 p.m.], prevailing Eastern Time, before the Honorable Peter J. Walsh, United States Bankruptcy Judge for the District of Delaware, at the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware, 19801. The Bankruptcy Court may adjourn the Confirmation Hearing from time to time without further notice except for the announcement of adjournment at the Confirmation Hearing, or at any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the plan. Any objection to the Confirmation of the Plan must: (i) be made in writing; (ii) state the name and address of the objecting party and the nature of the Claim or interest of such party; (iii) state with particularity the legal and factual basis and nature of any objection to the Plan; and (iv) be filed with the Bankruptcy Court, together with proof of service, and served so that they are received **on or before [May 15], 2014, at 4:00 p.m. prevailing Eastern Time** by the Debtors, the Plan Proponents and the other parties set forth in the Disclosure Statement Order, and certain other parties. THE BANKRUPTCY COURT MAY NOT CONSIDER OBJECTIONS TO CONFIRMATION OF THE PLAN IF ANY SUCH OBJECTIONS HAVE NOT BEEN TIMELY SERVED AND FILED IN COMPLIANCE WITH THE DISCLOSURE STATEMENT ORDER.

C. Confirmation

At the Confirmation Hearing, the Bankruptcy Court will consider the terms of the Plan and determine whether the terms satisfy the requirements set out in section 1129 of the Bankruptcy Code. The Debtor believes that the Plan satisfies or will satisfy the following applicable requirements of section 1129, certain of which are discussed in more detail below:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors, as proponents of the Plan, have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised by the Debtors or by a person acquiring property under the Plan for services or costs and expenses in, or connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment (i) made before the Confirmation of the Plan is reasonable; or (ii) is subject to the approval of the Bankruptcy Court as reasonable, if such payment is to be fixed after confirmation of the Plan.

- Each Holder of an Impaired Claim or Equity Interest either has Accepted the Plan or will receive or retain under the Plan, on account of such Holder's Claim or Equity Interest, property of a value as of the Effective Date that is not less than the amount such Holder would receive or retain if the applicable Debtor was liquidated on the Effective Date under Chapter 7 of the Bankruptcy Code.

- Except to the extent the Plan meets the requirements of section 1129(b) of the Bankruptcy Code, each Class of Claims or Equity Interests either has Accepted the Plan or is not an Impaired Class under the Plan.

- Except to the extent that the Holder of a particular Claim or Equity Interest has agreed to a different treatment of such Claim or Equity Interest, the Plan provides that Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, and Allowed Intercompany Facility Claims will be paid in full as required by the Bankruptcy Code.

1. *Acceptance*

The Bankruptcy Code requires, as a condition to Confirmation, that, except as described in the following section, each Class of Claims or Equity Interests that is Impaired under the Plan Accept the Plan. A Class that is not impaired under the Plan is deemed to have Accepted the Plan and solicitation of Acceptances with respect to such a Class is therefore not required. A Class is Impaired unless the Plan: (a) leaves unaltered the legal, equitable, and contractual rights to which the Claim or interest entitles the holder of that Claim or Equity Interest; or (b) notwithstanding any contractual provision or applicable law that entitles the holder of such Claim or interest after the occurrence of a default – (1) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in Bankruptcy Code section 365(b)(2) of this title or of a kind that Bankruptcy Code section 365(b)(2) expressly does not require to be cured; (2) reinstates the maturity of such Claim or interest as such maturity existed before such default; (3) compensates the holder of such Claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; (4) if such Claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to Bankruptcy Code section 365(b)(1)(A), compensates the holder of such Claim or such interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and (5) does not otherwise alter the legal, equitable, or contractual rights to which such Claim or interest entitles the holder of such Claim or interest.

2. *Confirmation Without Acceptance by All Impaired Classes*

Bankruptcy Code section 1129(b) allows the Bankruptcy Court to confirm a plan even if an Impaired Class entitled to vote on the Plan has not Accepted it, provided that at least one Impaired Class has Accepted the Plan. To obtain such confirmation, also known as a "cram down," the Plan proponents must demonstrate that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each Impaired, non-Accepting Class. Section 1129(b) Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable." The Bankruptcy Code provides that a plan is "fair and equitable" with respect to a class of creditors or equity holders if:

- Secured Creditors. Either (i) each impaired secured creditor retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the "indubitable equivalent" of its allowed secured claim or (iii) the property securing the claim is

sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds to be as provided in subclause (i) or (ii) of this subparagraph.

- General Unsecured Creditors. Either (i) each impaired unsecured creditor receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims or equity interests of the non-accepting class will not receive or retain any property under the plan on account of such claims and equity interests.

- Equity Interests. Either (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of its equity interest or (ii) the holder of an interest that is junior to the non-accepting class will not receive or retain any property under the plan on account of such equity interest.

A plan of reorganization does not "discriminate unfairly" with respect to a non-accepting class if the value of the cash and/or securities to be distributed to the non-accepting class is equal to, or otherwise fair when compared to, the value of the distributions to other classes whose legal rights are the same as those of the non-accepting class.

3. *Feasibility*

In connection with confirmation of the Plan, the Bankruptcy Court must determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which means that the Confirmation of the Plan is not likely to be followed by the need for further financial reorganization or liquidation of the Debtor.

To demonstrate the feasibility of the Plan, the Debtors have prepared the Projections through fiscal years 2018 and 2020, for the International Flag operations and U.S. Flag operations, respectively, as set forth in Appendix D included in this Disclosure Statement. The Projections indicate that the Debtors should have sufficient cash flow to pay and service their debt obligations and to fund their operations. Accordingly, the Debtors believe that the Plan satisfies the feasibility requirement. As noted in the Projections, however, the Debtors caution that no representations can be made as to the accuracy of the Projections or as to the Debtors' ability to achieve the projected results. The Projections, while presented with numerical specificity, are necessarily based on a variety of estimates and assumptions which, though considered reasonable at the time they were made, may not be achieved and are inherently subject to significant business, economic, competitive, industry, regulatory, market and financial uncertainties and contingencies, many of which are outside the control of the Debtors. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the Projections were prepared may be different from those assumed or may be unanticipated, and may adversely affect the Debtors' financial results. Therefore, the actual results may vary from the projected results and the variations may be material and adverse. See Section IX (*Certain Risk Factors To Be Considered*) of this Disclosure Statement, for a discussion of certain risk factors that may affect financial feasibility of the Plan.

4. *Best Interests Test*

i Generally

Notwithstanding Acceptance of the Plan by each Impaired Class, in order to confirm the Plan, the Bankruptcy Court must determine that the Plan is in the best interests of each Holder of a Claim or Equity Interest in any such Impaired Class who has not voted to Accept the Plan. Accordingly, if an Impaired Class does not unanimously Accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such Impaired Class a recovery on account of the Class member's Claim or Equity Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such Class member would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on such date.

ii Liquidation Analysis

To estimate what members of each Impaired Class of unsecured Creditors and Equity Interest Holders would receive if the Debtors were liquidated under Chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from each Debtor's assets if each of the Chapter 11 Cases were converted to a Chapter 7 case under the Bankruptcy Code and the assets were liquidated by a trustee in bankruptcy (the "Liquidation Value" of such assets). The Liquidation Value for a Debtor would consist of the net proceeds from the disposition of that Debtor's assets and would be augmented by any cash held by that Debtor.

As detailed in the liquidation analysis prepared by Chilmark Partners LLC from information provided by the Debtors and other sources, a copy of which is attached hereto as Appendix C, the Liquidation Value of each Debtor's assets available to general Creditors would be reduced by the costs and expenses of the liquidation, as well as other administrative expenses that would have been incurred in the hypothetical Chapter 7 cases. Each Debtor's costs of liquidation under Chapter 7 would include the compensation of a trustee or trustees, as well as counsel and other professionals retained by the trustee(s), disposition expenses, all unpaid expenses incurred by that Debtor during its Chapter 11 proceedings (such as compensation for attorneys and accountants) which are allowed in the Chapter 7 proceedings, and litigation costs and Claims against that Debtor arising from its business operations during the pendency of the Chapter 11 Cases and Chapter 7 liquidation proceedings. These costs, expenses and Claims would be paid in full out of that Debtor's liquidation proceeds before the balance would be made available to pay unsecured Claims.

Once the percentage recoveries in liquidation of secured claimants, priority claimants, general unsecured Creditors and Equity Interest Holders are ascertained, the value of the distribution available out of the Liquidation Value is compared with the value of the property offered to each Class of Claims and Equity Interests under the Plan to determine whether the Plan is in the best interests of each such Class. The Debtors believe that the Plan satisfies this best interest test because, if the Plan is not confirmed and, instead, the Chapter 11 Cases are converted to Chapter 7 liquidation proceedings, the value of each Debtor's estate would diminish because (i) each estate would need to pay fees and other costs to any Chapter 7 trustee and (ii) each estate would incur increased professional fee costs associated with supporting the Chapter 7 proceedings and associated litigation costs and Claims. Comparing the recoveries to Claims in Section II.G of this Disclosure Statement with the liquidation analysis attached hereto as Appendix C, the Debtors believe that distributions under the Plan will provide at least the same recovery to Holders of Allowed Claims against or Equity Interests in each of the Debtors on account of such Allowed Claims or Equity Interests as would distributions by a Chapter 7 trustee. Conversion to a case under Chapter 7 would also likely delay the liquidation process and the ultimate distributions to Creditors and Equity Interest Holders.

5. *Consummation of the Plan*

Upon confirmation of the Plan by the Bankruptcy Court, the plan will be deemed consummated on the Effective Date. Distributions to Holders of Claims and Equity Interests receiving a distribution pursuant to the terms of the Plan will follow consummation of the Plan.

D. Conditions Precedent to the Confirmation, Effective Date, and Consummation of Plan

1. *Conditions to Confirmation of the Plan*

The conditions precedent to the confirmation of the Plan are that (i) each of the Plan, Disclosure Statement, and Plan Supplement (including, with respect to any amendments, modifications, supplements and exhibits thereto related to the foregoing) shall be in form and substance reasonably satisfactory to the Debtors, the Requisite Consenting Lenders and the Credit Agreement Agent; (ii) the Confirmation Order shall have been entered and not stayed, and shall be in form and substance reasonably satisfactory to the Requisite Consenting Lenders and the Credit Agreement Agent; and (iii) all governmental or other approvals required to effectuate the terms of the Plan shall have been obtained, including any approvals with respect to the Jones Act businesses.

2. *Conditions to Effective Date*

Each of the following is a condition precedent to the occurrence of the Effective Date:

i the Confirmation Order (including any amendment or modification thereof) shall (i) have been entered by the Bankruptcy Court in form and substance reasonably satisfactory to the Debtors and the Requisite Consenting Lenders, and (ii) not have been stayed, vacated or set aside;

ii all actions, documents, certificates, and agreements necessary to implement the Plan shall have been effected or executed and delivered to the required parties and, to the extent required, filed with the applicable government units in accordance with applicable law;

iii all of the conditions precedent for effectiveness of the Exit Financing shall have been satisfied or waived in accordance with the terms thereof;

iv payment in Cash of all PSA/ECA Professional Expenses incurred through such date that is ten (10) Business Days prior to the Effective Date;

v notice of the projected Effective Date shall have been provided to the Committee the Consenting Lenders and the Credit Agreement Agent, or their respective counsel, no later than five (5) Business Days prior to the projected Effective Date;

vi receipt of approval of the United States Coast Guard and MARAD of the Reorganized OSG Stock and Reorganized OSG Jones Act Warrants, in a form reasonably acceptable to the Debtors and the Requisite Consenting Lenders; and

vii Reorganized OSG shall have entered into and delivered the Registration Rights Agreement in substantially the form included in the Plan Supplement.

As noted above, the effectiveness of the Plan with respect to each Debtor is conditioned on the effectiveness of the Plan with respect to each other Debtor.

3. *Waiver of Conditions*

Section 10.3 of the Plan provides that each of the conditions set forth in Sections 10.1 and 10.2 of the Plan may be waived in whole or in part by the Debtors, subject to notice to the Committee and the consent of the Requisite Consenting Lenders (which consent shall not be unreasonably withheld), without any other notice to parties in interest or notice to or order of the Bankruptcy Court and without a hearing. The failure to satisfy or waive a condition to the Effective Date may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of a Debtor to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each right shall be deemed an ongoing right that may be asserted at any time.

4. *Notice of Effective Date*

Upon satisfaction of all the conditions to the Effective Date set forth in Section 10.2, or if waivable, waiver pursuant to Section 10.3, or as soon thereafter as is reasonably practicable, the Debtors shall File with the Bankruptcy Court the "Notice of Effective Date" in a form reasonably acceptable to the Debtors in their sole discretion, which notice shall constitute appropriate and adequate notice that the Plan has become effective; provided, however, that the Debtors shall have no obligation to notify any Person other than counsel to the Committee, the Consenting Lenders and the Credit Agreement Agent of such fact. The Plan shall be deemed to be effective as of 12:01 a.m., prevailing Eastern Standard Time, on the date of such filing. A courtesy copy of the Notice of Effective Date may be sent by United States mail, postage prepaid (or at the Debtors' option, by courier or facsimile) to those Persons who have Filed with the Bankruptcy Court requests for notices pursuant to Bankruptcy Rule 2002.

5. *Consequences of Non-Occurrence of Effective Date*

If, following the entry of the Confirmation Order, the Effective Date does not occur on or before August 31, 2014, or such later date as is agreed upon in writing by the Debtors and the Requisite Consenting Lenders, then the Confirmation Order will be deemed vacated by the Bankruptcy Court without further notice or order. If the Confirmation Order is vacated pursuant to this Section, (a) the Debtors shall File a notice to this effect with the Bankruptcy Court, (b) the Plan shall be null and void in all respects, (c) any settlement of Claims provided for hereby shall be null and void without further order of the Bankruptcy Court, and (d) the time within which the Debtors may assume, assume and assign or reject all executory contracts and unexpired leases shall be extended for a period of sixty (60) days after the date the Confirmation Order is vacated; provided, however, that the Debtors retain their rights to seek further extensions of such deadline in accordance with, and subject to, section 365 of the Bankruptcy Code, and nothing contained in the Plan or Disclosure Statement shall (x) constitute a waiver or release of any Claims, Equity Interests, or Causes of Action, (y) prejudice in any manner the rights of any Debtor or any other Entity or (z) constitute an admission, acknowledgement, offer or undertaking of any sort by any Debtor or any other Entity.

E. Effect of the Plan on Assets, Claims and Interests

Pursuant to Section 11.2 of the Plan, except as provided in the Plan, on the Effective Date, all property of the Estates, to the fullest extent provided by section 541 of the Bankruptcy Code, and any and all other rights and assets of the Debtors of every kind and nature shall revest in the Reorganized Debtors free and clear of all Liens, Claims and Interests other than (a) those Liens, Claims and Interests retained or created pursuant to the Plan or any document entered into in connection with the transactions described in the Plan and (b) Liens that have arisen subsequent to the Petition Date on account of taxes that arose subsequent to the Petition Date. On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

VII.
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims and Equity Interests the potential for the greatest realization of value and, therefore, is in the best interests of such Holders. Further, if the Plan is not consummated, the Debtors may be unable to service their debt obligations or to cure defaults thereunder. If the Plan is not confirmed or consummated, the theoretical alternatives include (a) liquidation of the Debtors under Chapter 7 or Chapter 11 of the Bankruptcy Code, (b) formulation of an alternative plan of reorganization, or (c) dismissal of the Chapter 11 Cases.

A. Liquidation Under Chapter 7

If no plan is confirmed, the Chapter 11 Cases may be converted to cases under Chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed to liquidate the Debtors' assets for distribution in accordance with the priorities established by Chapter 7 of the Bankruptcy Code. A discussion of the effects that a Chapter 7 liquidation would have on the recoveries of Holders of Claims and Equity Interests is set forth in the liquidation analysis attached hereto as Appendix C. For the reasons articulated in Article VI of this Disclosure Statement above, the Debtors believe that liquidation under Chapter 7 would result in lower distributions to the Holders of Allowed Claims than those provided in the Plan.

B. Alternative Plan of Reorganization

The Debtors believe that the Plan represents the best opportunity to maximize the value of the Debtors' estates for the benefit of all stakeholders. In formulating and developing the Plan, the Debtors have explored numerous other alternatives and engaged in an extensive negotiating process involving many different parties with widely disparate interests.

The Debtors believe that not only does the Plan fairly adjust the rights of various Classes of Claims and enable the Holders of Allowed Claims to maximize their returns, but also that rejection of the Plan in favor of some alternative will require, at the very least, an extensive and time consuming process (including the possibility of protracted and costly litigation) and will not result in a better recovery for any Class. As a result, any alternatives now available to the Debtors are inferior.

THE DEBTORS BELIEVE THAT CONFIRMATION OF THE PLAN IS PREFERABLE TO ANY ALTERNATIVE BECAUSE THE PLAN MAXIMIZES THE DISTRIBUTIONS TO ALL HOLDERS OF ALLOWED CLAIMS, AND ANY ALTERNATIVE WILL RESULT IN SUBSTANTIAL DELAYS IN THE DISTRIBUTION OF ANY RECOVERIES AND INCREASE

RESTRUCTURING EXPENSES. THEREFORE, THE DEBTORS RECOMMEND THAT ALL HOLDERS OF IMPAIRED CLAIMS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.

C. Dismissal of the Debtors' Chapter 11 Cases

Dismissal of the Chapter 11 Cases would have the effect of restoring (or attempting to restore) all parties to the status quo ante. Upon dismissal of the Chapter 11 Cases, the Debtors would lose the protection of the Bankruptcy Code, thereby requiring, at the very least, an extensive and time-consuming process of negotiation with their Creditors, and possibly resulting in costly and protracted litigation in various jurisdictions. Most significantly, dismissal of the Chapter 11 Cases of the CEXIM Borrowers and the DSF Borrowers would permit CEXIM and DSF to foreclose upon the vessels that secure the CEXIM and DSF secured facilities, respectively. Dismissal will also permit unpaid unsecured creditors to obtain and enforce judgments against the Debtors, and would create a risk of vessel arrest as a result of maritime claimants' assertion of maritime lines. The Debtors believe that these actions would seriously undermine their ability to reorganize and could lead ultimately to the liquidation of the Debtors under Chapter 7 of the Bankruptcy Code. Therefore, the Debtors believe that dismissal of the Debtors' Chapter 11 Cases is not a preferable alternative to the Plan.

VIII.
GOVERNANCE OF REORGANIZED OSG

A. Governance of Reorganized OSG

1. *Certificates of Incorporation and By-Laws.*

The certificates or articles of incorporation and by-laws of Reorganized OSG shall be amended to satisfy the provisions of this Plan and the Bankruptcy Code, shall be included in the Plan Supplement, and shall (i) include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities, but only to the extent required by section 1123(a)(6) of the Bankruptcy Code and (ii) to the extent necessary or appropriate, include such provisions as may be needed to effectuate and consummate this Plan and the transactions contemplated herein.

2. *Officers of Reorganized OSG after the Effective Date*

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, as of the Effective Date, the initial officers of the Reorganized Debtors following the Effective Date shall be as listed in the Plan Supplement and shall be acceptable to the Requisite Consenting Lenders.

3. *Directors of Reorganized Debtors*

The Reorganized OSG Board shall have seven (7) members acceptable to the Requisite Consenting Lenders, who shall be nominated by the Chief Restructuring Officer, approved by the existing directors of OSG, and listed in the Plan Supplement. No member of the current board of directors or any person affiliated therewith shall be appointed to be a director of Reorganized OSG. The members of the Reorganized OSG Board shall have staggered terms and shall meet the requirements of the Jones Act. Members of the Boards of Directors of Debtors other than Reorganized OSG shall be as listed on the Plan Supplement and shall be acceptable to the Requisite Consenting Lenders. The initial term of each class, as well as the identity of the directors serving in each class, shall be provided in the Plan Supplement.

B. Reservation of Stock Plan for the Reorganized OSG Board and Employees

Reorganized OSG will retain 10% of the Reorganized OSG Stock outstanding on a fully diluted basis, which Reorganized OSG will use to administer a management and director incentive program (the "Management and Director Incentive Program"), the terms of which shall be in form and substance reasonably satisfactory to the Requisite Consenting Lenders. The Reorganized OSG Stock will be registered on Form S-8 and will be distributed over the lifetime of the Management and Director Incentive Program. The Reorganized OSG Board, or a committee thereof, will determine the initial grants under the Management and Director Incentive Program, which shall be reasonably satisfactory to the Requisite Consenting Lenders.

IX.
CERTAIN RISK FACTORS TO BE CONSIDERED

A. Certain Bankruptcy Considerations

1. *Bankruptcy Matters.*

i General

Although the Debtors have undertaken every effort to minimize any impact of the bankruptcy proceedings on their operations, delays in Plan confirmation could have an adverse effect on the OSG Companies' businesses by giving rise to significant expenses and diverting the attention of the OSG Companies' management from the operation of the businesses.

Further, the Plan provides for conditions that must be satisfied (or waived) prior to the Confirmation Date and for other conditions that must be satisfied (or waived) prior to the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance as to when or whether the Plan will be consummated and the restructuring completed.

The extent to which the confirmation process disrupts the OSG Companies' businesses will likely be directly related to the length of time it takes to complete the proceeding. If the Debtors are unable to obtain confirmation of the Plan on a timely basis because of a challenge to the Plan or a failure to satisfy the conditions to the Plan, their emergence from Chapter 11 may be further delayed while they try to develop a different plan of reorganization that can be confirmed. That would increase both the probability and the magnitude of the adverse effects described above. Even assuming a successful emergence from Chapter 11, there can be no assurance as to the overall long-term viability of the OSG Companies' business.

ii Failure to Confirm the Plan

Although the Debtors believe that the Plan satisfies all of the requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modification would not necessitate the resolicitation of votes to Accept the Plan, as modified.

iii Termination of the Plan Support Agreement or Equity Commitment Agreement

Upon the occurrence of certain events, the Plan Support Agreement or Equity Commitment Agreement could be terminated. If the Plan Support Agreement terminated, the parties thereto would not be obligated to vote in favor of or otherwise support the Plan. Similarly, if the Equity Commitment Agreement terminated, the Commitment Parties would not be obligated to purchase any Unsubscribed Rights. Such a termination could materially impair the Debtors' ability to obtain confirmation of the Plan.

iv Non-Occurrence of the Effective Date

Operating in bankruptcy imposes significant risks on the Debtors' operations. Although the Debtors believe that the Effective Date will occur by the third quarter of 2014, there can be no assurance as to such timing or that the conditions to the Effective Date will ever be satisfied, including without limitation: (i) entry of the Confirmation Order by the Bankruptcy Court in form and substance reasonably satisfactory to the Debtors, and not having been stayed or reversed or vacated on appeal; (ii) the satisfaction (or waiver in accordance with the terms therein) of the conditions precedent for the closing of the Exit Financing; and (iii) satisfaction or waiver of all of the conditions precedent for entry into the New OSG Exit Facility and New OSG Exit Revolver accordance with the terms thereof.

2. *The OSG Companies' businesses could suffer from the loss of key personnel.*

The OSG Companies are dependent on the continued services of its senior management team and other key personnel. The loss of key personnel could have a material adverse effect on the company's business, financial condition, and results of operations. The company may be unable to retain and motivate key executives and employees through the process of reorganization and the OSG Companies may have difficulty attracting new employees. In addition, so long as the Chapter 11 Cases continue, senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations.

The outsourcing of the technical and commercial management of the International Flag fleet will result in the termination of employment of substantially all of those employees who performed those duties. Pending completion of such outsourcing, the Company needs to retain and motivate those employees to perform their responsibilities. While the Company had adopted certain compensation programs to retain and motivate such employees, including the cash incentive compensation program and the transitional incentive program for non-executive employees, no assurance can be given that such programs will be successful in keeping such employees until completion of outsourcing.

3. *Pursuit of litigation by parties in interest could disrupt the confirmation of the Plan and could have material adverse effects on the OSG Companies' businesses and financial condition.*

There can be no assurance that any parties in interest will not pursue litigation strategies to enforce any Claims in respect of the OSG Companies. Litigation is by its nature uncertain and there can be no assurance of the ultimate resolution of the litigated Claims. The pursuit of litigation in connection with objections to this Disclosure Statement or the Plan, including the effectiveness and effect of the steps required for the implementation of the Plan, could delay and disrupt confirmation of the Plan and the Debtors' emergence from bankruptcy. Any litigation may be expensive, lengthy and disruptive to the company's normal business operations and the Plan confirmation process, and a resolution of any such strategies that is unfavorable to the Debtors could have a material adverse effect on the Plan confirmation

process, emergence from bankruptcy or on the Companies' businesses, results of operations, financial condition, liquidity and cash flow.

4. *Adverse publicity in connection with the Chapter 11 Cases or otherwise, could negatively affect the company's businesses.*

Adverse publicity or news coverage relating to the Debtors, including but not limited to publicity or news coverage in connection with the Chapter 11 Cases, may negatively affect (i) the OSG Companies' businesses during the Chapter 11 Cases and (ii) the Reorganized Debtors' efforts to establish and promote name recognition and a positive image after the Effective Date.

5. *Counterparties to assumed and assigned contracts may object to the assignment of such contracts on the grounds that such contracts may not be assumed and assigned pursuant to section 365 of the Bankruptcy Code.*

Under section 365 of the Bankruptcy Code, anti-assignment clauses in executory contracts are generally unenforceable. However, section 365(c)(1) of the Bankruptcy Code provides that a contract may not be assumed or assigned if applicable nonbankruptcy law so provides. While the Debtors do not believe that applicable nonbankruptcy law voids any of the Debtors' assignments, a counterparty may nevertheless object to an assignment on such grounds.

B. Risks Relating to the Reorganized OSG Stock and Reorganized OSG Jones Act Warrants to be Issued Under the Plan

1. *No public markets for the Reorganized OSG Stock or Reorganized OSG Jones Act Warrants are currently present, and lack of the development of a public market could result in the Reorganized OSG Stock or Reorganized OSG Jones Act Warrants being difficult or impossible to trade. Other uncontrollable market factors could also negatively affect the value of the Reorganized OSG Stock and the Reorganized OSG Jones Act Warrants.*

The Reorganized OSG Stock and the Reorganized OSG Jones Act Warrants to be issued pursuant to the Plan are securities for which there is currently no market, and there can be no assurance as to the development or liquidity of any market for the Reorganized OSG Stock or Reorganized OSG Jones Act Warrants. While the Debtors intend to pursue listing of the Reorganized OSG Stock and the Reorganized OSG Jones Act Warrants, if a trading market does not develop or is not maintained, holders of the Reorganized OSG Stock and Reorganized OSG Jones Act Warrants may experience difficulty in reselling such securities or may be unable to sell them at all. Even if such a market were to exist, such securities could trade at prices higher or lower than the estimated value set forth in this Disclosure Statement depending upon many factors, including, without limitation, prevailing interest rates, markets for similar securities, industry conditions and the performance of, and investor expectations for, the Reorganized Debtors.

Furthermore, Persons to whom the Reorganized OSG Stock or Reorganized OSG Jones Act Warrants are issued pursuant to the Plan may prefer to liquidate their investments rather than hold such securities on a long-term basis. Accordingly, any market that does develop for such securities may be volatile. Foreign Holders who receive Reorganized OSG Jones Act Warrants may also be unable to exercise the warrants on account of their citizenship.

2. *Dividends are not expected to be paid with respect to the Reorganized OSG Stock for the foreseeable future.*

The Debtors do not anticipate that cash dividends or other distributions will be paid with respect to the Reorganized OSG Stock in the foreseeable future.

3. *The Plan exchanges senior obligations for junior obligations.*

If the Plan is confirmed and becomes effective, certain Holders of Claims will receive Reorganized OSG Stock or Reorganized OSG Jones Act Warrants. Thus, in agreeing to the Plan, such Holders are consenting to the exchange of their interests in debt for Reorganized OSG Stock or Reorganized OSG Jones Act Warrants, which will be subordinate to all claims of creditors of the Reorganized Debtors that accrue after the Effective Date.

4. *Certain Holders of Reorganized OSG Stock or Reorganized OSG Jones Act Warrants may be restricted under applicable securities laws in their ability to transfer or sell their securities*

Holders of the Reorganized OSG Stock or the Reorganized OSG Jones Act Warrants who are deemed to be "underwriters" for the purposes of section 1145(b) of the Bankruptcy Code will be restricted in their ability to transfer or sell their securities. These Persons will be permitted to transfer or sell such securities only pursuant to: (i) ordinary trading transactions by a holder that is not an issuer within the meaning of section 1145(b) of the Bankruptcy Code; (ii) the provisions of Rule 144 under the Securities Act, if available, or another available exemption from the registration requirements of the Securities Act; or (iii) effective registration statement under the Securities Act.

5. *Eligible Participants may not be allocated the same number of securities as the number for which they subscribe in the Rights Offering*

The Rights Offering is subject to certain caps and cutbacks. For example, if Eligible Participants, as a whole, elect to exercise more Oversubscription Rights than the number of Rights Offering Securities, then the amount of Oversubscription Rights Offering Securities to be purchased by each Eligible Participant exercising rights in the Oversubscription Rights Offering will be reduced proportionately to the extent of such aggregate over-election based on the number of Rights Offering Securities such Eligible Participant is entitled to receive in the Initial Rights Offering. As a result, Eligible Participants may not be allocated for purchase the same number of Reorganized OSG Stock or Reorganized OSG Jones Act Warrants that they subscribe for in the Rights Offering.

C. Leverage

The Debtors believe that they will emerge from Chapter 11 with a level of debt that can be effectively serviced in accordance with their business plan. However, future circumstances could result in Reorganized Debtors being overleveraged. If such circumstances should occur, the Reorganized Debtors would face certain difficulties, including, but not limited to, difficulty in meeting their obligations, reduced flexibility and competitive disadvantages relative to competitors that have less debt.

Additionally, factors beyond the control of the Reorganized Debtors could affect their ability to meet debt service requirements. The ability of the Reorganized Debtors to meet debt service requirements will depend on their future performance, which, in turn, will depend in part on the ability of the Reorganized Debtors to sustain charter rates in the markets in which they will operate, the economy generally and other factors that are at least partially beyond the Debtors' control. The Debtors can

provide no assurance that the Reorganized Debtors' business will generate sufficient cash flow from operations or that future borrowings will be available in amounts sufficient to enable the Reorganized Debtors to pay their respective indebtedness or to fund their other liquidity needs.

Further, the Reorganized Debtors may need to borrow additional funds or refinance all or a portion of their indebtedness on or before maturity. There is no assurance that the Reorganized Debtors will be able to borrow additional funds or refinance any of their indebtedness on commercially reasonable terms or at all. If the Reorganized Debtors are not able to make scheduled debt payments or comply with the other provisions of their debt instruments, their lenders will be permitted under certain circumstances to accelerate the maturity of the indebtedness owing to them and exercise other remedies provided for in those instruments and under applicable law.

D. Risks Relating to U.S. Tax Consequences of the Plan

1. *Risks relating to U.S. federal income tax treatment of the Plan.*

The U.S. federal income tax consequences of the Plan to the Debtors and to Holders of Claims and Equity Interests are subject to some uncertainty. The Debtors do not intend to seek any ruling from the IRS on the tax consequences of the Plan, and there is no assurance that the tax consequences of the Plan described in Article XII below would be respected by the IRS.

2. *Risks relating to potential U.S. federal tax Claims.*

As noted in Section IV.D.4 Debtors are subject to ongoing discussions with the IRS regarding certain legacy tax issues. Those discussions are likely to result in the Debtors making a significant tax payment to the IRS. There would be adverse consequences to the Reorganized Debtors if the actual taxes owing exceed the Debtors' estimate of the amount properly payable. For a description of the material tax issues raised by the IRS, see Section IX.H.3 below.

E. Risks Relating to the Inherent Uncertainty of Financial Projections

The Projections set forth in the attached Appendix D cover the operations of the Reorganized OSG through fiscal year 2018 for International Flag operations and through fiscal year 2020 for U.S. Flag operations. As set forth in Appendix D, the Projections are based on numerous assumptions, including that the Plan will be confirmed by the Bankruptcy Court and, for projection purposes, that the Effective Date under the Plan will occur on June 30, 2014.

To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and are based on assumptions considered reasonable by the Debtors, many of the assumptions on which the Projections are based are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors and the Reorganized Debtors. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the actual financial results. Therefore, the actual results achieved throughout the five- and seven- year periods of the Projections may vary from the projected results and the variations may be material.

The Projections were not prepared in accordance with standards for projections promulgated by the American Institute of Certified Public Accountants. The Projections have not been examined or compiled by independent accounts. No assurance can be given that the Projections will be realized. The

Debtors make no representation or warranty as to the accuracy of the Projections or their ability to achieve the projected results.

F. Risks Related to Asbestos Proceedings

As discussed in Article IV above, more than 7,000 Asbestos Claims have been filed against the Debtors. The Debtors have succeeded in having more than 2,500 of the Asbestos Claims disallowed, but certain Asbestos Claims may not be disallowed prior to the Effective Date. Those Asbestos Claims that are not disallowed will be unimpaired pursuant to the terms of the Plan and so the Asbestos Proceedings to which such claims relate may be prosecuted against the Debtors in the MARDOC Court or other venue in which they were initiated. While the Debtors will retain all existing rights and defenses in respect of such claims, these reinstated proceedings could lead to the imposition of monetary judgments against OSG Entities in an undetermined amount. The number of Asbestos Claims, if any, that will be reinstated cannot be predetermined, nor can the outcome of any such Asbestos Proceeding be predicted. Therefore, it is impossible to accurately quantify the potential post-restructuring liability stemming from any reinstated Asbestos Claims. In addition, there remains the possibility of the commencement of additional proceedings against the Debtors not related to the existing Asbestos Claims, including based on alleged injuries occurring after the commencement of the Chapter 11 Cases. While the Debtors will retain all existing rights and defenses in respect of such Claims after the Effective Date, the releases and discharges of the Debtors' obligations pursuant to the Plan may not provide for a discharge of such Claims and causes of action.

G. Industry-Specific Risk Factors

1. *The highly cyclical nature of the industry may lead to volatile changes in charter rates and vessel values, which may adversely affect the OSG Companies' earnings.*

Factors affecting the supply and demand for vessels are outside of the OSG Companies' control, and the nature, timing and degree of changes in industry conditions are unpredictable and may adversely affect the values of the OSG Companies' vessels and result in significant fluctuations in the amount of charter hire the OSG Companies may earn, which could result in significant fluctuations in the OSG Companies' quarterly results and cash flows. The factors that influence the demand for tanker capacity include:

- demand for and availability of oil and oil products, which affect the need for vessel capacity;
- global and regional economic and political conditions which among other things, could impact the supply of oil as well as trading patterns and the demand for various types of vessels;
- changes in the production of crude oil, including production by OPEC, the United States and other key producers, which impact the need for vessel capacity;
- developments in international trade;
- changes in seaborne and other transportation patterns, including changes in the distances that cargoes are transported;
- environmental concerns and regulations;
- new pipeline construction and expansions;

- weather; and
- competition from alternative sources of energy.

The factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- the number of vessels that are used for storage or as floating storage offloading service vessels;
- the conversion of vessels from transporting oil and oil products to carrying dry bulk cargo and the reverse conversion;
- the number of vessels that are out of service; and
- environmental and maritime regulations.

2. *The market value of vessels fluctuates significantly, which could adversely affect the Reorganized Debtors' liquidity or otherwise adversely affect their financial condition.*

The market value of vessels has fluctuated over time. The fluctuation in market value of vessels over time is based upon various factors, including:

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

Vessel values have declined during the past few years. As vessels grow older, they generally decline in value. These factors will affect the value of the OSG Companies' vessels at the time of any vessel sale. If a Reorganized Debtor sells a vessel at a sale price that is less than the vessel's carrying amount on its financial statements, it will incur a loss on the sale and a reduction in earnings and surplus.

In addition, declining values of the company's vessels could adversely affect the company's liquidity by limiting its ability to raise cash by refinancing vessels.

3. *An increase in the supply of vessels without a commensurate increase in demand for such vessels could cause charter rates to remain at depressed levels or to further decline, which could have a material adverse effect on the Reorganized Debtors' revenues, profitability and cash flows and on the value of its vessels.*

The OSG Companies (particularly the International Flag business) depend on short term duration or "spot" charters, for a significant portion of its revenues, further exposing the OSG Companies to fluctuations in market conditions. In 2012, 2011 and 2010, the OSG Companies derived approximately 64%, 65% and 64%, respectively, of its TCE revenues in the spot market.

The marine transportation industry has been highly cyclical, as the profitability and asset values of companies in the industry have fluctuated based on changes in the supply and demand of vessels. If the number of new ships delivered exceeds the number of vessels being scrapped, capacity will increase. Historically, we have generally seen the supply of vessels increase with deliveries of new vessels and decreases with the scrapping of older vessels. The newbuilding order book equaled 12% of the existing world tanker fleet as of December 31, 2012, down from 18% and 29% as of December 31, 2011 and December 31, 2010, respectively.

In addition, non-Jones Act vessel supply is affected by the number of vessels that are used for floating storage because vessels that are used for storage are not available to transport crude oil and petroleum products. Utilization of vessels for storage is affected by expectations of changes in the price of oil and petroleum products, with utilization generally increasing if prices are expected to increase more than storage costs and generally decreasing if they are not. A reduction in vessel utilization for storage will generally increase vessel supply. For example, in 2010, 81 vessels were released from storage and reentered the trading fleet. Since the 2010 release, storage on vessels at sea has been low, in part because then current prices of crude oil have generally exceeded the future prices, a condition which allows companies to replace inventories at lower prices, encouraging the drawdown of commercial inventories. Supply has exceeded demand during the past four years, resulting in lower charter rates across the industry. If this trend continues, the charter rates for the Reorganized Debtors' vessels could continue at current depressed levels that are well below historical averages, which would have a material adverse effect on the Reorganized Debtors' revenues, profitability and cash flows if sustained over a long period of time.

4. *Shipping is a business with inherent risks, and the Reorganized Debtors' insurance may not be adequate to cover their losses.*

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

- marine disasters;
- bad weather;
- mechanical failures;
- human error;
- war, terrorism and piracy; and

- other unforeseen circumstances or events.

In addition, transporting crude oil creates a risk of business interruptions due to political circumstances in foreign countries, hostilities, labor strikes, port closings and boycotts. Any of these events may result in loss of revenues, decreased cash flows and increased costs.

While the OSG Companies carry insurance to protect against certain risks involved in the conduct of their business, risks may arise against which the OSG Companies are not adequately insured. For example, a catastrophic spill could exceed the OSG Companies' $1 billion per vessel insurance coverage and have a material adverse effect on their operations. In addition, the OSG Companies may not be able to procure adequate insurance coverage at commercially reasonable rates in the future, and cannot guarantee that any particular Claim will be paid by their insurers. In the past, new and stricter environmental regulations have led to higher costs for insurance covering environmental damage or pollution, and new regulations could lead to similar increases or even make this type of insurance unavailable. Furthermore, even if insurance coverage is adequate to cover the OSG Companies' losses, the OSG Companies may not be able to timely obtain a replacement ship in the event of a loss. The OSG Companies may also be subject to calls, or premiums, in amounts based not only on its own claim records but also the claim records of all other members of the protection and indemnity associations through which the OSG Companies obtain insurance coverage for tort liability. The OSG Companies' payment of these calls could result in significant expenses which would reduce its profits and cash flows or cause losses.

5. *Constraints on capital availability adversely affect the tanker industry and the OSG Companies' business.*

Constraints on capital that have occurred during recent years have adversely affected the financial condition of certain of the OSG Companies' customers, joint venture partners, financial lenders and suppliers, including shipyards from whom the OSG Companies have contracted to purchase vessels. Entities that suffer a material adverse impact on their financial condition may be unable or unwilling to comply with their contractual commitments to the OSG Companies including the refusal or inability of customers to pay charter hire to the OSG Companies, failure of shipyards to construct and deliver to the OSG Companies newbuilds or the inability or unwillingness of joint venture partners or financial lenders to honor their commitments to contribute funds to a joint venture or lend funds. While the OSG Companies seek to monitor the financial condition of such entities, the availability and accuracy of information about the financial condition of such entities and the actions that the OSG Companies may take to reduce possible losses resulting from the failure of such entities to comply with their contractual obligations may be limited. Such failure of customers, joint venture partners, financial lenders and suppliers to meet their contractual obligations may have a material adverse effect on the OSG Companies' revenues, profitability and cash flows. In addition, adverse financial conditions may inhibit customers, joint venture partners, financial lenders and suppliers from entering into new commitments with the OSG Companies, which could have a material adverse effect on revenues, profitability and cash flows.

6. *Acts of piracy on ocean-going vessels could adversely affect Reorganized OSG's business.*

The frequency of pirate attacks on seagoing vessels remains high, particularly in the western part of the Indian Ocean and off the west coast of Africa. If piracy attacks result in regions in which the Reorganized Debtors' vessels are deployed being characterized by insurers as "war risk" zones, as the Gulf of Aden has been, or Joint War Committee "war and strikes" listed areas, premiums payable for such insurance coverage could increase significantly and such insurance coverage may be more difficult to

obtain. Crew costs and costs of employing onboard security guards could also increase in such circumstances.

In addition, while the OSG Companies believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not "on-hire" for a certain number of days and it is therefore entitled to cancel the charter party, a claim that Reorganized OSG would dispute. Reorganized OSG may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on the company. In addition, hijacking as a result of an act of piracy against its vessels, or an increase in cost, or unavailability of insurance for its vessels, could have a material adverse impact on Reorganized OSG's business, financial condition, results of operations and cash flows.

7. *Terrorist attacks and international hostilities and instability can affect the tanker industry, which could adversely affect the Reorganized Debtors' business.*

Terrorist attacks, the outbreak of war, or the existence of international hostilities could damage the world economy, adversely affect the availability of and demand for crude oil and petroleum products and adversely affect the Reorganized OSG's ability to charter its vessels and the charter rates payable under any charters. Additionally, the International Flag business operates in a sector of the economy that is likely to be adversely impacted by the effects of political instability, terrorist or other attacks, war or international hostilities. These factors could also increase the costs to Reorganized OSG of conducting its business, particularly crew, insurance and security costs, which could have a material adverse effect on its profitability and cash flows.

8. *The OSG Companies conduct their operations internationally, subjecting the International Flag business to changing economic, political and governmental conditions abroad which may adversely affect Reorganized OSG's business.*

The OSG Companies conduct their operations internationally, and their business, financial condition, results of operations and cash flows may be adversely affected by changing economic, political and government conditions in the countries and regions where their vessels are employed, including:

- pandemics or epidemics which may result in a disruption of worldwide trade including quarantines of certain areas;
- currency fluctuations;
- the imposition of taxes by flag states, port states and jurisdictions in which OSG and certain of its subsidiaries are incorporated or vessels operate;
- adverse changes in other international laws impacting the Reorganized OSG's business; and
- expropriation of its vessels.

The occurrence of such events could have a material adverse effect on the Reorganized OSG's business.

9. *The International Flag vessels may be directed to call on ports located in countries that are subject to restrictions imposed by the U.S. government, which could negatively affect the trading price of the Reorganized OSG Stock.*

From time to time, certain of our vessels, on the instructions of the charterers or pool manager responsible for the commercial management of such vessels, have called and may again call on ports located in countries subject to sanctions and embargoes imposed by the U.S. government, the United Nations ("UN") or the EU and countries identified by the U.S. government, the UN or the EU as state sponsors of terrorism. The U.S., UN and EU sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. Some sanctions may also apply to transportation of goods (including crude oil) originating in sanctioned countries (particularly Iran), even if the vessel does not travel to those countries, or otherwise acting on behalf of sanctioned persons. Sanctions may include the imposition of penalties and fines against companies violating national law or threaten that companies acting outside the jurisdiction of the sanctioning power may themselves become the target of sanctions.

Although the Debtors believe that they are in compliance with all applicable sanctions and embargo laws and regulations and intend to maintain such compliance and that they do not and do not intend to engage in sanctionable activity, there can be no assurance that they will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation or sanctionable activity could result in fines or other penalties, or the imposition of sanctions against the OSG Companies, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in the OSG Companies and negatively affect their reputation and investor perception of the value of the common stock.

10. *Compliance with environmental laws or regulations, including those relating to the emission of greenhouse gases, may adversely affect the OSG Companies' business.*

The OSG Companies' operations are affected by extensive and changing international, national and local environmental protection laws, regulations, treaties, conventions and standards in force in international waters, the jurisdictional waters of the countries in which their vessels operate, as well as the countries of the vessels' registration. Many of these requirements are designed to reduce the risk of oil spills. They also regulate other water pollution issues, including discharge of ballast water and effluents and air emissions, including emission of greenhouse gases. These requirements impose significant capital and operating costs on the OSG Companies.

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

The OSG Companies could incur significant costs, including cleanup costs, fines, penalties, third-party Claims and natural resource damages, as the result of an oil spill or liabilities under environmental laws. The OSG Companies are subject to the oversight of several government agencies, including the U.S. Coast Guard, the Environmental Protection Agency and the Maritime Administration of the U.S. Department of Transportation. The Oil Pollution Act of 1990 ("OPA 90") affects all vessel owners shipping oil or hazardous material to, from or within the United States. OPA 90 allows for potentially unlimited liability without regard to fault for owners, operators and bareboat charterers of vessels for oil pollution in U.S. waters. Similarly, the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, which has been adopted by most countries outside of the United States, imposes liability for oil pollution in international waters. OPA 90 expressly permits individual states to impose their own liability regimes with regard to hazardous materials and oil pollution incidents occurring within their boundaries. Coastal states in the United States have enacted pollution prevention liability and response laws, many providing for unlimited liability. Similarly, the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, which has been adopted by most countries outside of the United States, imposes liability for oil pollution in international waters.

In addition, in complying with OPA 90, International Maritime Organization ("IMO") regulations, EU directives and other existing laws and regulations and those that may be adopted, shipowners likely will incur substantial additional capital and/or operating expenditures in meeting new regulatory requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Key regulatory initiatives that are anticipated to require substantial additional capital and/or operating expenditures in the next several years include more stringent limits on the sulfur content of fuel oil for vessels operating in certain areas and more stringent requirements for management and treatment of ballast water. Other government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become more strict in the future and require the Company to incur significant capital expenditures on its vessels to keep them in compliance, or even to scrap or sell certain vessels altogether. Such expenditures could result in financial and operational impacts that may be material to the OSG Companies' financial statements.

Accidents involving highly publicized oil spills and other mishaps involving vessels can be expected in the tanker industry, and such accidents or other events could be expected to result in the adoption of even stricter laws and regulations, which could limit the OSG Companies' operations or their ability to do business and which could have a material adverse effect on the OSG Companies' business, financial results and cash flows.

Due to concern over the risk of climate change, a number of countries, including the U.S., and international organizations, including the EU, the IMO and the United Nations, have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. Such actions could result in significant financial and operational impacts on the OSG Companies' business, including requiring the OSG Companies to install new emission controls, acquire allowances or pay taxes related to its greenhouse gas emissions, or administer and manage a greenhouse gas emission program. In addition to the added costs, the concern over climate change and regulatory measures to reduce greenhouse gas emissions may reduce global demand for oil and oil products, which would have an adverse effect on the OSG Companies' business, financial results and cash flows.

11. *The revenues from the International Flag business are subject to seasonal variations.*

OIN operates its tankers in markets that have historically exhibited seasonal variations in demand for tanker capacity, and therefore, charter rates. Charter rates for tankers are typically higher in the fall and winter months as a result of increased oil consumption in the Northern Hemisphere. Because a majority of the International Flag vessels trade in the spot market, seasonality has affected OIN's operating results on a quarter-to-quarter basis and could continue to do so in the future. Such seasonality may be outweighed in any period by then current economic conditions or tanker industry fundamentals.

H. Company-Specific Risk Factors

1. *The Debtors have incurred significant indebtedness which could affect their ability to finance their operations, pursue desirable business opportunities and successfully run their business in the future, and therefore make it more difficult for the Debtors to fulfill their obligations under their indebtedness.*

The Debtors have, and expect after emergence from Chapter 11 that the Reorganized Debtors will continue to have, significant amounts of indebtedness. The Reorganized Debtors' substantial indebtedness and interest expense could have important consequences, including:

- limiting their ability to use a substantial portion of its cash flow from operations in other areas of their business, including for working capital, capital expenditures and other general business activities, because they must dedicate a substantial portion of these funds to service the debt;

- to the extent the Reorganized Debtors' future cash flows are insufficient, requiring them to seek to incur additional indebtedness in order to make planned capital expenditures and other expenses or investments;

- limiting the Reorganized Debtors' ability to obtain additional financing in the future for working capital, capital expenditures, debt service requirements, acquisitions, and other expenses or investments planned by the companies;

- limiting their flexibility and ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation, and their business and industry;

- limiting their ability to satisfy their obligations under their indebtedness;

- increasing their vulnerability to a downturn in their business and to adverse economic and industry conditions generally;

- placing them at a competitive disadvantage as compared to their competitors that are less leveraged;

- limiting their ability, or increasing the costs, to refinance indebtedness; and

- limiting their ability to enter into hedging transactions by reducing the number of counterparties with whom they can enter into such transactions as well as the volume of those transactions.

The Reorganized Debtors' ability to continue to fund their obligations and to reduce debt may be affected by general economic, financial market, competitive, legislative and regulatory factors, among other things. An inability to fund the debt requirements or reduce debt could have a material adverse effect on the Reorganized Debtors' business, financial condition, results of operations and liquidity.

2. *The Reorganized Debtors may not be able to generate sufficient cash to service all of their indebtedness.*

The Reorganized Debtors' earnings and cash flow vary significantly over time due to the cyclical nature of the tanker industry. As a result, the amount of debt that the Reorganized Debtors can manage in some periods may not be appropriate in other periods. Additionally, future cash flow may be insufficient to meet the Reorganized Debtors' debt obligations and commitments. Any insufficiency could negatively impact their business. A range of economic, competitive, financial, business, industry and other factors will affect future financial performance, and, as a result, their ability to generate cash flow from operations and to pay debt. Many of these factors, such as charter rates, economic and financial conditions in the tanker industry and the global economy or competitive initiatives of competitors, are beyond their control. If the Reorganized Debtors do not generate sufficient cash flow from operations to satisfy their debt obligations, they may have to undertake alternative financing plans, such as:

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

No assurance can be given that undertaking alternative financing plans, if necessary, would be successful in allowing them to meet their debt obligations. Their ability to restructure or refinance their debt will depend on the condition of the capital markets, their access thereto and their financial condition at such time. Any refinancing of debt could be at higher interest rates and may require them to comply with more onerous covenants, which could further restrict their business operations. The terms of existing or future debt instruments may restrict them from adopting some of these alternatives. These alternative measures may not be successful and may not permit them to meet their scheduled debt service obligations. Their inability to generate sufficient cash flow to satisfy their debt obligations, or to obtain alternative financing, could materially and adversely affect their business, financial condition, results of operations, cash flows and prospects.

3. *Litigation and regulatory inquiries associated with the restatement of the OSG Companies' prior period financial statements could result in substantial costs, penalties and other adverse effects.*

Substantial costs may be incurred to defend and resolve regulatory proceedings and litigation arising out of or relating to matters addressed in the recently completed inquiry. In completing the restatement, the OSG Companies examined the appropriateness of the OSG Companies' accounting treatment of the U.S. federal income tax consequences of the credit agreements for which OIN was a co-obligor with OSG and OBS on a joint and several basis. In conducting this analysis, the Company also determined that additional financial statement reserves were required with respect to certain other lesser tax compliance matters, including intercompany balances between OIN and OSG that gave rise to deemed dividend income to OSG. The Debtors cannot predict the amount or timing of the final resolution with the IRS or other relevant taxing authorities of the matters that gave rise to the restatement. Further, the

OSG Companies have not recorded penalties related to the ongoing IRS audits. Penalties, if imposed, may be material.

The OSG Companies are also subject to other regulatory and litigation proceedings relating to, or arising out of, the restatement, including a pending investigation by the SEC and purported securities class action lawsuits seeking relief against certain of their officers and directors. These proceedings could also result in civil or criminal fines and other non-monetary penalties. The OSG Companies have not reserved any amount in respect of these matters in its consolidated financial statements.

The OSG Companies cannot predict whether any monetary losses they experience in the proceedings will be covered by insurance or whether insurance proceeds recovered will be sufficient to offset such losses. Pending civil, regulatory and criminal proceedings may also divert the efforts and attention of the their management from business operations, particularly if adverse developments are experienced in any of them, such as an expansion of the investigations being conducted by the SEC.

4. *The outsourcing of the technical and commercial management of the Company's International Flag conventional tankers, which currently represents a significant portion of the OSG Companies' worldwide operations, exposes them to the risks associated with reliance on third party suppliers.*

During 2014, the OSG Companies will transition the outsourcing of the technical management of their International Flag conventional tankers to V.Ships UK Ltd., a third party service provider, and will transfer commercial management of such vessels to other third party service providers, including pools.

In outsourcing, the OSG Companies cede direct control over technical and commercial management of the International Flag conventional tankers and must rely on the third party service provider to, among other things;

- Comply with its contractual commitments to the OSG Companies, including with respect to safety, quality and environmental compliance of the operations of their vessels;
- Respond to changes in customer demands for the OSG Companies' vessels;
- Obtain supplies and materials necessary for the operation and maintenance of OSG Companies' vessels; and
- Mitigate the impact of labor shortages and/or disruptions relating to crews on OSG Companies' vessels.

5. *The Reorganized OSG's business would be adversely affected if it failed to comply with the Jones Act provisions on coastwise trade, or if these provisions were repealed and if changes in international trade agreements were to occur.*

The U.S. Flag business is subject to the Jones Act and other federal laws that restrict maritime transportation between points in the United States (known as marine cabotage services or coastwise trade) to vessels built and registered in the United States and owned and manned by U.S. citizens. The OSG Companies are responsible for monitoring the foreign ownership of their common stock and other interests to ensure compliance with the Jones Act. If the OSG Companies do not comply with these restrictions, they would be prohibited from operating their vessels in U.S. coastwise trade, and under certain circumstances would be deemed to have undertaken an unapproved foreign transfer, resulting in severe penalties, including permanent loss of U.S. coastwise trading rights for their vessels, fines or forfeiture of the vessels.

In order to ensure compliance with Jones Act citizenship requirements, and in accordance with the certificate of incorporation and by-laws of OSG, the Board of Directors of OSG adopted a requirement in July 1976 that at least 77% (the "Minimum Percentage") of OSG's common stock must be held by U.S. citizens. While the percentage of U.S. citizenship ownership of OSG's outstanding common stock fluctuates daily, at times in the past several years it has declined to the Minimum Percentage. Any purported transfer of common stock in violation of these ownership provisions will be ineffective to transfer the shares of common stock or any voting, dividend or other rights associated with them. The existence and enforcement of this U.S. citizen ownership requirement could have an adverse impact on the liquidity or market value of Reorganized OSG's common stock in the event that U.S. citizens were unable to transfer shares of the common stock to non-U.S. citizens. Furthermore, under certain circumstances this ownership requirement could discourage, delay or prevent a change in control of Reorganized OSG.

Additionally, the Jones Act restrictions on the provision of maritime cabotage services are subject to exceptions under certain international trade agreements, including the General Agreement on Trade in Services ("GATS") and the North American Free Trade Agreement ("NAFTA"). If maritime cabotage services were included in GATS, NAFTA or other international trade agreements, or if the restrictions contained in the Jones Act were otherwise repealed or altered, the transportation of maritime cargo between U.S. ports could be opened to international flag or international-manufactured vessels. During the past several years, interest groups have lobbied Congress to repeal the Jones Act to facilitate international flag competition for trades and cargoes currently reserved for U.S. Flag vessels under the Jones Act and cargo preference laws. The Debtors believe that continued efforts will be made to modify or repeal the Jones Act and cargo preference laws currently benefiting U.S. Flag vessels. Because international vessels may have lower construction costs, wage rates and operating costs, this could significantly increase competition in the coastwise trade, which could have a material adverse effect on the Reorganized OSG's business, results of operations, cash flows and financial condition.

6. *The OSG Companies may not be able to renew time charters when they expire or enter into new time charters for newbuilds.*

There can be no assurance that any of the Debtors' existing time charters will be renewed at comparable rates or if renewed or entered into, that they will be at favorable rates. If, upon expiration of the existing time charters or delivery of newbuilds, the OSG Companies are unable to obtain time charters or voyage charters at desirable rates, their profitability and cash flows may be adversely affected.

7. *Delays or cost overruns in building new vessels, including delivery of any new vessels, the scheduled shipyard maintenance of the OSG Companies' existing vessels, or conversion of the OSG Companies' existing vessels could adversely affect their results of operations.*

Building new vessels, scheduled shipyard maintenance or conversion of vessels are subject to risks of delay (including the failure of suppliers to deliver new vessels) or cost overruns caused by circumstances including but not limited to, the following:

- financial difficulties of the shipyard building, repairing or converting a vessel, including bankruptcy;
- unforeseen quality or engineering problems;
- work stoppages;

- weather interference;
- unanticipated cost increases;
- delays in receipt of necessary materials or equipment;
- changes to design specifications; and
- inability to obtain the requisite permits, approvals or certifications from the U.S. Coast Guard or international foreign flag state authorities and the applicable classification society upon completion of work.

Significant delays and cost overruns could increase the OSG Companies' expected contract commitments, which would have an adverse effect on their revenues, borrowing capacity and results of operations. Furthermore, delays would result in vessels being out-of-service for extended periods of time, and therefore not earning revenue, which could have a material adverse effect on their financial condition and results of operations, including cash flows. The OSG Companies' remedies for losses resulting from shipyards' failure to comply with their contractual commitments may be limited by such contracts, certain of which contain liquidated damages provisions that limit the amount of monetary damages that may be claimed or that limit the OSG Companies' right to cancellation of the building contract.

While purchase price payments for newbuild vessels made prior to vessel delivery to international shipyards are generally supported by guarantees from financial institutions, such as banks or insurance companies, such payments to U.S. shipyards historically have been supported by liens on the work in progress, including steel and equipment used for constructing the vessel, and not by guarantees from financial institutions. Due to these conventions, if a U.S. shipyard fails to deliver a contracted vessel, the Reorganized Debtors' investment may be supported only by their liens on the work in progress, which may result in a loss of part or all of their investment. Even with a financial institution guarantee, the Reorganized Debtors may not be able to recover in a timely matter, or at all, its loss resulting from a shipyard's failure to deliver.

8. *Termination or change in the nature of OIN's relationship with any of the pools in which it participates could adversely affect its business.*

Participation in these pools is intended to enhance the financial performance of the Company's vessels as a result of the higher vessel utilization. Any participant in any of these pools has the right to withdraw upon notice in accordance with the relevant pool agreement. The Debtors have decided to outsource the commercial management of their vessels and to dissolve the AI pool. The Debtors cannot predict whether other pools in which its vessels operate will continue to exist in the future. After the Chapter 11 filing, some participants in the pools have withdrawn or announced their intention to withdraw from pools in which the International Flag vessels participate, or subjected the Debtors to trading restrictions within the pools. In addition, in recent years the EU has published guidelines on the application of the EU antitrust rules to traditional agreements for maritime services such as pools. While the Debtors believe that all the pools they participate in comply with EU rules, there has been limited administrative and judicial interpretation of the rules. Restrictive interpretations of the guidelines could adversely affect the ability to commercially market the respective types of vessels in pools.

9. *In the highly competitive international market, Reorganized OSG may not be able to compete effectively for charters with companies with greater resources*.

The International Flag vessels are employed in a highly competitive market. Competition arises from other vessel owners, including major oil companies, which may have substantially greater resources than the OSG Companies do. Competition for the transportation of crude oil and other petroleum products depends on price, location, size, age, condition, and the acceptability of the vessel operator to the charterer. The Debtors believe that because ownership of the world tanker fleet is highly fragmented, no single vessel owner is able to influence charter rates. To the extent Reorganized OSG enters into new geographic regions or provides new services, it may not be able to compete profitably. New markets may involve competitive factors that differ from those of the Debtors' current markets, and the competitors in those markets may have greater financial strength and capital resources than the Debtors do.

10. *Changes in demand in specialized markets in which the Debtors' U.S. flag vessels currently trade may lead Reorganized OSG to redeploy certain vessels to other markets.*

The Debtors deploy their vessels in several specialized markets, including, without limitation, lightering in the Delaware Bay. The Debtors conduct those lightering operations with two ATBs, OSG 350 Vision and OSG 351 Horizon, which were constructed using funds withdrawn from a Capital Construction Fund ("CCF") established under authority in 46 U.S.C. Chapter 535. The CCF program allows for the accumulation of capital necessary for construction, reconstruction, or acquisition of U.S. built vessels on a before-tax basis. A CCF is established by an agreement (the "CCF Agreement") between the U.S. citizen shipholding party and the Maritime Administrator ("MarAd"), the text of which is prescribed in MarAd regulations. The U.S. citizen shipholding party is allowed a tax deduction to the extent of its deposits into the CCF in the applicable tax year, and qualified withdrawals to build a vessel are tax free. In exchange, the U.S. citizen shipholding party must operate the vessel in a qualified trade for a certain period of time following the vessel's construction and deposit any net proceeds from the mortgage of a vessel constructed using qualified withdrawals in the CCF. While the Delaware Bay lightering operations are a CCF-qualified trade, transportation between two U.S. mainland ports would not be so qualified. The CCF Agreement provides, among other things, that MarAd may assess a daily liquidated damages penalty if the ATBs are deployed in a nonqualified trade. If lower demand in the Delaware Bay lightering market adversely affects Reorganized OSG's financial position, it may redeploy these two ATBs in nonqualified trades. While the Debtors own the ATBs free and clear, their use is restricted pursuant to the CCF Agreement and related regulations. If the two ATBs are deployed in nonqualified trades, there is a risk that competitors of Reorganized OSG could bring suit to enjoin such operations or seek damages from OSG.

11. *Operating costs and capital expenses will increase as the OSG Companies' vessels age.*

In general, capital expenditures and other costs necessary for maintaining a vessel in good operating condition increase as the age of the vessel increases. Accordingly, it is likely that the operating costs of the OSG Companies' vessels will increase. In addition, changes in governmental regulations and compliance with Classification Society standards may require the OSG Companies to make additional expenditures for new equipment. In order to add such equipment, the OSG Companies may be required to take their vessels out of service. There can be no assurance that market conditions will justify such expenditures or enable them to operate their older vessels profitably during the remainder of their economic lives.

12. *Certain potential customers will not use vessels older than a specified age, even if they have been recently rebuilt*

All of the OSG Companies' existing articulated tug barges ("ATBs") with the exception of the *OSG Vision/OSG 350* and the *OSG Horizon/OSG 351* were originally constructed more than 25 years ago. While all of these tug-barge units were rebuilt and double-hulled since 1998 and are "in-class," meaning the vessel has been certified by a classification society as being built and maintained in accordance with the rules of that classification society and complies with the applicable rules and regulations of the vessel's country of registry and applicable international conventions, some potential customers have stated that they will not charter vessels that are more than 20 years old, even if they have been rebuilt. No assurance can be given that customers will continue to view rebuilt vessels as suitable. If more customers differentiate rebuilt vessels, time charter rates for Reorganized OSG's rebuilt ATBs will likely be adversely affected or they may not be employable.

13. *The OSG Companies are subject to credit risks with respect to their counterparties on contracts and failure of such counterparties to meet their obligations could cause the OSG Companies to suffer losses on such contracts, decreasing revenues and earnings.*

The OSG Companies charter their vessels to other parties, who pay them a daily rate of hire. The OSG Companies also enter into COAs and voyage charters. Historically, the Company has not experienced material problems collecting charter hire but the global economic downturn of recent years has affected charterers more severely than the prior recessions that have occurred since the OSG Companies' establishment more than 40 years ago. The OSG Companies also time charter or bareboat charter some of their vessels from other parties and their continued use and operation of such vessels depends on the vessel owners' compliance with the terms of the time charter or bareboat charter. Additionally, prior to the Chapter 11 filing, the OSG Companies entered, and may following confirmation of the Plan enter, into derivative contracts (FFAs, bunker swaps, interest rate swaps and foreign currency contracts). All of these contracts subject the OSG Companies to counterparty credit risk. As a result, the OSG Companies are subject to credit risks at various levels, including with charterers or cargo interests. If the counterparties fail to meet their obligations, the OSG Companies could suffer losses on such contracts which would decrease revenues, cash flows and earnings.

14. *OSG's financial condition would be materially adversely affected if the shipping income of OSG's foreign subsidiaries becomes subject to current taxation in the U.S.*

As a result of changes made by the American Jobs Creations Act of 2004 ("2004 Act"), the Company does not include in its U.S. tax return on a current basis the unrepatriated shipping income earned by its international flag vessels, which in recent years represented substantially all of the Company's pre-tax income. These changes in the 2004 Act were made to make U.S. controlled shipping companies competitive with foreign-controlled shipping companies, which are generally incorporated in jurisdictions in which they either do not pay income taxes or pay minimal income taxes. The taxation of OSG's foreign subsidiaries under U.S. laws is a complex area and is subject to ongoing analysis and recalculation, which can have a material impact on the Company.

The President and several Congressmen and Senators have announced support for repealing certain tax provisions that purportedly incentivize companies to move jobs from the U.S. to foreign countries. While the Company believes that the changes made in the 2004 Act with respect to foreign shipping income do not "incentivize moving jobs offshore," and, in fact, have enabled the Company to expand its U.S. Flag fleet and create jobs in the U.S., Congress may decide to repeal the changes made in

the 2004 Act with respect to taxation of foreign shipping income for the aforementioned reason or as part of initiatives to reduce the U.S. budget deficit or to reform the U.S. corporate tax regime. Such repeal, either directly or indirectly by limiting or reducing benefits received under the 2004 Act, could have a materially adverse effect on the Company's business, financial results and cash flows.

15. *Trading and complementary hedging activities in Forward Freight Agreements ("FFAs") subject the OSG Companies to trading risks, and they may suffer trading losses that reduce earnings.*

Due to shipping market volatility, success in this industry requires constant adjustment of the balance between chartering out vessels for long periods of time and trading them on a spot basis. The OSG Companies seek to manage and mitigate that risk through trading and complementary hedging activities in forward freight agreements, or FFAs. However, there is no assurance that the OSG Companies will be able at all times to successfully protect themselves from volatility in the shipping market. The OSG Companies may not successfully mitigate their risks, leaving them exposed to unprofitable contracts and may suffer trading losses that reduce earnings and surplus.

The OSG Companies have not and do not intend to enter into derivative financial instruments of any type during the pendency of the Chapter 11 proceedings.

16. *The OSG Companies may face unexpected drydock costs for their vessels.*

Vessels must be drydocked periodically. The cost of repairs and renewals required at each drydock are difficult to predict with certainty and can be substantial. The OSG Companies' insurance does not cover these costs. In addition, vessels may have to be drydocked in the event of accidents or other unforeseen damage. The OSG Companies' insurance may not cover all of these costs. Large drydocking expenses could adversely affect the OSG Companies' financial results and cash flows.

17. *Maritime claimants could arrest the OSG Companies' vessels, which could interrupt their cash flow.*

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, Claims or damages. In many jurisdictions, a maritime lien Holder may enforce its lien by arresting a vessel through foreclosure proceedings. While the Chapter 11 filing has provided the OSG Companies with an automatic stay against the arrest of a vessel because of an obligation arising before the Chapter 11 filing, and against exercising control over the Debtors' property on a post-petition basis, such stay may not be recognized in a specific jurisdiction, and the stay does not generally apply to obligations arising after the Chapter 11 filing. While the Debtors have obtained recognition of the Chapter 11 proceedings and the automatic stay in South Africa and in the Courts of England and Wales, the arrest or attachment of one or more of the Debtors' vessels could interrupt their cash flow and require them to pay a significant amount of money to have the arrest lifted. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel in the Debtors' fleet for Claims relating to another vessel in their fleet.

18. *Some of the OSG Companies' revenues are derived from entities it does not control.*

As of the Petition Date, the OSG Companies control only a portion of the voting rights in the FSO, LNG, and ATC Joint Ventures and, as such, do not have unfettered control over those entities. Based on their shareholdings and the contractual arrangements entered into with the other shareholders, the OSG Companies do not control those businesses. While the OSG Companies expect to continue receiving dividend payments, there can be no assurance that the future performance of these businesses will be in line with expectations or that they will continue to receive similar dividends, if any, going forward. Moreover, while the Debtors intend to assume the relevant joint venture agreements, with the interests in such joint ventures vesting in the reorganized Debtors, the Debtors' joint venture partners may seek to condition these provisions of the Plan.

19. *The OSG Companies will continue to incur significant severance costs.*

The OSG Companies have experienced significant severance costs in connection with the termination of certain of its employees. For example, efforts to restructure the International Flag business in connection with the Outsourcing led to the incurrence of approximately $8.6 million in costs, mainly related to the reduction of forces in foreign offices. The Company expects to continue to incur significant severance costs in the future in connection with the restructuring of the International Flag business.

X.
U.S. SECURITIES LAW MATTERS

A. Introduction

The issuance, distribution, exercise and resale (as applicable) of securities pursuant to the Plan, including Reorganized OSG Stock, Reorganized OSG Jones Act Warrants (and the Reorganized OSG Stock issuable upon exercise thereof) and the Subscription Rights (the "Plan Securities") will be exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 1145 of the Bankruptcy Code ("Section 1145"), Section 4(a)(2) under the Securities Act and/or other available exemptions from registration under the Securities Act and state securities laws, as applicable. Other than as noted below in Section X.D. and in connection with the issuance of Plan Securities under the Management and Director Incentive Program (which will be issued pursuant to a registration statement on Form S-8 to be filed by Reorganized OSG with the SEC), no registration statement will be filed under the Securities Act or pursuant to any state securities laws with respect to the offer, distribution and resale of the Plan Securities.

B. Exemptions from Registration Requirements

1. *Plan Securities Issued in Reliance on Section 1145 of the Bankruptcy Code.*

Section 1145(a)(1) of the Bankruptcy Code ("Section 1145(a)") exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and state laws if three principal requirements are satisfied: (i) the securities are offered and sold under a plan of reorganization and are securities of the debtor, of an affiliate participating in a joint plan with the debtor or of a successor to the debtor under the plan; (ii) the recipients of the securities hold prepetition or administrative expense Claims against the debtor or an interest in the debtor; and (iii) the securities are issued either entirely in exchange for such recipient's claim or interest, or principally in such exchange and partly for cash or other property. The issuance and distribution of the Plan Securities pursuant to the Plan will be exempt from the Securities Act and state law registration requirements pursuant to Section 1145(a) and/or other

available exemptions from registration under the Securities Act and state securities laws, as applicable. Similarly, the issuance of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants upon exercise of the Subscription Rights by Eligible Participants, as well as the issuance of the Reorganized OSG Stock upon the exercise of the Reorganized OSG Jones Act Warrants, will also be exempt from Securities Act and state law registration requirements pursuant to Section 1145(a) and/or other available exemptions from registration under the Securities Act and state securities laws, as applicable, and no persons other than Eligible Participants or their designated agents will hold or exercise Subscription Rights.

2. *Subsequent Issuances of Reorganized OSG Stock upon Exercises of Reorganized OSG Jones Act Warrants.*

Issuances of Reorganized OSG Stock in connection with any exercise of Reorganized OSG Jones Act Warrants following the distribution of Reorganized OSG Jones Act Warrants, which exercises shall be made on a cashless basis, will be exempt from Securities Act registration pursuant to Section 1145, Section 3(a)(9) of the Securities Act and/or other available exemptions from registration under the Securities Act and state securities laws, as applicable.

C. Resales of Plan Securities

1. *General.*

Section 1145(c) of the Bankruptcy Code provides that the offer or sale of securities pursuant to Section 1145 (such securities, "1145 Securities") shall be deemed a "public offering." As a result, other than to the extent described below, the 1145 Securities shall not be deemed to be "restricted securities" as defined in the Securities Act, and may be resold without registration under the Securities Act subject to (1) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an "underwriter" in section 2(a)(11) of the Securities Act, and compliance with the rules and regulations of the U.S. Securities and Exchange Commission and any state or foreign securities laws applicable at the time of such future transfer; (2) contractual restrictions, if any, on the transferability of such securities and instruments; and (3) the terms of any other applicable regulatory approvals.

2. *Subsequent Issuances of Reorganized OSG Stock upon Exercises of Reorganized OSG Jones Act Warrants.*

Issuances of Reorganized OSG Stock in connection with any exercise of Reorganized OSG Jones Act Warrants following the distribution of Reorganized OSG Jones Act Warrants, which exercises shall be made on a cashless basis, will be exempt from Securities Act registration pursuant to Section 1145, Section 3(a)(9) of the Securities Act, and/or other available exemptions from registration under the Securities Act and state securities laws, as applicable.

3. *Underwriters; Definitions of Underwriter and Affiliate.*

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" for purposes of determining whether any Person that acquires Plan Securities is deemed to be an "underwriter." To the extent that any such Person is deemed to be an "underwriter," resales of Plan Securities by such Person may not be exempted from registration under the Securities Act or other applicable law by Section 1145.

Under Section 1145(b)(1), an "underwriter" includes (a) any entity that is an "issuer" of the relevant securities or (b) any entity other than the issuer that, other than pursuant to "ordinary trading transactions," (a) purchases a claim against, interest in or claim for an administrative expense in the case

concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest, (b) offers to sell securities offered or sold under the plan for the holders of such securities, or (c) offers to buy securities offered or sold under the plan from the holders of such securities, if such offer to buy is made (i) under an agreement made in connection with the plan, with the consummation thereof or with the offer or sale of securities thereunder and (ii) with a view to distribution of such securities. Whether an entity is an "issuer" for these purposes will be determined by reference to Section 2(a)(11) of the Securities Act; for these purposes, the "issuer" shall include all persons who, directly or indirectly, control, are controlled by or are under direct or indirect common control with, such issuer. Under Rule 405 of the Securities Act, "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "affiliate" means a person that, with respect to another specified person, directly or indirectly controls, is controlled by or is under common control with the person specified.

The legislative history of Section 1145 suggests that a creditor who owns 10% or more of a class of securities of a reorganized debtor (or its successor under a plan of reorganization) may be presumed to be a "controlling person" (and, accordingly, be deemed an "affiliate") of such debtor and thus an underwriter under Section 1145. Any officer or director of a reorganized debtor or successor may similarly be deemed to be a "controlling person" or "affiliate" thereof, particularly when coupled with ownership of a significant percentage of the issuer's voting securities.

Whether or not any Person would be deemed to be an "underwriter" (including whether such Person is a "controlling person") with respect to any Plan Security will depend upon the facts and circumstances applicable to that Person. Accordingly, the Debtors express no view as to whether any Person would be an "underwriter" with respect to any Plan Security . **PERSONS ACQUIRING PLAN SECURITIES SHOULD CONFER WITH THEIR OWN LEGAL ADVISORS TO DETERMINE WHETHER OR NOT ANY SUCH PERSON IS AN "UNDERWRITER" UNDER THE BANKRUPTCY CODE.** Persons that are deemed to be underwriters who acquire Plan Securities that are deemed to be "restricted securities" may nonetheless sell those securities without registration in compliance with the relevant provisions of Rule 144 under the Securities Act applicable to "affiliates."

D. Registration Rights

Reorganized OSG will enter into a registration rights agreement providing for customary registration rights for the Reorganized OSG Stock and Reorganized OSG Jones Act Warrants (including any shares of Reorganized OSG Stock issued upon the exercise of Reorganized OSG Jones Act Warrants), covering registration of securities owned by affiliates of OSG. This registration rights agreement will be filed as part of the Plan Supplement, be in form and substance reasonably satisfactory to the Debtors and the Requisite Consenting Lenders, and entered into on the Effective Date or as soon as reasonably practicable thereafter.

E. Listing of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants

Reorganized OSG will become and remain an SEC registrant at all times. Reorganized OSG Stock and Reorganized OSG Jones Act Warrants will be listed on a national securities exchange upon emergence or as soon as reasonably practicable thereafter, and Reorganized OSG will use reasonable commercial efforts to maintain such listings on such exchange or another national or regional securities exchange.

F. Antitrust Requirements

The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), requires parties to certain acquisitions of assets, voting securities, or non-corporate interests to file notification forms with the Federal Trade Commission (the "FTC") and the Antitrust Division of the U.S. Department of Justice (the "DOJ"), and to observe certain statutory waiting periods. Persons who will hold as a result of an acquisition in excess of $75.9 million of Reorganized OSG Stock (as valued in accordance with the HSR Act) may be required to file a Notification and Report Form with the FTC and the DOJ, observe a statutory waiting period, and pay the requisite filing fee, provided certain jurisdictional thresholds are satisfied. Persons filing the Notification and Report Form are required to provide, among other information, a description of the transaction, certain financial statements of the Person filing notification, a classification by North American Industry Classification System Code of the revenues the Person filing notification derived from U.S. operations, and detail on the Person filing notification's corporate structure, including minority holdings. Both the HSR Act and its implementing regulations contain exemptions from the application of the HSR Act that may apply under certain circumstances. Persons acquiring Reorganized OSG Stock should consult with independent legal counsel to determine whether they may be subject to the HSR Act.

XI.
RELEASES

The releases, discharges, injunctions and exculpations set forth in the Plan and described herein are the product of a global compromise and settlement with the Consenting Lenders and other parties in interest. The Debtors believe that the releases, discharges, injunctions and exculpations are reasonable, narrowly tailored and necessary for the Debtors to exit Chapter 11.

The Debtors believe that the Released Parties (as defined below) have benefitted the Debtors' estates. For instance, the Consenting Lenders are supporting the Debtors' Plan in a number of respects, including by agreeing to the settlement and compromise embodied in the Plan and by providing financing permitting the Debtors to exit Chapter 11.

A. Released Parties

For purposes of the Plan, "Released Parties" means (i) each of the Debtors, (ii) the Committee, (iii) the Credit Agreement Lenders, (iv) the Credit Agreement Agent, (v) the Notes Trustees, and (vi) each of the respective Related Persons of each of the foregoing.

B. RELEASES BY DEBTORS

AS OF THE EFFECTIVE DATE, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, INCLUDING: (I) THE SETTLEMENT, RELEASE, AND COMPROMISE OF DEBT AND ALL OTHER GOOD AND VALUABLE CONSIDERATION PAID PURSUANT HERETO; AND (II) THE SERVICES OF THE DEBTORS' PRESENT AND FORMER OFFICERS, DIRECTORS, MANAGERS, AND ADVISORS IN FACILITATING THE EXPEDIENT IMPLEMENTATION OF THE RESTRUCTURING TRANSACTIONS CONTEMPLATED HEREBY, EACH OF THE DEBTORS, THE REORGANIZED DEBTORS, AND ANY PERSON OR ENTITY SEEKING TO EXERCISE THE RIGHTS OF THE DEBTORS' ESTATES, INCLUDING, WITHOUT LIMITATION, ANY SUCCESSOR TO THE DEBTORS OR ANY ESTATE REPRESENTATIVE APPOINTED OR SELECTED PURSUANT TO SECTION 1123(B)(3) OF THE BANKRUPTCY CODE, THE COMMITTEE AND ALL RELATED PERSONS, AND THE NOTES TRUSTEES

SHALL BE DEEMED TO FOREVER RELEASE, WAIVE, AND DISCHARGE EACH OF THE RELEASED PARTIES FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, REMEDIES, RIGHTS, CAUSES OF ACTION (INCLUDING AVOIDANCE AND OTHER ACTIONS), RIGHTS OF SETOFF AND LIABILITIES WHATSOEVER (INCLUDING ANY DERIVATIVE CLAIMS ASSERTED ON BEHALF OF THE DEBTORS) IN CONNECTION WITH OR IN ANY WAY RELATING TO THE DEBTORS, THE CHAPTER 11 CASES, THE DISCLOSURE STATEMENT, OR THE PLAN (OTHER THAN THE RIGHTS OF THE DEBTORS, OR THE REORGANIZED DEBTORS TO ENFORCE THE OBLIGATIONS UNDER THE CONFIRMATION ORDER AND THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES, AND OTHER AGREEMENTS OR DOCUMENTS DELIVERED THEREUNDER) WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THEN EXISTING OR THEREAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE, THAT ARE BASED IN WHOLE OR PART ON ANY ACT, OMISSION, TRANSACTION, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE EFFECTIVE DATE; PROVIDED, HOWEVER, THAT NOTHING IN SECTION 11.3(A) OF THE PLAN:

(I) SHALL BE DEEMED TO PROHIBIT THE REORGANIZED DEBTORS FROM ASSERTING AND ENFORCING ANY CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION OR LIABILITIES THEY MAY HAVE AGAINST ANY EMPLOYEE (INCLUDING DIRECTORS AND OFFICERS) FOR ALLEGED BREACH OF CONFIDENTIALITY, OR ANY OTHER CONTRACTUAL OBLIGATIONS OWED TO THE DEBTORS OR THE REORGANIZED DEBTORS, INCLUDING NON-COMPETE AND RELATED AGREEMENTS OR OBLIGATIONS;

(II) SHALL OPERATE AS A RELEASE, WAIVER, OR DISCHARGE OF ANY CAUSES OF ACTION OR LIABILITIES UNKNOWN TO THE DEBTORS AS OF THE PETITION DATE ARISING OUT OF GROSS NEGLIGENCE, WILLFUL MISCONDUCT, FRAUD OR CRIMINAL ACTS OF SUCH RELEASED PARTY; OR

(III) SHALL RELEASE ANY OF THE CAUSES OF ACTIONS PRESERVED UNDER THE PLAN, INCLUDING THE PROFESSIONAL LIABILITY ACTION.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE FOREGOING RELEASE BY THE DEBTORS, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN OR ELSEWHERE IN THE PLAN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE FOREGOING RELEASE BY THE DEBTORS IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES; (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE FOREGOING BY THE DEBTORS; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE FOREGOING RELEASE BY THE DEBTORS.

C. RELEASES BY HOLDERS OF CLAIMS AND INTERESTS

NOTWITHSTANDING ANYTHING CONTAINED IN THE PLAN OR THE CONFIRMATION ORDER TO THE CONTRARY, AS OF THE EFFECTIVE DATE, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, THE HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS AND THE REORGANIZED DEBTORS WHO: (I) EITHER VOTE TO ACCEPT THE PLAN OR ARE PRESUMED TO HAVE VOTED FOR THE PLAN UNDER SECTION 1126(F) OF THE BANKRUPTCY CODE, OR (II) ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN AND REJECT THE PLAN OR ABSTAIN FROM VOTING AND DO NOT MARK THEIR BALLOTS TO INDICATE THEIR REFUSAL TO GRANT THE RELEASES PROVIDED IN SUB-PARAGRAPH 11.3(B) OF THE PLAN SHALL BE DEEMED TO FOREVER RELEASE, WAIVE, AND DISCHARGE EACH OF THE RELEASED PARTIES FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION (INCLUDING AVOIDANCE AND OTHER ACTIONS), RIGHTS OF SETOFF AND LIABILITIES WHATSOEVER (INCLUDING ANY DERIVATIVE CLAIMS ASSERTED ON BEHALF OF THE DEBTORS) IN CONNECTION WITH OR IN ANY WAY RELATING TO THE DEBTORS, THE CONDUCT OF THE DEBTORS' BUSINESSES, THE CHAPTER 11 CASES, THE DISCLOSURE STATEMENT, OR THE PLAN (OTHER THAN THE RIGHTS OF THE DEBTORS, THE REORGANIZED DEBTORS, OR A CREDITOR HOLDING AN ALLOWED CLAIM TO ENFORCE THE OBLIGATIONS UNDER THE CONFIRMATION ORDER AND THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES, AND OTHER AGREEMENTS OR DOCUMENTS DELIVERED THEREUNDER) WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THEN EXISTING OR THEREAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE, WHETHER FOR TORT, CONTRACT, VIOLATION OF FEDERAL OR STATE SECURITIES LAW OR OTHERWISE, THAT ARE BASED IN WHOLE OR PART ON ANY ACT, OMISSION, TRANSACTION, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE EFFECTIVE DATE; PROVIDED, HOWEVER, THAT NOTHING IN SECTION 11.3(B) OF THE PLAN SHALL OPERATE AS A RELEASE, WAIVER OR DISCHARGE OF ANY CAUSES OF ACTION OR LIABILITIES UNKNOWN TO SUCH HOLDER AS OF THE PETITION DATE ARISING OUT OF GROSS NEGLIGENCE, WILLFUL MISCONDUCT, FRAUD OR CRIMINAL ACTS OF ANY SUCH RELEASED PARTY; AND PROVIDED FURTHER, HOWEVER, THAT NOTHING IN SECTION 11.3(B) OF THE PLAN SHALL OPERATE AS A RELEASE WAIVER OR DISCHARGE OF ANY CAUSES OF ACTION OR CLAIMS FOR CONTRIBUTION OR PROPORTIONATE FAULT THAT ANY PARTY OTHER THAN THE DEBTORS WHO IS A NAMED DEFENDANT IN THE OSG SECURITIES CLASS ACTION MAY HAVE AGAINST ANY OTHER PERSON OTHER THAN THE DEBTORS THAT ARISES FROM OR IS RELATED TO THE LIABILITY CLAIMS ASSERTED AGAINST THEM IN THAT ACTION.

D. Discharge of Claims

To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by the Plan or the Confirmation Order: (1) all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Old Equity Interests and all Claims of any kind or nature whatsoever against the Debtors or any of their assets or properties and regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Old Equity Interests or Claims; (2) the Plan shall bind all Holders of Claims and Equity

Interests, notwithstanding whether any such Holders failed to vote to Accept or reject the Plan or voted to reject the Plan; and (3) all Persons and Entities shall be precluded from asserting against the Debtors, the Debtors' Estates, the Reorganized Debtors, their successors and assigns, and their assets and properties any other Claims or Equity Interests based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. Except as otherwise expressly provided by the Plan or the Confirmation Order, upon the Effective Date, the Debtors shall be deemed discharged and released under and to the fullest extent provided under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims of any kind or nature whatsoever, including, without limitation, demands and liabilities that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code.

E. Preservation of Rights of Action

Except as otherwise provided in the Plan, the Confirmation Order or in any document, instrument, release or other agreement entered into in connection with the Plan or approved by order of the Bankruptcy Court, in accordance with section 1123(b) of the Bankruptcy Code, the Debtors and their Estates shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including the Professional Liability Action, the Avoidance and Other Actions, and any actions specifically enumerated on Exhibit J to the Plan, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date; provided that no Causes of Action released pursuant to Section 11.3(a) of the Plan against the Released Parties shall vest in the Reorganized Debtors. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, the Disclosure Statement, or the Confirmation Order to any Cause of Action against them as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against them.** The Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan.

Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a final order of the Bankruptcy Court, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the confirmation or consummation of the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors. The Reorganized Debtors may pursue such Causes of Action, or decline to do any of the foregoing, as appropriate, in accordance with the best interests of the Reorganized Debtors and without further notice to or action, order or approval of the Bankruptcy Court.

F. Injunctions

Except as otherwise provided in the Plan or in any document, instrument, release or other agreement entered into in connection with the Plan or approved by order of the Bankruptcy Court, the Confirmation Order shall provide, among other things, that from and after the Effective Date all Persons or Entities who have held, hold, or may hold Claims against or Equity Interests in the Debtors are (i) permanently enjoined from taking any of the following actions against the Estate(s) or any of their property on account of any such Claims or Equity Interests and (ii) permanently enjoined from taking any of the following actions against any of the Debtors, the Reorganized Debtors or their property on account of such Claims or Equity Interests: (A) commencing or

continuing, in any manner or in any place, any action or other proceeding; (B) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (C) creating, perfecting, or enforcing any Lien or encumbrance; (D) asserting a setoff or right of subrogation of any kind against any debt, liability or obligation due to the Debtors; and (E) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan; provided, however, that nothing contained in the Plan shall preclude such Persons or Entities from exercising their rights pursuant to and consistent with the terms of the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered under or in connection with the Plan.

By accepting distributions pursuant to the Plan, each Holder of an Allowed Claim will be deemed to have specifically consented to the injunctions set forth in Section 11.7 of the Plan.

G. Exculpation and Limitations of Liability

For purposes of the Plan, "Exculpated Parties" means each of the Debtors, non-Debtor Affiliates, Reorganized Debtors, and all of their respective Affiliates, (ii) the Committee, (iii) the Credit Agreement Agent, (iv) the Credit Agreement Lenders and (v) with respect to the foregoing, each of their respective officers, directors, employees, representatives, advisors, attorneys, notaries (pursuant to the laws of the United States and any other jurisdiction), auditors, agents and professionals, in each case acting in such capacity on or any time after the Petition Date, and any person claiming by or through any of them but excluding defendants in the Professional Liability Action and any other Causes of Action preserved by the Debtors.

The Plan contains standard exculpation provisions applicable to the key parties in interest with respect to their conduct in the Chapter 11 Cases. ON THE EFFECTIVE DATE, THE EXCULPATED PARTIES SHALL NEITHER HAVE NOR INCUR ANY LIABILITY TO ANY HOLDER OF CLAIM OR AN INTEREST, THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY OTHER PARTY-IN-INTEREST, OR ANY OF THEIR RELATED PERSONS FOR ANY PREPETITION OR POSTPETITION ACT OR OMISSION IN CONNECTION WITH, RELATING TO, OR ARISING OUT OF THE CHAPTER 11 CASES, THE FORMULATION, NEGOTIATION, OR IMPLEMENTATION OF THE DISCLOSURE STATEMENT OR THE PLAN, THE SOLICITATION OF ACCEPTANCES OF THE PLAN, THE PURSUIT OF CONFIRMATION OF THE PLAN, THE CONFIRMATION OF THE PLAN, THE CONSUMMATION OF THE PLAN OR THE ADMINISTRATION OF THE PLAN, EXCEPT FOR ACTS OR OMISSIONS THAT ARE THE RESULT OF WILLFUL MISCONDUCT, GROSS NEGLIGENCE, FRAUD OR CRIMINAL ACTS; PROVIDED, HOWEVER, THAT (I) THE FOREGOING IS NOT INTENDED TO LIMIT OR OTHERWISE IMPACT ANY DEFENSE OF QUALIFIED IMMUNITY THAT MAY BE AVAILABLE UNDER APPLICABLE LAW; (II) EACH EXCULPATED PARTY SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL CONCERNING HIS, HER, OR ITS DUTIES PURSUANT TO, OR IN CONNECTION WITH, THE PLAN; AND (III) THE FOREGOING EXCULPATION SHALL NOT BE DEEMED TO RELEASE, AFFECT, OR LIMIT ANY OF THE RIGHTS AND OBLIGATIONS OF THE EXCULPATED PARTIES FROM, OR EXCULPATE THE EXCULPATED PARTIES WITH RESPECT TO, ANY OF THE EXCULPATED PARTIES' OBLIGATIONS OR COVENANTS ARISING PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER.

H. Term of Injunctions or Stays

All injunctions or stays provided for in the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and

effect until the Effective Date. Upon the Effective Date, all injunctions or stays provided for in the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, shall be lifted and of no further force or effect—being replaced, to the extent applicable, by the injunctions, discharges, releases and exculpations of Article XI of the Plan.

I. Termination of Subordination Rights and Settlement of Related Claims

The classification and manner of satisfying all Claims and Equity Interests under the Plan take into consideration all subordination rights, whether arising by contract or under general principles of equitable subordination, section 510(b) or 510(c) of the Bankruptcy Code or otherwise. All subordination rights that a Holder of a Claim or Equity Interest may have with respect to any distribution to be made pursuant to the Plan will be discharged and terminated and all actions related to the enforcement of such subordination rights will be permanently enjoined. Accordingly, distributions pursuant to the Plan to Holders of Allowed Claims will not be subject to payment to a beneficiary of such terminated subordination rights or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights; provided, however, that nothing contained in Section 11.9 of the Plan shall preclude any Person or Entity from exercising their rights pursuant to and consistent with the terms of the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered under or in connection with the Plan.

XII.
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. General

The following discussion summarizes certain anticipated U.S. federal income tax consequences relating to the Plan. This summary is based on the Internal Revenue Code of 1986, as amended ("IRC"), U.S. Treasury regulations (proposed, temporary and final) issued thereunder and administrative and judicial interpretations thereof, all as they currently exist as of the date of this Disclosure Statement and all of which are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below.

The following summary is for general information only. The tax treatment of a beneficial owner of Claims (each a "Holder" and collectively, the "Holders") may vary depending upon such Holder's particular situation. This summary does not address all of the tax consequences that may be relevant to a Holder, including any alternative minimum tax consequences, and does not address the tax consequences to a Holder that has made an agreement to resolve its Claim in a manner not explicitly provided for in the Plan. This summary also does not address the U.S. federal income tax consequences to persons not entitled to vote on the Plan; Holders subject to special treatment under the U.S. federal income tax laws, such as brokers or dealers in securities or currencies, certain securities traders, tax-exempt entities, financial institutions, insurance companies, foreign persons, Holders that are, or hold Claims or Reorganized OSG Stock or Reorganized OSG Jones Act Warrants through, partnerships and other pass-through entities; Holders that hold Claims as a position in a "straddle" or as part of a "synthetic security," "hedging," "conversion" or other integrated transaction; Holders that have a "functional currency" other than the United States dollar; and Holders that have acquired Claims in connection with the performance of services. The following summary assumes that the Claims are held by Holders as "capital assets" (as defined in the IRC) and that all Claims denominated as indebtedness are properly treated as debt for U.S. federal income tax purposes.

The tax treatment of Holders and the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the distributions provided for by the Plan may vary,

depending upon, among other things: (i) whether the Claim (or portion thereof) constitutes a Claim for principal or interest; (ii) the type of consideration received by the Holder in exchange for the Claim and whether the Holder receives distributions under the Plan in more than one taxable year; (iii) whether the Holder is a citizen or resident of the United States for tax purposes, is otherwise subject to U.S. federal income tax on a net basis, or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in which the Holder acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was acquired at a discount; (vii) whether the Holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (viii) whether the Holder has previously included in income accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the Holder; (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; and (xi) whether the "market discount" rules are applicable to the Holder. Therefore, each Holder should consult its tax advisor for information that may be relevant to its particular situation and circumstances, and the particular tax consequences to such Holder of the transactions contemplated by the Plan.

THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT ITS TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND APPLICABLE NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

IRS CIRCULAR 230 DISCLOSURE: TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, TAXPAYERS ARE HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT (INCLUDING ANY APPENDICES OR ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A TAXPAYER UNDER THE IRC, (B) ANY SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED IN THE DISCLOSURE STATEMENT AND IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN AND (C) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

B. U.S. Federal Income Tax Consequences to the Debtors

1. *Cancellation of Debt and Reduction of Tax Attributes*

If there is a discharge of a debt obligation by a debtor (or, in the case of indebtedness with multiple obligors, indebtedness that is allocable to such debtor) for an amount less than the adjusted issue price (in most cases, the amount the debtor received on incurring the obligation, with certain adjustments), such discharge generally would give rise to cancellation of debt ("COD") income, which must be included in the debtor's income. Settlement of a guarantee at less than the full amount guaranteed should not give rise to COD. The Debtors do not expect to realize substantial COD income as a result of the Plan.

In the event the Debtors do realize COD income, the Debtors should be able to utilize a special tax provision which excludes from income COD income attributable to debts discharged in a Chapter 11 case (the "Bankruptcy Exception"). Under section 108(b) of the IRC and Treasury regulations that apply to members of a consolidated group, each Debtor that does not include COD income in computing taxable

income under the Bankruptcy Exception will be required to reduce certain tax attributes, generally in the following order: (a) net operating losses and carryforwards of net operating losses; (b) general business credit carryforwards; (c) minimum tax credit carryforwards; (d) capital loss carryforwards; (e) the tax basis of the Debtors' property (but not below the amount of its liabilities immediately after the discharge); (f) passive activity loss and credit carryforwards; and (g) foreign tax credit carryforwards. A debtor may elect to alter the preceding order of attribute reduction and, instead, first reduce the tax basis of its depreciable assets (which may also include the depreciable assets of its subsidiaries). Any reduction in tax attributes does not occur until after the determination of tax liability for the taxable year or, in the case of asset basis reduction, the first day of the taxable year following the taxable year in which the debt is discharged. In the case of Debtors that are members of the OSG consolidated group, a "look-through rule" applies when asset basis reduction reduces the basis of stock of another member of the consolidated group and requires corresponding adjustments to be made to the attributes attributable to the lower-tier member.

2. *Limitation of NOL Carryforwards and Other Tax Attributes*

Under section 382 of the IRC, if a corporation (or consolidated group) undergoes an "ownership change," the amount of its net operating losses ("NOLs) (including NOL carryforwards from periods before the ownership change and certain net losses or deductions which are "built-in" (*i.e.*, economically accrued but unrecognized) as of the date of the ownership change) and tax credits that may be utilized to offset future taxable income generally is subject to an annual limitation. The Debtors do not anticipate having significant net operating losses or tax credit carryforwards following the implementation of the Plan, but the Debtors may have substantial "built-in" losses in respect of certain capital assets. The exchange of Claims and Old Equity Interests for Reorganized OSG Stock and Reorganized OSG Jones Act Warrants may result in an "ownership change" for purposes of section 382 of the IRC. As a result, to the extent the OSG consolidated group has any net operating losses, capital losses or net built-in losses, such losses may be subject to an annual limitation on use.

C. U.S. Federal Income Tax Consequences to U.S. Holders of Credit Agreement Claims and Subordinated Claims and Old Equity Interests

This subsection describes tax consequences to a U.S. Holder. A "U.S. Holder" is a beneficial owner of a Claim, Reorganized OSG Stock, Subscription Rights or Reorganized OSG Jones Act Warrants if the Holder is a citizen or resident of the United States; a domestic corporation; an estate whose income is subject to United States federal income tax regardless of its source; or a trust, if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

1. *General*

The United States federal income tax consequences to U.S. Holders of Claims that receive Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants pursuant to the Plan depend on whether such Claims constitute "securities" of OSG for U.S. federal income tax purposes. Whether an instrument constitutes a security for U.S. federal income tax purposes is determined based on all the facts and circumstances, but most authorities have held that the term of a debt instrument at the time of its issuance is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security.

For purposes of the following discussion, no assumption has been made as to whether any Claims constitute securities of the Debtors. Holders of Claims are urged to consult their tax advisors to determine whether, given their particular circumstances, their Claim or Equity Interest constitutes a security of OSG.

The exchange of a Claim that is treated as a security of OSG for Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants should be treated as made pursuant to a reorganization under section 368(a)(1)(E) of the IRC. In such case, U.S. Holders of such Claims should not recognize any gain or loss upon the exchange, except that any accrued but unpaid interest and amounts allocable thereto will be taxed as described below under "*— Accrued but Unpaid Interest Income with Respect to Claims*." A U.S. Holder of a Claim that is treated as a security of OSG should generally have a tax basis in the shares of Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants received in exchange of such Claim equal to its tax basis in such Claim. Such a Holder's holding period in the Reorganized OSG Stock, Subscription Rights or Reorganized OSG Jones Act Warrants should include the holding period for the surrendered Claim.

If the exchange of a Claim is not treated as a made pursuant to a reorganization under section 368(a)(1)(E) of the IRC (for example, because the Claim is not a security of OSG or such Holder receives cash instead in the exchange), a U.S. Holder of a Claim will recognize gain or loss on the exchange of its Claim for cash or other property, in an amount equal to the difference between (i) the sum of the amount of any cash and the fair market value on the date of the exchange of any Reorganized OSG Stock or Reorganized OSG Jones Act Warrants received by the U.S. Holder (other than any consideration attributable to a Claim for accrued but unpaid interest) and (ii) the adjusted tax basis of the Claim exchanged (other than basis attributable to accrued but unpaid interest previously included in the U.S. Holder's taxable income). If an exchange is not treated as made pursuant to a reorganization, a Holder will have a tax basis in any Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants received in such exchange equal to the fair market value on the date of exchange of such Reorganized OSG Stock, Subscription Rights or Reorganized OSG Jones Act Warrants, as the case may be, and such Holder's holding period in the stock, rights, and/or warrants will begin the day after the stock, rights, or warrants are received. With respect to the treatment of accrued but unpaid interest and amounts allocable thereto, see "*— Accrued but Unpaid Interest Income with Respect to Claims*" below.

When gain or loss is recognized, such gain or loss may be long-term capital gain or loss if the Claim disposed of is a capital asset in the hands of the U.S. Holder and is held for more than one year. Each U.S. Holder of a Claim should consult its own tax advisor to determine whether gain or loss recognized by such U.S. Holder will be long-term capital gain or loss and the specific tax effect thereof on such U.S. Holder.

A U.S. Holder that purchased its Claim from a prior Holder at a market discount may be subject to the market discount rules of the IRC. Under those rules (subject to a *de minimis* exception), assuming that such U.S. Holder has made no election to accrue the market discount and include it in income on a current basis, any gain recognized on the exchange of such Claim generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

2. *Accrued but Unpaid Interest Income with Respect to Claims*

In general, to the extent any amount received (whether stock, rights, warrants, cash or other property) by a U.S. Holder of a debt instrument is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the U.S. Holder as interest income (if not previously included in the Holder's gross income). Conversely, a U.S. Holder generally recognizes a deductible loss to the extent any accrued interest claimed was previously included in its gross income and is not paid in full. A Holder will have a tax basis in any Reorganized OSG Stock, Subscription Rights, or Reorganized

OSG Jones Act Warrants received in satisfaction of accrued interest equal to the fair market value on the date of receipt of such Reorganized OSG Stock or Reorganized OSG Jones Act Warrants, as the case may be, and such Holder's holding period in the stock, rights, and/or warrants will begin the day after the stock, rights, or warrants are received. Each U.S. Holder of a Claim is urged to consult its own tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for tax purposes.

3. *U.S. Federal Income Tax Consequences to U.S. Holders of Old Equity Interests*

The exchange of Old Equity Interests for Reorganized OSG Stock or Reorganized OSG Jones Act Warrants should be treated as made pursuant to a reorganization under section 368(a)(1)(E) of the IRC. U.S. Holders of Old Equity Interests should not recognize any gain or loss upon the exchange. A U.S. Holder of an Old Equity Interest should generally have a tax basis in the shares of Reorganized OSG Stock or Reorganized OSG Jones Act Warrants received in exchange for such Old Equity Interest equal to its tax basis in such Old Equity Interest. Such Holder's holding period in the Reorganized OSG Stock or Reorganized OSG Jones Act Warrants should include the holding period for the surrendered Old Equity Interest.

4. *Tax Treatment of the Exercise or Lapse of Subscription Rights*

A Holder of Subscription Rights generally should not recognize gain or loss upon the exercise of such rights. The tax basis in the shares of Reorganized OSG Stock received upon exercise of the Subscription Rights should equal the sum of the Holder's tax basis in the Subscription Rights and the net amount of cash paid for such Reorganized OSG Stock. The Holder's holding period in the Reorganized OSG Stock received should commence the day following its acquisition. Upon any lapse of Subscription Rights received in exchange for Claims, the Holder generally should recognize a loss equal to its tax basis in the Subscription Rights. In general, such loss should be a capital loss.

5. *Ownership and Disposition of Reorganized OSG Stock or Reorganized OSG Jones Act Warrants*

i Distributions on Reorganized OSG Stock

Cash distributions made by Reorganized OSG in respect of Reorganized OSG Stock will constitute a taxable dividend when such distribution is actually or constructively received, to the extent such distribution is paid out of the current or accumulated earnings and profits of Reorganized OSG (as determined under U.S. federal income tax principles). To the extent the amount of any distribution received by a U.S. Holder in respect of Reorganized OSG Stock exceeds the current or accumulated earnings and profits of Reorganized OSG, the distribution (1) will be treated as a non-taxable return of the U.S. Holder's adjusted tax basis in that Reorganized OSG Stock and (2) thereafter will be treated as capital gain.

ii Adjustments and Distributions on the Reorganized OSG Jones Act Warrants

Pursuant to the terms of the Reorganized OSG Jones Act Warrants, the number of shares of Reorganized OSG Stock that may be purchased is subject to adjustment from time to time upon the occurrence of certain events. Under Section 305 of the IRC a change in conversion ratio or any transaction having a similar effect on the interest of a warrant holder may be treated as a distribution with respect to any U.S. Holder of Reorganized OSG Jones Act Warrants whose proportionate interest in OSG's earnings and profits is increased by such change or transaction. Thus, under certain future circumstances which may or may not occur, such an adjustment pursuant to the terms of the Reorganized

OSG Jones Act Warrants may be treated as a taxable distribution to the U.S. Holder to the extent of OSG's current or accumulated earnings and profits, without regard to whether the Holder receives any cash or other property. In the event of such a taxable distribution, a U.S. Holder's basis in its Reorganized OSG Jones Act Warrants will be increased by an amount equal to the taxable distribution. In addition, in certain limited circumstances, a holder of Reorganized OSG Jones Act Warrants may receive property from Reorganized OSG. The receipt of property from Reorganized OSG may be currently taxable to a holder of reorganized OSG Jones Act Warrants.

The rules with respect to adjustments and receipt of property are complex and U.S. Holders of Reorganized OSG Jones Act Warrants should consult their own tax advisors in the event of an adjustment.

iii Exercise of Reorganized OSG Jones Act Warrants

The exchange of Reorganized OSG Jones Act Warrants for Reorganized OSG Stock pursuant to the exercise of the Reorganized OSG Jones Act Warrants should not be treated as a taxable transaction. U.S. Holders of Reorganized OSG Jones Act Warrants should not recognize any gain or loss upon the exchange. A U.S. Holder of a Reorganized OSG Jones Act Warrants should generally have a tax basis in the shares of Reorganized OSG Stock received in exchange of such Reorganized OSG Jones Act Warrants equal to its tax basis in such Reorganized OSG Jones Act Warrants (plus the nominal exercise price of such Reorganized OSG Jones Act Warrants). Such a Holder's holding period in the Reorganized OSG Stock should include the holding period for the surrendered Reorganized OSG Jones Act Warrants.

iv Dispositions of Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants

Sales or other taxable dispositions by U.S. Holders of Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants generally will give rise to gain or loss equal to the difference between the amount realized on the disposition and the U.S. Holder's tax basis in such Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants. In general, gain or loss recognized on the sale or exchange of Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants will be capital gain or loss and, if the U.S. Holder's holding period for such Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants exceeds one year, will be long-term capital gain or loss. Certain U.S. Holders, including individuals, are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains realized. The deduction of capital losses against ordinary income is subject to limitations under the IRC.

Depending on the particular circumstances in which the Claim for which the Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants were exchanged had been acquired and the treatment of the United States Holder's exchange of its Claim for the Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants, the sale, exchange or other disposition of Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants might result in the recognition of market discount. Holders of Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants are urged to consult their tax advisors regarding the application of the market discount rules to any gain recognized upon the sale, exchange, or other disposition.

D. U.S. Federal Income Tax Consequences to Non-U.S. Holders of Credit Agreement Claims and Subordinated Claims and Old Equity Interests

This subsection describes tax consequences to a Non-U.S. Holder. A "Non-U.S. Holder" is a beneficial owner of a Claim or Reorganized OSG Stock that is not a U.S. Holder and is not a partnership for U.S. federal income tax purposes.

1. *General*

The exchange of a Claim that is treated as a security (as described above under "*— U.S. Federal Income Tax Consequences to U.S. Holders of Certain Claims — U.S. Federal Income Tax Consequences to U.S. Holders of Credit Agreement Claims and Subordinated Claims and Old Equity Interests — General of OSG for Reorganized*") for Reorganized OSG Stock, Subscription Rights or Reorganized OSG Jones Act Warrants should be treated as made pursuant to a reorganization under section 368(a)(1)(E) of the IRC. In such case, Non-U.S. Holders of such Claims should not recognize any gain or loss upon the exchange, except that any accrued but unpaid interest and amounts allocable thereto will subject to the discussion below under "*—Accrued but Unpaid Interest Income with Respect to Claims*." A Non-U.S. Holder of Claim that is treated as a security of OSG should generally have a tax basis in the shares of Reorganized OSG Stock, Subscription Rights or Reorganized OSG Jones Act Warrants received in exchange of such Claim equal to its tax basis in such Claim. Such a Holder's holding period in the Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants should include the holding period for the surrendered Claim.

In the case of exchanges of Claims that are not treated as a made pursuant to a reorganization under section 368(a)(1)(E) of the IRC (for example, because the Claim is not a security of OSG or such Holder receives cash in the exchange), a Non-U.S. Holder of Claims generally should not be subject to United States federal income tax on capital gain recognized as a result of the exchange, unless (i) the Holder is an individual present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met, or (ii) the gain is effectively connected with the Holder's conduct of a trade or business in the United States. If an exchange is not treated as made pursuant to a reorganization, a Non-U.S. Holder will have a tax basis in any Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants received in such exchange equal to the fair market value on the date of exchange of such Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants, as the case may be, and such Non-U.S. Holder's holding period in the stock, rights and/or warrants will begin the day after the stock, rights, or warrants are received.

2. *Accrued but Unpaid Interest Income with Respect to Claims*

A Non-U.S. Holder's receipt of any shares of Reorganized OSG Stock, Subscription Rights, Reorganized OSG Jones Act Warrants or cash that is treated as attributable to accrued but unpaid interest on the Claims surrendered therefor should not be subject to United States federal income tax or withholding tax provided that (i) the interest is "portfolio interest" within the meaning of section 871(h) or section 881(c) of the IRC, and (ii) the interest is not effectively connected with the conduct of a trade or business within the United States. Portfolio interest is generally any interest (including original issue discount) which (i) would otherwise be subject to tax, (ii) is paid on an obligation which is in registered form, and (iii) that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, IRS Form W-8BEN or W-8BEN-E) establishing that the Non-U.S. Holder is not a U.S. person. Interest income, however, may be subject to U.S. income or withholding tax if: (i) the Non-U.S. Holder actually or constructively owns at the relevant time 10% or more of the total combined voting power of all classes of the borrower's stock that is entitled to vote; (ii) the Non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to the borrower (each, within the meaning of the IRC); (iii) the Non-U.S. Holder is not a bank receiving interest described in section 881(c)(3)(A) of the IRC. Non-US Holders of Claims are urged to consult their tax advisors to determine whether, given their particular circumstances, amounts they receive in respect of accrued but unpaid interest will be portfolio interest. A Non-U.S. Holder will have a tax basis in any Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants received in satisfaction of accrued interest equal to the fair market value on the date of receipt of such Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants, as the case may be, and such Non-U.S. Holder's

holding period in the stock, rights, and/or warrants will begin the day after the stock, rights, or warrants are received.

3. *U.S. Federal Income Tax Consequences to Non-U.S. Holders of Old Equity Interests*

The exchange of Old Equity Interests for Reorganized OSG Stock or Reorganized OSG Jones Act Warrants should be treated as made pursuant to a reorganization under section 368(a)(1)(E) of the IRC. Non-U.S. Holders of Old Equity Interests should not recognize any gain or loss upon the exchange. A Non-U.S. Holder of an Old Equity Interest should generally have a tax basis in the shares of Reorganized OSG Stock or Reorganized OSG Jones Act Warrants received in exchange of such Old Equity Interest equal to its tax basis in such Old Equity Interest. Such a Holder's holding period in the Reorganized OSG Stock or Reorganized OSG Jones Act Warrants should include the holding period for the surrendered Old Equity Interest.

4. *Ownership and Disposition of Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants by Non-U.S. Holders*

Generally, distributions treated as dividends, as described above under "*U.S. Federal Income Tax Consequences to U.S. Holders of Credit Agreement Claims and Subordinated Claims and Old Equity Interests — Ownership and Disposition of Reorganized OSG Stock U.S. Holders — Distributions on Reorganized OSG Stock*," paid to a Non-U.S. Holder with respect to the Reorganized OSG Stock will be subject to a 30% U.S. withholding tax, or such lower rate as may be specified by an applicable income tax treaty, unless the distribution is effectively connected with the Holder's conduct of a trade or business in the United States. If a Non-U.S. Holder is subject to withholding at a rate in excess of a reduced rate for which such Holder is eligible under a tax treaty or otherwise, the Holder may be able to obtain a refund of or credit for any amounts withheld in excess of the applicable rate. Non-U.S. Holders are encouraged to consult with their own tax advisors regarding the possible implications of these withholding requirements on their investment in the Reorganized OSG Stock.

Any deemed distributions resulting from adjustments pursuant to the terms of the Reorganized OSG Jones Act Warrants to the number of shares of Reorganized OSG Stock that may be purchased and any income resulting from receipt of property from Reorganized OSG (see "*U.S. Federal Income Tax Consequences to U.S. Holders of Credit Agreement Claims and Subordinated Claims and Old Equity Interests — Ownership and Disposition of Reorganized OSG Stock U.S. Holders — Adjustments and Distributions on the Reorganized OSG Jones Act Warrants*" above) may be subject to a 30% U.S. withholding tax, or such lower rate as may be specified by an applicable income tax treaty, to the extent deemed to be made out of our current or accumulated earnings and profits, unless the distribution is effectively connected with the Holder's conduct of a trade or business in the United States. In the case of any deemed distribution, it is possible that this tax would be withheld from any amount owed to you, including, but not limited to, shares of Reorganized OSG Stock delivered upon exercise of the Reorganized OSG Jones Act Warrants.

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale, exchange or other taxable disposition of the Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants unless (i) the Holder is an individual present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met, or (ii) the gain is effectively connected with the Holder's conduct of a trade or business in the United States.

After June 30, 2014, withholding will be required at a rate of 30% on dividends in respect of, and, after December 31, 2016, gross proceeds from the sale or other disposition of, Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants held by or through certain foreign financial institutions (including investment funds), unless the institution enters into an agreement with the Treasury to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury regulations, may modify these requirements. Accordingly, the entity through which the Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants is held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale or other disposition of, Reorganized OSG Stock, Subscription Rights, or Reorganized OSG Jones Act Warrants held by a Non-U.S. Holder that is a non-financial non-U.S. entity that does not qualify under certain exemptions will be subject to withholding at a rate of 30%, unless the entity either (i) certifies that it does not have any "substantial United States owners" or (ii) provides certain information regarding its "substantial United States owners."

5. *Exercise of Subscription Rights or Reorganized OSG Jones Act Warrants*

The exchange of Subscription Rights or Reorganized OSG Jones Act Warrants for Reorganized OSG Stock pursuant to the exercise of the Subscription Rights or Reorganized OSG Jones Act Warrants should not be treated as a taxable transaction. Non-U.S. Holders of Subscription Rights or Reorganized OSG Jones Act Warrants should not recognize any gain or loss upon the exchange. A Non-U.S. Holder of Subscription Rights or Reorganized OSG Jones Act Warrants should generally have a tax basis in the shares of Reorganized OSG Stock received in exchange for such Subscription Rights or Reorganized OSG Jones Act Warrants equal to its tax basis in such Subscription Rights or Reorganized OSG Jones Act Warrants (plus the net amount of cash paid for such Reorganized OSG Stock). A Holder who exchanges Reorganized OSG Jones Act Warrants for Reorganized OSG Stock should have a holding period in the Reorganized OSG Stock which includes the holding period for the surrendered Reorganized OSG Jones Act Warrants. A holder who exchanges Subscription Rights for Reorganized OSG stock should have a holding period in such Reorganized OSG Stock commencing the day following its acquisition of such stock. There should be no United States federal income tax consequences to a Non-U.S. Holder upon the lapse of its Subscription Rights.

E. Information Reporting and Backup Withholding

In general, information reporting requirements may apply to distributions or payments under the Plan, including in connection with payments of dividends and the proceeds of a sale or other disposition of Reorganized OSG Stock or Reorganized OSG Jones Act Warrants to a Holder that is not an exempt recipient. Additionally, under the backup withholding rules, a Holder of a Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan, and a Holder may be subject to backup withholding with respect to the payment of dividends on the Reorganized OSG Stock, unless that Holder (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact, or (ii) timely provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded provided that the required information is timely provided to the IRS.

XIII.
CONCLUSION

The Debtors believe that confirmation and implementation of the Plan is preferable to any of the alternatives described herein because it will provide the greatest recovery to Holders of Claims and Equity Interests. Other alternatives would involve significant delay, greater erosion of value, uncertainty and substantial administrative costs and are likely to reduce, if not eliminate, any return to any creditors who hold Impaired Claims. The Debtors urge the Holders of Impaired Claims in Classes D1 and E1 who are entitled to vote on the Plan to vote to Accept the Plan and to evidence such Acceptance by casting their Ballots as set forth in the instructions enclosed with the Ballots so that they will be received not later than 5:00 p.m., prevailing Eastern Time, on [May 15, 2014].

Dated: March 7, 2014
New York, New York

Respectfully Submitted,

OVERSEAS SHIPHOLDING GROUP, INC. (for itself and all other Debtors)

By: _____
Name: **John J. Ray, III**
Title: **Chief Restructuring Officer**

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Appendix A

Joint Chapter 11 Plan of the Debtors

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	Chapter 11
Overseas Shipholding Group, Inc., *et al.*,[1]	:	Case No. 12- 20000 (PJW)
Debtors.	:	Jointly Administered

JOINT PLAN OF REORGANIZATION OF OVERSEAS SHIPHOLDING GROUP, INC., *ET AL.*, UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: March 7, 2014

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PLAN EXHIBITS

INTRODUCTION

Overseas Shipholding Group, Inc. ("OSG") and certain of its affiliates, as debtors and debtors in possession in the above-captioned cases (the "Debtors") propose this joint plan of

[1] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's tax identification number, are: Overseas Shipholding Group, Inc. (7623); OSG International, Inc. (7117); OSG Bulk Ships, Inc. (2600); 1372 Tanker Corporation (4526); Africa Tanker Corporation (9119); Alcesmar Limited (5306); Alcmar Limited (5307); Alpha Suezmax Corporation (1684); Alpha Tanker Corporation (6063); Amalia Product Corporation (3808); Ambermar Product Carrier Corporation (8898); Ambermar Tanker Corporation (7100); Andromar Limited (5312); Antigmar Limited (5303); Aqua Tanker Corporation (7408); Aquarius Tanker Corporation (9161); Ariadmar Limited (5301); Aspro Tanker Corporation (4152); Atalmar Limited (5314); Athens Product Tanker Corporation (9565); Atlas Chartering Corporation (8720); Aurora Shipping Corporation (5649); Avila Tanker Corporation (4155); Batangas Tanker Corporation (8208); Beta Aframax Corporation (9893); Brooklyn Product Tanker Corporation (2097); Cabo Hellas Limited (5299); Cabo Sounion Limited (5296); Caribbean Tanker Corporation (6614); Carina Tanker Corporation (9568); Carl Product Corporation (3807); Concept Tanker Corporation (9150); Crown Tanker Corporation (6059); Delphina Tanker Corporation (3859); Delta Aframax Corporation (9892); DHT Ania Aframax Corp. (9134); DHT Ann VLCC Corp. (9120); DHT Cathy Aframax Corp. (9142); DHT Chris VLCC Corp. (9122); DHT Rebecca Aframax Corp. (9143); DHT Regal Unity VLCC Corp. (9127); DHT Sophie Aframax Corp. (9138); Dignity Chartering Corporation (6961); Edindun Shipping Corporation (6412); Eighth Aframax Tanker Corporation (8100); Epsilon Aframax Corporation (9895); First Chemical Carrier Corporation (2955); First LPG Tanker Corporation (9757); First Union Tanker Corporation (4555); Fourth Aframax Tanker Corporation (3887); Front President Inc. (1687); Goldmar Limited (0772); GPC Aframax Corporation (6064); Grace Chartering Corporation (2876); International Seaways, Inc. (5624); Jademar Limited (7939); Joyce Car Carrier Corporation (1737); Juneau Tanker Corporation (2863); Kimolos Tanker Corporation (3005); Kythnos Chartering Corporation (3263); Leo Tanker Corporation (9159); Leyte Product Tanker Corporation (9564); Limar Charter Corporation (9567); Luxmar Product Tanker Corporation (3136); Luxmar Tanker LLC (4675); Majestic Tankers Corporation (6635); Maple Tanker Corporation (5229); Maremar Product Tanker Corporation (3097); Maremar Tanker LLC (4702); Marilyn Vessel Corporation (9927); Maritrans General Partner Inc. (8169); Maritrans Operating Company L.P. (0496); Milos Product Tanker Corporation (9563); Mindanao Tanker Corporation (8192); Mykonos Tanker LLC (8649); Nedimar Charter Corporation (9566); Oak Tanker Corporation (5234); Ocean Bulk Ships, Inc. (6064); Oceania Tanker Corporation (9164); OSG 192 LLC (7638); OSG 209 LLC (7521); OSG 214 LLC (7645); OSG 215 Corporation (7807); OSG 242 LLC (8002); OSG 243 LLC (7647); OSG 244 LLC (3601); OSG 252 LLC (7501); OSG 254 LLC (7495); OSG 300 LLC (3602); OSG 400 LLC (7499); OSG America LLC (2935); OSG America L.P. (2936); OSG America Operating Company LLC (5493); OSG Car Carriers, Inc. (1608);OSG Clean Products International, Inc. (6056); OSG Columbia LLC (7528); OSG Constitution LLC (8003); OSG Courageous LLC (2871); OSG Delaware Bay Lightering LLC (4998); OSG Discovery LLC (8902); OSG Endeavor LLC (5138); OSG Endurance LLC (2876); OSG Enterprise LLC (3604); OSG Financial Corp. (8639); OSG Freedom LLC (3599); OSG Honour LLC (7641); OSG Independence LLC (7296); OSG Intrepid LLC (7294); OSG Liberty LLC (7530); OSG Lightering Acquisition Corporation (N/A); OSG Lightering LLC (0553); OSG Lightering Solutions LLC (5698); OSG Mariner LLC (0509); OSG Maritrans Parent LLC (3903); OSG Navigator LLC (7524); OSG New York, Inc. (4493); OSG Product Tankers AVTC, LLC (0001); OSG Product Tankers I, LLC (8236); OSG Product Tankers II, LLC (8114); OSG Product Tankers, LLC (8347); OSG Product Tankers Member LLC (4705); OSG Quest LLC (1964); OSG Seafarer LLC (7498);OSG Ship Management, Inc. (9004); OSG Valour Inc. (7765); Overseas Allegiance Corporation (7820); Overseas Anacortes LLC (5515); Overseas Boston LLC (3665); Overseas Diligence LLC (6681); Overseas Galena Bay LLC (6676); Overseas Houston LLC (3662); Overseas Integrity LLC (6682); Overseas Long Beach LLC (0724); Overseas Los Angeles LLC (5448); Overseas Martinez LLC (0729); Overseas New Orleans LLC (6680); Overseas New York LLC (0728); Overseas Nikiski LLC (5519); Overseas Perseverance Corporation (7817); Overseas Philadelphia LLC (7993); Overseas Puget Sound LLC (7998); Overseas Sea Swift Corporation (2868); Overseas Shipping (GR) Ltd. (5454); Overseas ST Holding LLC (0011); Overseas Tampa LLC (3656); Overseas Texas City LLC (5520); Pearlmar Limited (7140); Petromar Limited (7138); Pisces Tanker Corporation (6060); Polaris Tanker Corporation (6062); Queens Product Tanker Corporation (2093); Reymar Limited (7131); Rich Tanker Corporation (9147); Rimar Chartering Corporation (9346); Rosalyn Tanker Corporation (4557); Rosemar Limited (7974); Rubymar

reorganization for the resolution of the outstanding Claims against and Equity Interests in the Debtors. Reference is made to the Disclosure Statement for a discussion of the Debtors' history, business, properties and operations, projections for those operations, risk factors, a summary and analysis of this Plan and certain related matters including, without limitation, certain tax matters related to the Plan. Subject to certain restrictions and requirements set forth in 11 U.S.C. § 1127, Bankruptcy Rule 3019, and the Plan Support Agreement, the Debtors reserve the right to alter, amend, modify, revoke or withdraw this Plan prior to its substantial consummation.

ARTICLE I
DEFINED TERMS AND RULES OF INTERPRETATION

1.1 Defined Terms. Capitalized terms used and not otherwise defined in this Plan shall have the meanings set forth below. Any term that is used and not otherwise defined herein, but that is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to it in the Bankruptcy Code or the Bankruptcy Rules, as applicable.

1145 Cap has the meaning set forth in the Rights Offering Procedures.

7.500% Notes means those 7.5% unsecured notes due 2024 issued by OSG pursuant to that certain indenture, dated February 19, 2004, between OSG and the 7.500% Notes Trustee, having an outstanding principal balance as of the Petition Date of $148,707,083.00.

7.500% Notes Claims means Claims arising under the 7.500% Notes, including, for the avoidance of doubt, any applicable overdue interest at the applicable contractual rates and the reasonable fees and expenses of the 7.500% Notes Trustee, including with respect to post-Effective Date distributions.

7.500% Notes Trustee means Wilmington Trust Company, as indenture trustee for the 7.500% Notes, or any duly appointed successor thereto.

8.125% Notes means those 8.125% unsecured notes due 2018 issued by OSG pursuant to that certain indenture, dated March 29, 2010, between OSG and the 8.125% Notes Trustee, having an outstanding principal balance as of the Petition Date of $302,979,167.00.

8.125% Notes Claims means Claims arising under the 8.125% Notes, including, for the avoidance of doubt, any applicable overdue interest at the applicable contractual and default rates and the reasonable fees and expenses of the 8.125% Notes Trustee, including with respect to post-Effective Date distributions.

Limited (0767); Sakura Transport Corp. (5625); Samar Product Tanker Corporation (9570); Santorini Tanker LLC (0791); Serifos Tanker Corporation (3004); Seventh Aframax Tanker Corporation (4558); Shirley Tanker SRL (3551); Sifnos Tanker Corporation (3006); Silvermar Limited (0766); Sixth Aframax Tanker Corporation (4523); Skopelos Product Tanker Corporation (9762); Star Chartering Corporation (2877); Suezmax International Agencies, Inc. (4053); Talara Chartering Corporation (3744); Third United Shipping Corporation (5622); Tokyo Transport Corp. (5626); Transbulk Carriers, Inc. (6070); Troy Chartering Corporation (3742); Troy Product Corporation (6969); Urban Tanker Corporation (9153); Vega Tanker Corporation (3860); View Tanker Corporation (9156); Vivian Tankships Corporation (7542); Vulpecula Chartering Corporation (8718); Wind Aframax Tanker Corporation (9562). The mailing address of the Debtors is: 1301 Avenue of the Americas, 42nd Floor, New York, NY 10019.

8.125% Notes Trustee means Bank of New York Mellon Trust Company, N.A., as indenture trustee for the 8.125% Notes, or any duly appointed successor thereto.

8.75% Debentures means those 8.75% unsecured debentures due 2013 issued by OSG pursuant to that certain indenture, dated December 1, 1993, between OSG and the 8.75% Debentures Trustee, having an outstanding principal balance as of the Petition Date of $66,122,827.00.

8.75% Debentures Claims means Claims arising under the 8.75% Debentures, including, for the avoidance of doubt, any applicable overdue interest at the applicable contractual rates and the reasonable fees and expenses of the 8.75% Debentures Trustee, including with respect to post-Effective Date distributions.

8.75% Debentures Trustee means the Bank of New York Mellon Trust Company, N.A., as successor indenture trustee to The Chase Manhattan Bank (National Association) for the 8.75% Debentures, or any duly appointed successor thereto.

Accept means, with respect to the acceptance of the Plan by a Class of Claims or Equity Interests, votes cast (or deemed cast pursuant to an order of the Bankruptcy Court or the applicable provisions of the Bankruptcy Code) in favor of the Plan by the requisite number and principal amount of Allowed Claims or Equity Interests in such Class as set forth in section 1126(c) of the Bankruptcy Code.

Adjustment Distribution has the meaning set forth in Section 9.5 of this Plan.

Administrative and Disputed Claims Agent means Greylock Partners LLC.

Administrative Claims Reserve Account means an escrow account held by the Administrative and Disputed Claims Agent for purposes of satisfying Allowed Administrative Expense Claims pursuant to Section 13.6 of this Plan.

Administrative Expense Claim means any Claim for costs and expenses of administration of the Chapter 11 Case that is assertable under section 503(b), 507(b), or 1114(e)(2) of the Bankruptcy Code, including, without limitation: (a) any actual and necessary costs and expenses incurred on or after the Petition Date of preserving the Debtors' Estates and operating the businesses of the Debtors prior to the Effective Date; (b) compensation for legal, financial, advisory, accounting, and other services and reimbursement of expenses Allowed by the Bankruptcy Court under section 327, 330, 331, 363, or 503(b) of the Bankruptcy Code to the extent incurred prior to the Effective Date; and (c) the PSA/ECA Professional Expenses incurred through and including the Effective Date not previously paid by the Debtors.

Administrative Expense Claims Bar Date means the Business Day that is thirty (30) days after the Effective Date or such other date as approved by order of the Bankruptcy Court.

Admiralty Lien Claims means those claims listed on Exhibit D attached hereto.

Affiliate has the meaning set forth in section 101(2) of the Bankruptcy Code.

Allowed means, with reference to any Claim, or any portion thereof, that is not a Disputed Claim and (a) that has been listed by the Debtors in the Schedules as liquidated in amount and not disputed, contingent or undetermined, and with respect to which no contrary proof of claim has been Filed, (b) has been specifically allowed under this Plan, (c) any Claim the amount or existence of which has been determined or allowed by a Final Order or (d) any Claim as to which a proof of claim has been timely Filed before the Bar Date in a liquidated, non-contingent amount that is not disputed or as to which no objection has been timely interposed in accordance with Section 9.1 of this Plan or any other period of limitation fixed by the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court; provided, further that any such Claims Allowed solely for the purpose of voting to Accept or reject the Plan pursuant to an order of the Bankruptcy Court shall not be considered "Allowed Claims" for the purpose of distributions hereunder.

Assigned Contract means any executory contract or unexpired lease assumed and assigned by any of the Debtors under the Plan.

Avoidance and Other Actions means any and all avoidance, recovery, subordination or other actions or remedies that may be brought by and on behalf of the Debtors or their Estates under the Bankruptcy Code or applicable non-bankruptcy law, including, without limitation, actions or remedies arising under sections 510 and 542-553 of the Bankruptcy Code.

Ballot means each of the ballot forms distributed to each Holder of an Impaired Claim that is entitled to vote to Accept or reject this Plan and on which the Holder is to indicate, among other things, acceptance or rejection of this Plan.

Bankruptcy Code means title 11 of the United States Code, as now in effect or hereafter amended so as to be applicable in these Chapter 11 Cases.

Bankruptcy Court means the United States Bankruptcy Court for the District of Delaware, or any such other court having original and exclusive subject matter jurisdiction over these Chapter 11 Cases pursuant to 11 U.S.C. § 1334(a).

Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure and the local rules of the Bankruptcy Court, as now in effect or hereafter amended, so as to be applicable in these Chapter 11 Cases.

Bar Date means any deadline established by the Bankruptcy Court or the Bankruptcy Code for Filing proofs of Claim in these Chapter 11 Cases.

Bar Date Order means the Order (I) Establishing Bar Dates for Filing Proofs of Claim, (II) Approving Proof of Claim Form, Bar Date Notices, and Mailing and Publication Procedures, (III) Implementing Uniform Procedures Regarding 503(b)(9) Claims, and (IV) Providing Certain Supplemental Relief (D.I. 1146).

Business Day means any day, other than a Saturday, a Sunday, or a "legal holiday" (as defined in Bankruptcy Rule 9006(a)) or any other day on which commercial banks in New York, New York are required or authorized to close by law or executive order.

Cash means lawful currency of the United States of America, including, without limitation, bank deposits, checks and other similar items, including any U.S. Dollar Equivalent.

Cash Management Order means the Final Order Pursuant to 11 U.S.C. §§ 105(a), 345, 363(c)(1), 364(a), 364(c) and 503(b)(1), and Fed. R. Bankr. P. 6003: (A) Approving the Continued Use of the Cash Management System, Bank Accounts and Business Forms; (B) Permitting Continued Intercompany Transactions and Transfers and Granting Liens, Claims, and Other Relief in Connection Therewith; (C) Authorizing Banks to Honor Certain Transfers and Charge Certain Fees and Other Amounts; and (D) Approving Limited Waiver of Section 345 (D.I. 396).

Causes of Action means, without limitation, any and all Claims, causes of action, demands, rights, actions, suits, damages, injuries, remedies, obligations, liabilities, accounts, defenses, offsets, powers, privileges, licenses and franchises of any kind or character whatsoever, known, unknown, accrued or to accrue, contingent or non-contingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, whether arising before, on or after the Petition Date, in contract or in tort, in law or in equity, or under any other theory of law, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise, including, without limitation, the Professional Liability Action and the Avoidance and Other Actions.

CEXIM means the Export-Import Bank of China, original Secured Lender and Agent under the CEXIM Loan Agreement.

CEXIM Cash Collateral Order means the Final Order (I) Authorizing Debtors to Use Cash Collateral, and (II) Granting Adequate Protection, entered by the Bankruptcy Court on February 5, 2013 (D.I. 459).

CEXIM Claims means Claims arising under the CEXIM Loan Agreement.

CEXIM DIP Loan Agreement means that Debtor in Possession Loan Agreement dated February 6, 2013, as approved by the Bankruptcy Court pursuant to the CEXIM DIP Order.

CEXIM DIP Order means the Order (1) Approving Post-Petition Financing, (2) Granting Liens And Providing Superpriority Administrative Expense Claim Status Pursuant To 11 U.S.C. §§ 363 And 364, And (3) Modifying Automatic Stay Pursuant To 11 U.S.C. § 362, entered by the Bankruptcy Court on February 5, 2013 (D.I. 461).

CEXIM Loan Agreement means that certain loan agreement dated August 10, 2009 with CEXIM, as original lender and security agent, and OSG as guarantor (as amended, restated, supplemented or otherwise modified from time to time).

Chapter 11 Cases means the cases commenced under chapter 11 of the Bankruptcy Code by the Debtors in the Bankruptcy Court, styled *In re Overseas Shipholding Group, Inc., et al.*, Chapter 11 Case No. 12-20000 (PJW) (jointly administered), currently pending before the Bankruptcy Court.

Charter Rejection Claim means a Claim arising in connection with the Debtors' rejection of vessel charter contracts pursuant to section 365 of the Bankruptcy Code, including any Claim based on any Debtor's guarantee of a vessel charter contract.

Chief Restructuring Officer means John J. Ray, III, or any duly appointed successor thereto.

Citizenship Affidavit means an affidavit of citizenship used to certify the status as a U.S. Citizen of a Holder of Claims or Equity Interests for purposes of distributions of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants pursuant to the Plan.

Claim has the meaning set forth in section 101(5) of the Bankruptcy Code.

Claims Agent means KCC.

Claims Objection Deadline has the meaning set forth in Section 9.1 of this Plan.

Claims Register means the official register of Claims against, and Equity Interests in, the Debtors, maintained by the Claims Agent.

Class means a category of Claims against or Equity Interests in the Debtors, as described in Article II hereof.

Commitment Parties means the Credit Agreement Lenders party to the Equity Commitment Agreement.

Commitment Premium Shares and Warrants means Rights Offering Shares or Rights Offering Warrants issued in satisfaction of the Commitment Premium, as defined in the Equity Commitment Agreement.

Committee means the statutory committee of unsecured creditors of the Debtors appointed by the United States Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code.

Confirmation Date means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

Confirmation Hearing means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of this Plan, as such hearing may be adjourned or continued from time to time.

Confirmation Objection Deadline has the meaning set forth in Section 8.3 of this Plan.

Confirmation Order means the order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.

Consenting Lenders means those Credit Agreement Lenders that are party to the Plan Support Agreement.

Credit Agreement means that certain unsecured credit agreement dated as of February 9, 2006 among OSG, OBS and OIN, as joint and several borrowers, the Credit Agreement Agent, and the Credit Agreement Lenders.

Credit Agreement Agent means U.S. Bank National Association, as administrative agent under the Credit Agreement, or any predecessor or successor thereto, as applicable.

Credit Agreement Claims means Claims arising under the Credit Agreement, which shall be Allowed in the aggregate amount of $1,490,261,803, plus (i) interest at the contractual default rate and (ii) the reasonable fees and expenses of the Credit Agreement Agent and the Credit Agreement Lenders incurred through the Effective Date not previously paid by the Debtors pursuant to the Plan Support Agreement Approval Order, the Equity Commitment Agreement Approval Order, or as Allowed Administrative Expense Claims, including with respect to post-Effective Date distributions.

Credit Agreement Lenders means lenders under the Credit Agreement from time to time.

Creditor has the meaning set forth in section 101(10) of the Bankruptcy Code.

Cure Amount has the meaning set forth in Section 8.2 of this Plan.

Cure Notice has the meaning set forth in Section 8.2 of this Plan.

Debtors has the meaning set forth in the preamble of this Plan.

Disbursing Agent means the Reorganized Debtors or any authorized agent appointed by the Reorganized Debtors to make distributions under the Plan.

Disclosure Statement means the written disclosure statement that relates to this Plan and is approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code as such disclosure statement may be amended, modified or supplemented (and all exhibits and schedules annexed thereto or referred to therein) and that is prepared and distributed in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3018, and which shall be in form and substance reasonably satisfactory to the Requisite Consenting Lenders and for which the Debtors shall consult with the Committee.

Disputed Claim means a Claim, or any portion thereof, that (i) has not been Scheduled by the Debtors or has been Scheduled at zero, or has been Scheduled as contingent, unliquidated, disputed or undetermined and for which, in each case, no proof of claim has been timely Filed, (ii) has been asserted in excess of the amount Scheduled or at a different priority than Scheduled, (iii) is the subject of a Filed objection or request for estimation and which objection or request for estimation has not been withdrawn or overruled by a Final Order, (iv) is a Subordinated Claim and/or (v) is otherwise disputed by the Debtors, including, without

limitation, those Claims listed on Exhibit I, which dispute has not been withdrawn, resolved or overruled by a Final Order.

Disputed Claims Reserve means one or more escrow account(s) held by the Administrative and Disputed Claims Agent for purposes of satisfying Disputed Claims pursuant to Section 9.5 of this Plan.

Distribution Record Date means the date for determining which Holders of Allowed Claims are eligible to receive distributions hereunder, which shall be (i) the Effective Date, or (ii) such other date as designated in a Bankruptcy Court order.

Domestic Holder means a Holder of a Claim or Old Equity Interest who is a U.S. Citizen for Jones Act purposes, as demonstrated by evidence reasonably acceptable to the Debtors, including, without limitation, the provision of an affidavit in accordance with the provisions of 46 C.F.R. part 355 from time to time upon request of the Debtors.

DSF means Danish Ship Finance A/S, agent under the DSF Loan Agreement.

DSF Borrowers means each of 1372 Tanker Corporation, Alcesmar Limited, Alcmar Limited, Andromar Limited, Antigmar Limited, Ariadmar Limited, Shirley Tanker SRL, Samar Product Tanker Corporation, Leyte Product Tanker Corporation, and Rosalyn Tanker Corporation.

DSF Claims means Claims arising under the DSF Loan Agreement.

DSF DIP Loan Agreement means that Senior Secured Superpriority Loan Agreement dated as of February 6, 2013, approved by the Bankruptcy Court pursuant to the DSF DIP Order.

DSF DIP Order means the Order (1) Approving Post-Petition Financing, (2) Granting Liens And Providing Superpriority Administrative Expense Claim Status Pursuant To 11 U.S.C. §§ 363 And 364, And (3) Modifying Automatic Stay Pursuant To 11 U.S.C. § 362, entered by the Bankruptcy Court on February 5, 2013 (D.I. 462).

DSF Loan Agreement means that certain loan agreement dated August 28, 2008 with certain banks and financial institutions, as lenders, DSF, as agent, and OSG, OBS, and OIN, as guarantors (as amended, restated, supplemented or otherwise modified from time to time.

DTC means The Depository Trust Company.

Effective Date means the date of substantial consummation of the Plan, which shall be the first Business Day upon which all conditions precedent to the effectiveness of the Plan, specified in Section 10.1 hereof, are satisfied or waived in accordance with the Plan.

Eligible Claim has the meaning set forth in the Rights Offering Procedures.

Eligible Participant has the meaning set forth in the Rights Offering Procedures.

Entity has the meaning set forth in section 101(15) of the Bankruptcy Code.

Equity Commitment means the obligation of the Commitment Parties severally and not jointly, to subscribe for and purchase, or cause one or more of their Affiliates to subscribe for and purchase, on the Effective Date, the Rights Offering Shares or Rights Offering Warrants in the Oversubscription Rights Offering in accordance with such Commitment Parties' equity commitment obligations set forth in the Equity Commitment Agreement.

Equity Commitment Agreement means that certain equity commitment agreement, dated as of February 28, 2014, by and among the Debtors and the Commitment Parties, filed as an exhibit to the Debtors' Motion for an Order Authorizing the Debtors' Entry Into and Performance Under an Equity Commitment Agreement (D.I. 2540), as amended from time to time in accordance with the terms thereof.

Equity Commitment Agreement Approval Order means the Order Granting Debtors' Motion for an Order (I) Authorizing the Debtors to (A) Enter Into and Perform Under the Equity Commitment Agreement Pursuant to a Proposed Plan of Reorganization, (B) Commence a Rights Offering, and (C) Pay Certain Related Fees and Expenses; and (II) Approving the Rights Offering Procedures (D.I. [__]).

Equity Interest means any equity interest or related proxy, in any of the Debtors represented by duly authorized, validly issued and outstanding shares of preferred stock or common stock, stock appreciation rights, membership interests, partnership interests, or any other instrument evidencing a present ownership interest, inchoate or otherwise, in any of the Debtors, or right to convert into such an equity interest or acquire any equity interest of the Debtors, whether or not transferable, or an option, warrant or right, contractual or otherwise, to acquire any such interest, which was in existence prior to or on the Petition Date.

Escrow Funding Notice has the meaning set forth in the Equity Commitment Agreement.

Estate means the estate of each of the Debtors created under section 541 of the Bankruptcy Code.

Exhibit means an exhibit annexed to this Plan.

Exit Financing means the *New OSG Exit Facility* and the *New OSG Exit Revolver*.

File, Filed or Filing means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

Final Order means an order or judgment of the Bankruptcy Court or any other court of competent jurisdiction as to which the time to appeal, petition for certiorari, or move for re-argument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for re-argument or rehearing are then pending; or as to which any right to appeal, petition for certiorari, reargue, or rehear has been waived in writing in form and substance satisfactory to the Debtors or the Reorganized Debtors; provided, however, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under

the Bankruptcy Rules, may be Filed with respect to such order shall not preclude such order from being a Final Order.

Foreign Eligible Participant has the meaning set forth in the Rights Offering Procedures.

Foreign Holder means those Holders of Claims or Old Equity Interests who are not Domestic Holders.

FSO Joint Venture means two joint ventures between OSG and Euronav NV relating to the operation of two floating storage and offloading service vessels.

Holder means a Person or an Entity who is the registered holder of a Claim or Equity Interest as of the applicable date of determination or an authorized agent of such Person or Entity.

Impaired means, when used in reference to a Claim or Equity Interest, a Claim or Equity Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

Initial Distribution Date means the date as determined by Reorganized OSG upon which the initial distributions of property under this Plan will be made to Holders of Allowed Claims and Allowed Equity Interests, which date shall be as soon as practicable, but in no event more than ten (10) Business Days, after the Effective Date unless otherwise extended by order of the Bankruptcy Court.

Initial Rights Offering has the meaning set forth in the Equity Commitment Agreement.

Initial Subscription Securities has the meaning set forth in the Equity Commitment Agreement.

Intercompany Claim means any Claim against any Debtor by any other Debtor or non-Debtor Affiliate whether arising prior to, on or after the Petition Date.

Intercompany Equity Interest means any Equity Interest in any Debtor other than OSG.

Intercompany Facility means, as applicable (i) that certain Secured Loan Agreement, dated November 8, 2012, between OSG Ship Management (UK) Ltd. and OIN; (ii) that certain Secured Loan Agreement, dated November 8, 2012, between OSG and OIN, or (iii) that certain Secured Loan Agreement, dated November 8, 2012, between OBS and OSG.

Intercompany Facility Claim means any Claim against OBS or OIN arising under an Intercompany Facility.

IRS Claims means all of the Claims of the Internal Revenue Service for tax years 2012 and earlier against OSG and its Affiliates not otherwise expunged by order of the Bankruptcy Court as of the Effective Date.

Jones Act means 46 U.S.C. § 12103, 46 U.S.C. § 50501, and related statutes and regulations respecting the United States coastwise trade, as the same may be amended from time to time.

KCC means Kurtzman Carson Consultants LLC.

Lien has the meaning set forth in 11 U.S.C. § 101(37).

LOC Collateral has the meaning set forth in Section 5.10 of this Plan.

LNG Joint Venture means that certain joint venture between OIN and Qatar Gas Transport Company Limited (Nakilat) relating to the operation of four liquefied natural gas carriers.

MARAD means the United States Maritime Administration.

Management and Director Incentive Program means the management and director incentive program to be determined by the Reorganized OSG Board, in form and substance reasonably satisfactory to the Requisite Consenting Lenders, pursuant to which the Reorganized OSG Board may distribute to certain members of Reorganized OSG's senior management up to ten percent (10%) of the Reorganized OSG Stock on a fully diluted basis over the lifetime of the Plan.

New OSG Exit Facility means the secured term loan facility in principal amount of $735 million to be entered into by the Reorganized Debtors as of and subject to the occurrence of the Effective Date in form and substance consistent with the Plan Support Agreement and reasonably satisfactory to the Requisite Consenting Lenders.

New OSG Exit Revolver means a secured revolving credit facility in principal amount of $200 million to be entered into by the Reorganized Debtors as of and subject to the occurrence of the Effective Date in form and substance consistent with the Plan Support Agreement and reasonably satisfactory to the Requisite Consenting Lenders.

New Securities and Documents has the meaning set forth in Section 5.4 of this Plan.

Notes Claims means, collectively, the 7.500% Notes Claims, the 8.125% Notes Claims and the 8.75% Debentures Claims.

Notes Trustees means, collectively, the 7.500% Notes Trustee, 8.125% Notes Trustee, and/or 8.75% Debentures Trustee.

Noteholders means the Holders of the 7.500% Notes, 8.125% Notes, and/or the 8.75% Debentures from time to time.

OBS means OSG Bulk Ships, Inc.

OIN means OSG International, Inc.

Old Equity Interests means all Equity Interests in OSG.

OSG means Overseas Shipholding Group, Inc.

Other Priority Claim means any Claim against any Debtor, other than an Administrative Expense Claim or Priority Tax Claim, that is entitled to priority in payment pursuant to section 507(a) of the Bankruptcy Code.

Other Secured Claim means any Secured Claim against any Debtor, including an Intercompany Facility Claim, other than an Admiralty Lien Claim, a Secured Vessel DIP Claim or a Secured Vessel Claim.

Other Unsecured Claim means any Claim against any Debtor that is not an Administrative Expense Claim, Priority Tax Claim, Priority Claim, Personal Injury Claim, Admiralty Lien Claim, Secured Vessel DIP Claim, Secured Vessel Claim, Other Secured Claim, Satisfied Noteholder Claim, Reinstated Noteholder Claim, Charter Rejection Claim, Credit Agreement Claim, or Subordinated Claim.

Oversubscription Rights has the meaning set forth in the Rights Offering Procedures.

Oversubscription Rights Offering has the meaning set forth in the Equity Commitment Agreement.

Oversubscription Rights Offering Securities has the meaning set forth in the Rights Offering Procedures.

Pension Plan means the Retirement Plan of Maritrans Inc., the American Maritime Officers Pension Plan, the Marine Engineers' Beneficial Association Defined Benefit Pension Plan, the Seafarers International Union Pension Plan, the Merchant Navy Officers Pension Fund, the Merchant Navy Ratings Pension Fund, and the OSG Ship Management (UK) Ltd. Retirement Benefits Plan.

Person means any natural person, corporation, general or limited partnership, limited liability company, firm, trust, association, government, governmental agency or other Entity, whether acting in an individual, fiduciary or other capacity.

Personal Injury Claim means Claims against certain of the Debtors, whether or not the subject of an existing lawsuit, arising from a personal injury or wrongful death allegation, listed in Exhibit E to this Plan.

Petition Date means November 14, 2012, the date on which the Debtors Filed their petitions for relief commencing the Chapter 11 Cases.

Plan means this Joint Plan of Reorganization of Overseas Shipholding Group, Inc., *et al.* Under Chapter 11 of the Bankruptcy Code, including, without limitation, all exhibits, supplements, appendices and schedules hereto or contained in the Plan Supplement, as the same may be amended or modified from time to time.

Plan Securities means securities to be issued pursuant to the Plan, including Reorganized OSG Stock, Reorganized OSG Jones Act Warrants (and the Reorganized OSG Stock issuable upon exercise thereof) and the Subscription Rights.

Plan Supplement means the compilation of documents and forms of documents as amended from time to time that constitute Exhibits to the Plan filed with the Bankruptcy Court no later than five (5) Business Days before the Voting Deadline, each of which shall be in form and substance reasonably satisfactory to the Requisite Consenting Lenders, after consultation with the Committee.

Plan Support Agreement means that certain Plan Support Agreement, dated as of February 11, 2014, by and among the Debtors and the Consenting Lenders, filed as an exhibit to the Debtors' Motion for an Order Authorizing the Debtors' Entry Into and Performance Under a Plan Support Agreement (D.I. 2458), as amended from time to time in accordance with the terms thereof.

Plan Support Agreement Approval Order means the Order Authorizing the Debtors' Entry Into and Performance Under a Plan Support Agreement (D.I. [__]).

Postpetition Interest Rate Objection has the meaning set forth in Section 7.2 of this Plan.

Presumed Postpetition Interest Rate means 2.98% per annum or such other rate as may be determined by the Bankruptcy Court.

Priority Tax Claim means any Claim of a governmental unit of a kind specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code, including a Secured Tax Claim.

Pro Rata means, with respect to any Allowed Claim, the proportion that such Allowed Claim (in U.S. dollars or U.S. Dollar Equivalent) bears to the aggregate (in U.S. dollars or U.S. Dollar Equivalent) of all Allowed Claims in the applicable Class, provided, for the avoidance of doubt, that each Creditor that holds an Allowed Claim against multiple Debtors arising out of the same liability shall be entitled to a single recovery under the Plan on account of such collective Allowed Claims.

Professional means (a) any professional employed in the Chapter 11 Cases pursuant to section 327 or 1103 of the Bankruptcy Code or otherwise and (b) any professional or other Entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Cases pursuant to section 503(b)(4) of the Bankruptcy Code.

Professional Fees Bar Date means the Business Day which is sixty (60) days after the Effective Date or such other date as approved by order of the Bankruptcy Court.

Professional Fees Claim means an Administrative Expense Claim of a Professional for compensation for services rendered or reimbursement of costs, expenses or other charges incurred after the Petition Date and prior to and including the Effective Date.

Professional Liability Action means any claims asserted against Proskauer Rose LLP and certain individual defendants in connection with certain credit agreements and the tax consequences of those agreements under Section 956 of the Internal Revenue Code that are the subject of adversary proceeding 13-52492 (Bankr. D. Del.) or such other proceeding as may be commenced against Proskauer Rose LLP or its current or former partners or members by the Debtors.

PSA/ECA Professional Expenses means the Allowed reasonable fees and expenses of the Credit Agreement Agent, the Consenting Lenders and the Commitment Parties payable pursuant to the Plan Support Agreement and the Equity Commitment Agreement.

Purchase Price has the meaning set forth in the Equity Commitment Agreement.

Registration Rights Agreement means the registration rights agreement providing for customary registration rights for the Reorganized OSG Stock and Reorganized OSG Jones Act Warrants (including any shares of Reorganized OSG Stock issued upon the exercise of Reorganized OSG Jones Act Warrants), covering registration of securities owned by affiliates of Reorganized OSG, to be effective on the Effective Date, binding on those parties as set forth in such agreement filed as Exhibit K, and in form and substance reasonably satisfactory to the Debtors and the Requisite Consenting Lenders.

Reinstated means (a) leaving unaltered the legal, equitable, and contractual rights to which a Claim or Equity Interest entitles the Holder of such Claim or Equity Interest so as to leave such Claim or Equity Interest not Impaired or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of a Claim or Equity Interest to demand or receive accelerated payment of such Claim or Equity Interest after the occurrence of a default: (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured; (ii) reinstating the maturity (to the extent such maturity has not otherwise accrued by the passage of time) of such Claim or Equity Interest as such maturity existed before such default; (iii) compensating the Holder of such Claim or Equity Interest for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim or Equity Interest arises from a failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A), compensating the Holder of such Claim or Equity Interest (other than the Debtor or an insider) for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable or contractual rights to which such Claim or Equity Interest entitles the Holder.

Reinstated Noteholder Claims means, collectively, the 7.500% Note Claims and the 8.125% Note Claims.

Rejected Contracts means each of the executory contracts and unexpired leases listed on Exhibit C on the Effective Date.

Related Person means, with respect to any Person, such Person's predecessors, successors, assigns and present and former Affiliates (whether by operation of law or otherwise)

and for each of the foregoing: (a) each of their present or former directors and officers, and any Person claiming by or through them; and (b) each of their respective members, partners, equity-holders, officers, directors, employees, representatives, advisors, attorneys, notaries (pursuant to the laws of the United States and any other jurisdiction), auditors, agents and professionals, in each case acting in such capacity, and any Person claiming by or through any of them.

Release has the meaning set forth in Section 11.3 of this Plan.

Released Parties means (i) each of the Debtors, (ii) the Committee, (iii) the Credit Agreement Lenders, (iv) the Credit Agreement Agent, (v) the Notes Trustees, and (vi) each of the respective Related Persons of each of the foregoing.

Reorganized Debtors means the Debtors, in each case, or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date.

Reorganized OSG means Overseas Shipholding Group, Inc., or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date.

Reorganized OSG Board means the board of directors of Reorganized OSG.

Reorganized OSG Equity means the Reorganized OSG Stock and the Reorganized OSG Jones Act Warrants.

Reorganized OSG Jones Act Warrants means warrants with an exercise price of U.S. $0.01 issued by Reorganized OSG to those Holders of Claims and Old Equity Interests that are Foreign Holders but are otherwise entitled to receive Reorganized OSG Stock under the Plan, which shall be in form and substance reasonably satisfactory to the Requisite Consenting Lenders.

Reorganized OSG Stock means common stock issued by Reorganized OSG at par value $0.01 per share, which shall be in form and substance reasonably satisfactory to the Requisite Consenting Lenders.

Requisite Commitment Parties has the meaning set forth in the Equity Commitment Agreement.

Requisite Consenting Lenders has the meaning set forth in the Plan Support Agreement.

Restructuring Documents means, collectively, this Plan, the Disclosure Statement, the Confirmation Order, the New OSG Exit Facility, the New OSG Exit Revolver, and all other documents, agreements, and instruments, necessary or desirable to implement or consummate this Plan.

Restructuring Transaction has the meaning set forth in Section 5.13 of this Plan.

Rights Exercise Form has the meaning set forth in Section 6.1 of this Plan.

Rights Offering means the Initial Rights Offering and the Oversubscription Rights Offering.

Rights Offering Agent means KCC.

Rights Offering Expiration Date has the meaning set forth in Section 6.1 of this Plan.

Rights Offering Procedures means the procedures required to be followed by the Credit Agreement Lenders to validly exercise their Subscription Rights, attached as Exhibit A to the Equity Commitment Agreement, the terms of which are approved by the Bankruptcy Court, which are subject to amendment in accordance with Section 6.5(c) hereof.

Rights Offering Securities means the Rights Offering Shares and Rights Offering Warrants.

Rights Offering Shares means any shares of Reorganized OSG Stock that are the subject of the Rights Offering.

Rights Offering Warrants means any of the Reorganized OSG Jones Act Warrants that are the subject of the Rights Offering.

Satisfied Noteholder Claims means the 8.75% Debentures Claims.

Scheduled means with respect to any Claim, the status and amount, if any, of such Claim as set forth in the Schedules.

Schedules means the schedules of assets and liabilities and the statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code and the Bankruptcy Rules, as such schedules have been or may be further modified, amended or supplemented in accordance with Bankruptcy Rule 1009 or orders of the Bankruptcy Court.

Secured Claim means any Claim against any Debtor that is secured by a Lien on property in which such Debtor's Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in the applicable Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or, in the case of setoff, pursuant to section 553 of the Bankruptcy Code.

Secured Tax Claim means any Secured Claim which, absent its secured status, would be entitled to priority in right of payment under section 507(a)(8) of the Bankruptcy Code.

Secured Vessel Claim means the Secured Claims arising out of the CEXIM Loan Agreement and the DSF Loan Agreement.

Secured Vessel DIP Claim means Claims arising out of the CEXIM DIP Loan Agreement and the DSF DIP Loan Agreement.

Securities Act means the Securities Act of 1933, as amended.

Subordinated Claim means any Claim against any Debtor which is subordinated pursuant to section 510(b) or (c) of the Bankruptcy Code.

Subscription Commitment has the meaning set forth in the Equity Commitment Agreement.

Subscription Commitment Percentage has the meaning set forth in the Rights Offering Procedures.

Subscription Rights means the rights granted to the Credit Agreement Lenders to purchase the Rights Offering Shares or Rights Offering Warrants, as the case may be, in the Initial Rights Offering and the Oversubscription Rights Offering, which rights shall include, for the avoidance of doubt and unless otherwise specified, the Oversubscription Rights.

Substantial Contribution Claim means a Claim by any Professional or Creditor for reasonable compensation for services or reasonable expenses incurred in connection with the Chapter 11 Cases pursuant to sections 503(b)(3)(D) or (b)(4) of the Bankruptcy Code.

Transfer means, with respect to any security or the right to receive a security or to participate in any offering of any security, the sale, transfer, pledge, hypothecation, encumbrance, assignment, constructive sale, participation in or other disposition of such security or right or the beneficial ownership thereof, the offer to make such a sale, transfer, constructive sale or other disposition, and each option, agreement, arrangement or understanding, whether or not in writing and whether or not directly or indirectly, to effect any of the foregoing. The term "constructive sale" for purposes of this definition means (i) a short sale with respect to such security or right, (ii) entering into or acquiring an offsetting derivative contract with respect to such security or right, (iii) entering into or acquiring a futures or forward contract to deliver such security or right or (iv) entering into any transaction that has substantially the same effect as any of the foregoing. The term "beneficially owned" or "beneficial ownership" as used in this definition shall include, with respect to any security or right, the beneficial ownership of such security or right by a Person and by any direct or indirect subsidiary of such Person.

Treatment Objection has the meaning set forth in Section 8.3 of this Plan.

Unimpaired means, when used in reference to a Claim or Equity Interest, a Claim or Equity Interest that is not Impaired within the meaning of section 1124 of the Bankruptcy Code.

Unsubscribed Securities has the meaning set forth in the Rights Offering Procedures.

U.S. Citizen means, in accordance with the meaning used in the Jones Act, (i) an individual who is a citizen of the United States; (ii) an association, trust, joint venture, or other entity if (x) each of its trustees or its members is a citizen of the United States, (y) at least 75% of the interest is owned by citizens of the United States, and (z) it is capable of holding title to a vessel under the laws of the United States or a State; (iii) a partnership if (x) each general partner

is a citizen of the United States; and (y) at least 75% of the interest in the partnership is owned by citizens of the United States; (iv) a corporation if (w) it is incorporated under the laws of the United States or a State, (x) its chief executive officer, by whatever title, and the chairman of its board of directors are citizens of the United States, (y) no more of its directors are noncitizens than a minority of the number necessary to constitute a quorum, and (z) at least 75% of the interest in the corporation is owned by citizens of the United States determined as follows: (1) title to at least 75% of the stock of the corporation is vested in citizens of the United States free from any trust or fiduciary obligation in favor of a person not a citizen of the United States; (2) at least 75% of the voting power in the corporation is vested in citizens of the United States; (3) there is no contract or understanding by which more than 25% of the voting power in the corporation may be exercised, directly or indirectly on behalf of a person not a citizen of the United States; and (4) there is no other means by which control of more than 25% of any interest in the corporation is given to or permitted to be exercised by a person not a citizen of the United States.

U.S. Dollar Equivalent means the amount of U.S. dollars obtained by converting any Claim not in U.S. dollars into U.S. dollars at the spot rate for the purchase of U.S. dollars as published in the *Financial Times* in the "Currency Rates" section (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such sources as may be selected in good faith by the Debtors) on one of the following dates, as applicable: (i) with respect to an Allowed amount of a Claim or a Pro Rata share of Allowed Claims, the Petition Date; or (ii) with respect to a distribution on or after the Effective Date, one day before the date of such distribution.

U.S. Trustee means the United States Trustee appointed under section 581 of title 28 of the United States Code to serve in the District of Delaware.

Voting Deadline means 4:00 p.m. (Pacific Time) on [May 15,] 2014.

Voting Record Date means [April 11,] 2014.

1.2 Exhibits to the Plan. All Exhibits, including those in the Plan Supplement, are incorporated into and are a part of this Plan as if set forth in full herein. Holders of Claims and Equity Interests may obtain a copy of the Exhibits, including those in the Plan Supplement, upon written request to the Debtors. The Exhibits, including those in the Plan Supplement, may be inspected in the office of the clerk of the Bankruptcy Court or its designee during normal business hours, obtained by written request to counsel to the Debtors or obtained on the website of the Debtors' claims and noticing agent at http://www.kccllc.net/osg.

1.3 Rules of Interpretation and Computation of Time. For purposes of this Plan, unless otherwise provided herein:

(a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural;

(b) unless otherwise provided in this Plan, any reference in this Plan to a contract, instrument, release or other agreement or document being in a particular form or on

particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions;

(c) any reference in this Plan to an existing document or schedule Filed or to be Filed means such document or schedule, as it may have been or may be amended, modified or supplemented pursuant to this Plan;

(d) any reference to an Entity as a Holder of a Claim or Equity Interest includes that Entity's successors and assigns;

(e) all references in this Plan to Sections and Articles are references to Sections and Articles of or to this Plan;

(f) the words "herein," "hereunder," "hereof" and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan;

(g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan;

(h) subject to the provisions of any contract, certificates of incorporation, by-laws, instrument, release or other agreement or document entered into in connection with this Plan, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, federal law, including the Bankruptcy Code and the Bankruptcy Rules;

(i) the rules of construction set forth in section 102 of the Bankruptcy Code will apply to this Plan; and

(j) in computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) will apply.

ARTICLE II
CLASSIFICATION OF CLAIMS AND OLD EQUITY INTERESTS

All Claims, except Administrative Expense Claims, Priority Tax Claims, and Other Priority Claims, and all Old Equity Interests are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims have not been classified as described below.

A Claim or an Old Equity Interest is placed in a particular Class only to the extent that the Claim or Old Equity Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Old Equity Interest falls within the description of such other Classes. A Claim or Old Equity Interest is also placed in a particular Class for the purpose of receiving distributions pursuant to this Plan only to the extent that such Claim or Old Equity Interest is an Allowed Claim or Old Equity Interest in that Class and such Claim or Old Equity Interest has not been paid, released or otherwise settled prior to the Effective Date.

2.1 Unclassified Claims Against All Debtors

The following constitute unclassified Claims that are Unimpaired and, therefore, not entitled to vote on the Plan:

(i) Administrative Expense Claims against all Debtors.

(ii) Priority Tax Claims against all Debtors.

(iii) Priority Claims against all Debtors.

2.2 Classification of Claims Against All Debtors and Old Equity Interests in OSG

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for the purposes of confirmation by acceptance of the Plan by an Impaired Class of Claims; provided, however, that in the event no holder of a Claim with respect to a specific Class for a particular Debtor timely submits a Ballot that complies with the Disclosure Statement Order indicating acceptance or rejection of the Plan, such Class will be deemed to have Accepted the Plan. The Debtors may seek confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Equity Interests.

The following chart assigns a letter and number to each Class of Claims and Old Equity Interests for purposes of identifying such Class. The classification and treatment of Classes of Claims and Old Equity Interests is consistent for each Debtor, but for certain of the Debtors, there are no Claims or Equity Interests, as applicable, in one or more Classes of Claims or Old Equity Interests.

Summary of Classification of Claims and Old Equity Interests			
Class	Claim	Status	Voting Rights
A1	Personal Injury Claims	Unimpaired	Deemed to Accept
A2	Admiralty Lien Claims	Unimpaired	Deemed to Accept
B1	Secured Vessel DIP Claims	Unimpaired	Deemed to Accept
B2	Secured Vessel Claims	Unimpaired	Deemed to Accept
C1	Other Secured Claims	Unimpaired	Deemed to Accept
D1	Credit Agreement Claims	Impaired	Entitled to Vote
D2	Satisfied Noteholder Claims	Unimpaired	Deemed to Accept
D3	Reinstated Noteholder Claims	Unimpaired	Deemed to Accept
D4	Charter Rejection Claims	Unimpaired	Deemed to Accept

D5	Other Unsecured Claims	Unimpaired	Deemed to Accept
E1	Subordinated Claims and Old Equity Interests in OSG	Impaired	Entitled to Vote

(a) **Unimpaired Classes of Claims** (deemed to have Accepted this Plan and, therefore, not entitled to vote on this Plan under section 1126(f) of the Bankruptcy Code).

(i) *Class A1*: Class A1 consists of Personal Injury Claims.
(ii) *Class A2*: Class A2 consists of Admiralty Lien Claims.
(iii) *Class B1*: Class B1 consists of Secured Vessel DIP Claims.
(iv) *Class B2*: Class B2 consists of Secured Vessel Claims.
(v) *Class C1*: Class C1 consists of Other Secured Claims.
(vi) *Class D2*: Class D2 consists of all Satisfied Noteholder Claims.
(vii) *Class D3*: Class D3 consists of all Reinstated Noteholder Claims.
(viii) *Class D4*: Class D4 consists of all Charter Rejection Claims.
(ix) *Class D5*: Class D5 consists of all Other Unsecured Claims.

(b) **Impaired Classes of Claims** (entitled to vote on this Plan).

(x) *Class D1*: Class D1 consists of Credit Agreement Claims.
(xi) *Class E1*: Class E1 consists of all Subordinated Claims and Old Equity Interests in OSG.

ARTICLE III
TREATMENT OF CLAIMS AND EQUITY INTERESTS

3.1 Unclassified Claims

(a) *Administrative Expense Claims Generally*. Subject to the provisions of sections 330(a), 331 and 503(b) of the Bankruptcy Code, each Allowed Administrative Expense Claim shall be paid in full by the Disbursing Agent, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders, (i) in Cash, in such amount as is incurred in the ordinary course of business by the Debtors, or in such amount as such Administrative Expense Claim is Allowed by the Bankruptcy Court upon the later of the Initial Distribution Date or the date upon which there is a Final Order allowing such Administrative Expense Claim, (ii) upon such other terms as may exist in the ordinary course of the Debtors' business, or (iii) upon such other terms as may be agreed upon in writing between the Holder of such Allowed Administrative Expense Claim and the Administrative and Disputed Claims Agent, in each case in full satisfaction, settlement, discharge and release of, such Allowed Administrative Expense Claim; provided, however, that the PSA/ECA Professional Expenses shall be paid in full in Cash.

(i) *Professional Fees*. All final fee applications for Professional Fee Claims for services rendered during or in connection with the Chapter 11 Cases shall be Filed with the Bankruptcy Court and served on the Administrative and Disputed Claims Agent and its

counsel, and the U.S. Trustee (844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attn: Mark Kenney, Esq.) no later than the Professional Fees Bar Date. If the Administrative and Disputed Claims Agent and any Professional cannot agree on the amount of fees and expenses to be paid to such Professional, the reasonableness of any such fees and expenses shall be determined by the Bankruptcy Court. Holders of Professional Fees Claims that are required to File and serve applications for final allowance of their Professional Fees Claims and that do not File and serve such applications by the applicable deadline shall be forever barred from asserting such Professional Fees Claims against the Debtors, Reorganized Debtors or their respective properties, and such Professional Fees Claims shall be deemed discharged as of the Effective Date. Objections to any Professional Fees Claims must be Filed and served on Reorganized OSG and its counsel, the United States Trustee and the requesting party no later than fifteen (15) days (or such longer period as may be allowed by the Administrative and Disputed Claims Agent or by order of the Bankruptcy Court) after the date on which an application for final allowance of such Professional Fees Claims was Filed and served.

(ii) *Substantial Contribution Claims*. All requests for compensation or reimbursement of Substantial Contribution Claims shall be Filed with the Bankruptcy Court and served on Reorganized OSG and its counsel, the U.S. Trustee (844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attn: Mark Kenney, Esq.), counsel to the Administrative and Disputed Claims Agent, and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or any other order(s) of the Bankruptcy Court, no later than forty-five (45) days after the Effective Date. Unless such deadline is extended by agreement of the Administrative and Disputed Claims Agent, Holders of Substantial Contribution Claims that are required to File and serve applications for final allowance of their Substantial Contribution Claims and that do not File and serve such applications by the applicable deadline shall be forever barred from asserting such Substantial Contribution Claims against the Reorganized Debtors or their respective properties, and such Substantial Contribution Claims shall be deemed discharged as of the Effective Date. Objections to any Substantial Contribution Claims must be Filed and served on Reorganized OSG and its counsel, the U.S. Trustee and the requesting party no later than fifteen (15) days (or such longer period as may be allowed by the Administrative and Disputed Claims Agent or by order of the Bankruptcy Court) after the date on which an application for final allowance of such Substantial Contribution Claims was Filed and served.

(b) *Priority Tax Claims*. The legal, equitable and contractual rights of the Holders of Allowed Priority Tax Claims are unaltered by this Plan. On, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Priority Tax Claim is an Allowed Priority Tax Claim as of the Effective Date or (ii) the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, in full satisfaction, settlement, discharge and release of, such Allowed Priority Tax Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders, each Holder of such Allowed Priority Tax Claim shall receive: (a) Cash equal to the amount of such Allowed Priority Tax Claim; (b) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Priority Tax Claim shall have agreed upon in writing; or (c) for every Priority Tax Claim except for the IRS Claims, such other treatment such that it will not be Impaired pursuant to section 1124 of the Bankruptcy Code. On the Effective Date, the Liens (if any) securing any Priority Tax Claims shall be deemed released, terminated and extinguished, in each case without further notice to or order of the Bankruptcy Court, act or

action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person.

(c) *Other Priority Claims.* The legal, equitable and contractual rights of the Holders of Allowed Other Priority Claims are unaltered by this Plan. On, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Other Priority Claim is an Allowed Other Priority Claim as of the Effective Date or (ii) the date on which such Other Priority Claim becomes an Allowed Claim, in full satisfaction, settlement, discharge and release of, such Allowed Other Priority Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders, each Holder of such Allowed Other Priority Claim shall receive: (x) Cash equal to the amount of such Allowed Other Priority Claim; or (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Other Priority Claim shall have agreed upon in writing.

3.2 Treatment of Claims

(a) *Class A1: Personal Injury Claims.*

(i) *Classification*. Class A1 consists of all Personal Injury Claims.

(ii) *Treatment*. Effective as of the Effective Date, on, or as soon as reasonably practicable after, the Initial Distribution Date if such Class A1 Claim is Allowed on the Effective Date or otherwise the date on which such Class A1 Claim becomes Allowed, each Allowed Class A1 Claim shall be Reinstated.

(iii) *Voting*. Class A1 Claims are Unimpaired and the Holders of Allowed Class A1 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(b) *Class A2: Admiralty Lien Claims.*

(i) *Classification*. Class A2 consists of all Admiralty Lien Claims.

(ii) *Treatment*. Effective as of the Effective Date, on, or as soon as reasonably practicable after, the Initial Distribution Date if such Class A2 Claim is Allowed on the Effective Date or otherwise the date on which such Class A2 Claim becomes Allowed, each Allowed Class A2 Claim shall be Reinstated.

(iii) *Voting*. Class A2 Claims are Unimpaired and the Holders of Allowed Class A2 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(c) *Class B1: Secured Vessel DIP Claims*.

(i) *Classification*. Class B1 consists of all Secured Vessel DIP Claims.

(ii) *Treatment*. On, or as soon as reasonably practicable after, the Initial Distribution Date if such Class B1 Claim is Allowed on the Effective Date or otherwise the date on which such Class B1 Claim becomes Allowed, each Holder shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class B1 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class B1 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class B1 Claim shall have agreed upon in writing; or (z) such other treatment such that the applicable Allowed Class B1 Claim will be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code.

(iii) *Voting*. Class B1 Claims are Unimpaired and the Holders of Allowed Class B1 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(d) *Class B2: Secured Vessel Claims.*

(i) *Classification*. Class B2 consists of all Secured Vessel Claims.

(ii) *Treatment*. On, or as soon as reasonably practicable after, the Initial Distribution Date if such Class B2 Claim is Allowed on the Effective Date or otherwise the date on which such Class B2 Claim becomes Allowed, each Holder shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class B2 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class B2 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class B2 Claim shall have agreed upon in writing; or (z) such other treatment such that the applicable Allowed Class B2 Claim will be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code.

(iii) *Voting*. Class B2 Claims are Unimpaired and the Holders of Allowed Class B2 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(e) *Class C1: Other Secured Claims.*

(i) *Classification*. Class C1 consists of all Other Secured Claims.

(ii) *Treatment*. On, or as soon as reasonably practicable after, the Initial Distribution Date if such Class C1 Claim is Allowed on the Effective Date or otherwise the date on which such Class C1 Claim becomes Allowed, each Holder shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class C1 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class C1 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class C1 Claim shall have agreed upon in writing; or (z) such other treatment such that it will not be Impaired pursuant to section 1124 of the Bankruptcy Code.

(iii) *Voting*. Class C1 Claims are Unimpaired and the Holders of Allowed Class C1 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(f) *Class D1: Credit Agreement Claims*.

(i) *Classification*. Class D1 consists of all Claims pursuant to the Credit Agreement.

(ii) *Treatment*. Class D1 Claims shall be Allowed in the aggregate amount of $ 1,490,261,803, plus applicable contractual and default interest through the Effective Date, and fees and expenses of the Credit Agreement Agent and Credit Agreement Lenders, including with respect to post-Effective Date distributions. On, or as soon as reasonably practicable after the Initial Distribution Date, each Holder of an Allowed Class D1 Claim shall receive, in full satisfaction, settlement, discharge and release of, its Allowed Class D1 Claim, (i) its *Pro Rata* share of all of the Reorganized OSG Equity issued pursuant to the Plan that is not otherwise distributed to Holders of Old Equity Interests and Subordinated Claims under the Plan, subject to dilution on account of the Management and Director Incentive Program, the Rights Offering, and the Commitment Premium Shares and Warrants, and (ii) the right to participate in the Rights Offering. The Reorganized OSG Equity to be distributed to each (x) Domestic Holder of an Allowed Class D1 Claim shall be in the form of Reorganized OSG Stock and (y) Foreign Holder of an Allowed Class D1 Claim shall be in the form of a combination of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants, as necessary for Reorganized OSG to comply with the Jones Act. To the extent that any of the reasonable fees and expenses of the Credit Agreement Agent and Credit Agreement Lenders incurred through the Effective Date are not otherwise paid by the Debtors, such fees and expenses shall be paid in full in Cash on the Initial Distribution Date. The Allowed Class D1 Claims shall not be subject to any legal or equitable defenses, setoff or recoupment.

(iii) *Voting*. Class D1 Claims are Impaired and the Holders of Allowed Class D1 Claims as of the Voting Record Date are entitled to vote to Accept or reject the Plan.

(g) *Class D2: Satisfied Noteholder Claims*.

(i) *Classification*. Class D2 consists of all Satisfied Noteholder Claims.

(ii) *Treatment*. Class D2 Claims shall be Allowed in the aggregate amount of $66,122,827.00, plus any applicable overdue interest at the applicable contractual rate and the reasonable fees and expenses of the 8.750% Debentures Trustee, including with respect to post-Effective Date distributions. On, or as soon as reasonably practicable after, the Initial Distribution Date, each Holder of an Allowed Class D2 Claim shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class D2 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class D2 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class D2 Claim shall have agreed upon in writing; or (z) such other treatment such

that the applicable Allowed Class D2 Claim will be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code. The Allowed Class D2 Claims shall not be subject to any legal or equitable defenses, setoff or recoupment.

(iii) *Voting*. Class D2 Claims are Unimpaired and the Holders of Allowed Class D2 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(h) *Class D3: Reinstated Noteholder Claims*.

(i) *Classification*. Class D3 consists of all Reinstated Noteholder Claims.

(ii) *Treatment*. Class D3 Claims shall be allowed in the aggregate amount of $451,686,250.00, plus any applicable overdue interest at the applicable contractual and/or default rates and the reasonable fees and expenses of the 7.500% Notes Trustee and the 8.125% Notes Trustee, including with respect to post-Effective Date distributions. On, or as soon as reasonably practicable after, the Initial Distribution Date, each Holder of an Allowed Class D3 Claim shall be deemed Reinstated in full satisfaction, settlement, discharge and release of its Allowed Class D3 Claim, such that it will be rendered Unimpaired in accordance with section 1124 of the Bankruptcy Code. The Allowed Class D3 Claims shall not be subject to any legal or equitable defenses, setoff or recoupment.

(iii) *Voting*. Class D3 Claims are Unimpaired and the Holders of Allowed Class D3 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(i) *Class D4: Charter Rejection Claims*.

(i) *Classification*. Class D4 consists of all Charter Rejection Claims.

(ii) *Treatment*. On, or as soon as reasonably practicable after, the Initial Distribution Date if such Class D4 Claim is Allowed on the Effective Date or otherwise the date on which such Class D4 Claim becomes Allowed, each Holder shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class D4 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class D4 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class D4 Claim shall have agreed upon in writing; or (z) such other treatment such that the applicable Allowed Class D4 Claim will be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code.

(iii) *Voting*. Class D4 Claims are Unimpaired and the Holders of Allowed Class D4 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(j) *Class D5: Other Unsecured Claims.*

(i) *Classification*. Class D5 consists of all Other Unsecured Claims.

(ii) *Treatment*. On, or as soon as reasonably practicable after, the Initial Distribution Date if such Class D5 Claim is Allowed on the Effective Date or otherwise the date on which such Class D5 Claim becomes Allowed, each Holder shall receive, in full satisfaction, settlement, discharge and release of its Allowed Class D5 Claim, at the election of the Administrative and Disputed Claims Agent with the consent of the Requisite Consenting Lenders: (x) Cash equal to the amount of such Allowed Class D5 Claim; (y) such other less favorable treatment as to which the Administrative and Disputed Claims Agent and the Holder of such Allowed Class D5 Claim shall have agreed upon in writing; or (z) such other treatment such that the applicable Allowed Class D5 Claim will be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code.

(iii) *Voting*. Class D5 Claims are Unimpaired and the Holders of Allowed Class D5 Claims are deemed to have Accepted the Plan and are therefore not entitled to vote.

(k) *Class E1: Subordinated Claims and Old Equity Interests in OSG.*

(i) *Classification*. Class E1 consists of all Subordinated Claims and Old Equity Interests in OSG.

(ii) *Treatment*. Effective as of the Effective Date, on, or as soon as reasonably practicable after the Initial Distribution Date, each Holder of an Allowed Class E1 Claim or Allowed Class E1 Old Equity Interest shall receive, in full satisfaction, settlement, discharge and release of, its Allowed Class E1 Claim or Allowed Class E1 Old Equity Interest, as the case may be, a pro rata share of Reorganized OSG Equity equal to $61.4 million, subject to dilution on account of the Management and Director Incentive Program, the Rights Offering, and the Commitment Premium Shares and Warrants. The Reorganized OSG Equity to be distributed to each (x) Domestic Holder of an Allowed Class E1 Claim or Allowed Class E1 Old Equity Interest shall be in the form of Reorganized OSG Stock, and (y) Foreign Holder of an Allowed Class E1 Claim or Allowed Class E1 Old Equity Interest shall be in the form of a combination of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants, as necessary for Reorganized OSG to comply with the Jones Act.

(iii) *Voting*. Class E1 Claims are Impaired and the Holders of Allowed Class E1 Claims and Allowed Class E1 Old Equity Interest as of the Voting Record Date are entitled to vote to Accept or reject the Plan.

3.3 Special Provision Regarding Unimpaired Claims

Except as otherwise provided in this Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Unimpaired Claims, including, without limitation, all rights with respect to legal and equitable defenses, including setoff or recoupment, against any such Unimpaired Claim.

ARTICLE IV
ACCEPTANCE OR REJECTION OF THE PLAN

4.1 Impaired Classes of Claims Entitled to Vote

Holders of Claims in Classes D1 and E1 are entitled to vote to Accept or reject this Plan as provided in such order as may be entered by the Bankruptcy Court establishing certain procedures with respect to the solicitation and tabulation of votes to Accept or reject the Plan, or any other order(s) of the Bankruptcy Court.

4.2 Acceptance by an Impaired Class

(a) In accordance with section 1126(c) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have Accepted this Plan if this Plan is Accepted by the Holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have timely and properly voted to Accept or reject this Plan.

(b) In accordance with section 1126(d) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Equity Interests shall have Accepted this Plan if this Plan is Accepted by the Holders of at least two-thirds (2/3) in amount of the Allowed Equity Interests of such Class that have timely and properly voted to Accept or reject this Plan.

4.3 Presumed Acceptances by Unimpaired Classes

Classes A1, A2, B1, B2, C1, D2, D3, D4 and D5 are Unimpaired by this Plan. Accordingly, under section 1126(f) of the Bankruptcy Code, Holders of such Claims are conclusively presumed to Accept this Plan, and the votes of the Holders of such Claims will not be solicited.

4.4 Presumed Citizenship

Any Holder of a Claim or Old Equity Interest that does not vote or does not indicate its citizenship on its Ballot (if applicable) will be presumed to be a Foreign Holder.

4.5 Elimination of Vacant Classes; Deemed Acceptance by Non-Voting Classes

(a) Any Class of Claims that is not occupied as of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily Allowed under Bankruptcy Rule 3018 shall be deemed eliminated from this Plan for purposes of voting to Accept or reject this Plan and for purposes of determining acceptance or rejection of this Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

(b) If no votes to accept or reject the Plan are received with respect to a Class whose votes have been solicited under the Plan (other than a Class that is deemed eliminated pursuant to the foregoing Section 4.5(a)), such Class shall be deemed to have voted to Accept the Plan.

4.6 Conversion or Dismissal of Certain of the Chapter 11 Cases

If the requisite Classes do not vote to Accept the Plan or the Bankruptcy Court does not confirm the Plan, the Debtors reserve the right to have each Debtor's Chapter 11 Case dismissed or converted, or to liquidate or dissolve such Debtor under applicable non-bankruptcy procedure or chapter 7 of the Bankruptcy Code, subject to the terms of the Plan Support Agreement and the Equity Commitment Agreement.

4.7 Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code

In the event that any Impaired Class of Claims or Equity Interests rejects the Plan, the Debtors reserve the right, without any delay in the occurrence of the Confirmation Hearing or Effective Date, to (a) request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code with respect to such non-accepting Class, in which case the Plan shall constitute a motion for such relief, and/or (b) amend the Plan in accordance with Section 13.8 of this Plan.

ARTICLE V
MEANS FOR IMPLEMENTATION OF THE PLAN

5.1 General Settlement of Claims and Interests

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to the Plan.

5.2 Corporate Existence

Except as otherwise provided in the Plan, each Debtor shall continue to exist after the Effective Date as a separate corporate Entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and without any further notice to or action, order, or approval of the Bankruptcy Court or any other court of competent jurisdiction (other than any requisite filings required under applicable state, provincial, or federal law).

5.3 Reconciliation of IRS Claims

Upon the entry of the Confirmation Order, all of the IRS Claims shall be Allowed in full, including postpetition interest due and owing pursuant to Section 7.2 of this Plan. The Plan shall constitute a good faith resolution between the Debtors and the Internal Revenue

Service of the Debtors' federal tax liability for the tax years 2003 through 2012. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Allowance of the IRS Claims in full, and the Bankruptcy Court's findings shall constitute its determination that Allowing the IRS Claims in full is in the best interests of the Debtors, their Estates, Creditors, and other parties-in-interest, and that no other amounts are due and owing pursuant to the IRS Claims. On or about the Initial Distribution Date, the Debtors or Reorganized Debtors shall pay the amount of the IRS Claims in Cash, which payment shall be in full, final and complete satisfaction of the IRS Claims. No further distributions shall be made by the Debtors or Reorganized Debtors on account of federal tax liability for the tax years 2003 through 2012.

5.4 Issuance of the Plan Securities

On the Effective Date, Reorganized OSG is authorized to and shall issue and distribute, or cause to be distributed, the Plan Securities, including Reorganized OSG Stock, Reorganized OSG Jones Act Warrants (and, to the extent exercised, Reorganized OSG Stock issuable upon exercise thereof) and the Subscription Rights, and any and all other securities, notes, stock, instruments, certificates and other documents or agreements required to be issued, executed or delivered pursuant to the Plan (collectively, the "New Securities and Documents"). The issuance of the Plan Securities shall be authorized, as of the Effective Date, without further notice to or order of the Bankruptcy Court, any further corporate action, or any further act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person. In no event shall non-U.S. Citizens own more than 23% of the total number of shares of Reorganized OSG Stock outstanding on the Effective Date or following the consummation of the Rights Offering. All of the Reorganized OSG Stock and all of the shares of Reorganized OSG Stock underlying the Reorganized OSG Jones Act Warrants (upon payment of the exercise price in accordance with the terms of such Reorganized OSG Jones Act Warrants) issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable.

5.5 Transfer Restrictions

Reorganized OSG Stock and Reorganized OSG Jones Act Warrants may only be sold subject to transfer restrictions contained in Reorganized OSG's certificate of incorporation or bylaws, which transfer restrictions shall be designed to ensure compliance with the Jones Act (in the case of Reorganized OSG Stock) and applicable federal and state laws.

5.6 Issuance of the Reorganized OSG Jones Act Warrants

(a) The issuance of the Reorganized OSG Jones Act Warrants is authorized without the need for any further corporate action.

(b) The Reorganized OSG Jones Act Warrants shall have the following terms:

(1) the exercise price for the Reorganized OSG Jones Act Warrants shall be $0.01 per share of Reorganized OSG Stock and shall be paid pursuant to a cashless exercise procedure;

(2) the Reorganized OSG Jones Act Warrants shall expire on the twenty-fifth anniversary of the date of the warrant agreement;

(3) the Reorganized OSG Jones Act Warrants may only be exercised by (i) an Entity that is a U.S. Citizen or (ii) a non-U.S. Citizen in compliance with the certificate of incorporation and by-laws of Reorganized OSG and shall be exercised when held by a U.S. Citizen;

(4) the Reorganized OSG Jones Act Warrants shall be freely transferable to any person, party or entity subject to applicable securities laws; and

(5) the Reorganized OSG Jones Act Warrants shall include antidilution protection in the event of stock dividend, recapitalization, stock split or reclassification of Reorganized OSG Stock, and as otherwise set forth in the terms of such Reorganized OSG Jones Act Warrants.

5.7 Payment of Consenting Lender Fees and Expenses

The Debtors or Reorganized Debtors, as applicable, shall pay the PSA/ECA Professional Expenses after notice to the Committee.

5.8 [Intentionally removed]

5.9 Post-Confirmation Property Sales

To the extent the Debtors or Reorganized Debtors, as applicable, purchase or sell any property prior to or including the date that is one year after the Confirmation Date, the Debtors or Reorganized Debtors, as applicable, may elect to purchase or sell such property pursuant to sections 363, 1123(a)(5)(D), 1141(c), and 1146(a) of the Bankruptcy Code.

5.10 Letter of Credit

OSG and OBS are party to a cash collateral agreement related to an arbitration proceeding, pursuant to which the Debtors deposited $9,146,100 as cash collateral (the "LOC Collateral") in an account over which DNB Bank ASA ("DNB") has a control agreement and DNB issued a letter of credit ("LOC") guarantee to the arbitration counterparty. Promptly following the Effective Date, DNB shall return the LOC Collateral to OSG, with applicable interest. Promptly following receipt of the LOC Collateral, the Reorganized Debtors shall distribute Reorganized OSG Equity to DNB in the amount of the LOC Collateral at Plan value, which Reorganized OSG Equity (or the proceeds thereof) shall be held to secure obligations under the LOC. Once the LOC has terminated pursuant to its terms, DNB shall promptly return to the Reorganized Debtors the difference between any amounts drawn on the LOC and the Reorganized OSG Equity (or its proceeds) pledged as collateral.

5.11 Effectuating Documents; Further Transactions

(a) Each of the matters provided for by this Plan involving the corporate structure of the Debtors or corporate or related actions to be taken by or required of the

Reorganized Debtors, whether taken prior to or as of the Effective Date, shall be authorized without the need for any further corporate action or without any further action by the Debtors or the Reorganized Debtors, as applicable. Such actions may include (i) the appointment of the Reorganized OSG Board, (ii) the authorization, issuance and distribution of Reorganized OSG Stock, or Reorganized OSG Jones Act Warrants and any other securities to be authorized, issued and distributed pursuant to the Plan, and (iii) the consummation and implementation of the Exit Financing.

(b) On and after the Effective Date, the Reorganized Debtors, and the officers and members of the boards of directors thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of this Plan and the securities issued pursuant to this Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorizations, or consents except for those expressly required pursuant to this Plan.

5.12 Liquidation of Certain Debtors

On or after the Effective Date, the Debtors listed on Exhibit H, if any, will be liquidated pursuant to this Plan. A certificate of cancellation or dissolution, as applicable for each Debtor, will be filed with Delaware's Secretary of State or the appropriate authority immediately after the Effective Date.

5.13 Restructuring Transactions

(a) On, prior to, or after the Effective Date, the Debtors or the Reorganized Debtors, as applicable, may enter into the following transactions and take any actions as may be necessary or appropriate to effectuate a corporate restructuring of their respective businesses of the overall corporate structure of the Reorganized Debtors.

(b) Such restructuring may include one or more mergers, consolidations, restructures, dispositions, liquidations or dissolutions, as may be determined by the Reorganized Debtors to be necessary or appropriate, provided such Restructuring Transactions comply with the terms of (including applicable lender or shareholder consent requirements), and are not prohibited by, this Plan, the Plan Support Agreement or the Equity Commitment Agreement. In each case where the surviving, resulting or acquiring corporation in any such transaction is a successor to a Reorganized Debtor, such surviving, resulting or acquiring corporation will perform the obligations of the Reorganized Debtor pursuant to this Plan to pay or otherwise satisfy the Allowed Claims to the extent not already paid or satisfied.

(c) The actions to effectuate the Restructuring Transactions may include (i) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, disposition, liquidation or dissolution containing terms that are consistent with the terms of this Plan and that satisfy the applicable requirements of applicable law and such other terms to which the applicable entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms of this Plan

and having such other terms to which the applicable entities may agree; (iii) the filing of appropriate certificates or articles of merger, consolidation or dissolution pursuant to applicable law; (iv) pledging, granting of liens or security interests over, assuming or guarantying obligations or taking such similar actions as may be necessary to preserve the rights and collateral interests of the secured creditors of the Debtors and their subsidiaries at all times prior to the effectiveness and consummation of the Plan; and (v) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law in connection with such transactions.

5.14 Exit Financing

On the Effective Date, the New OSG Exit Revolver and the New OSG Exit Facility shall become effective. From and after the Effective Date, the Reorganized Debtors, subject to any applicable limitations set forth in any post-Effective Date financing, shall have the right and authority without further order of the Bankruptcy Court to raise additional capital and obtain additional financing as the boards of directors of the applicable Reorganized Debtors deem appropriate.

5.15 Secured Vessels

The vessels securing the CEXIM Loan Agreement and the DSF Loan Agreement shall be retained by the Debtors.

5.16 Revesting of Assets

Except as otherwise set forth herein, in the Plan Supplement or in the Confirmation Order, as of the Effective Date, all property of each of the Estates, including all Causes of Action (unless released pursuant to Section 11.3(a)) shall vest and revest in each of the appropriate Reorganized Debtors free and clear of all Claims, Liens, encumbrances and Old Equity Interests. From and after the Effective Date, the Reorganized Debtors may operate their businesses and use, acquire and dispose of property and settle and compromise Claims, Equity Interests, or Causes of Action without supervision by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by this Plan and the Confirmation Order. Without limiting the generality of the foregoing, the Reorganized Debtors may, without application to or approval by the Bankruptcy Court, pay fees that they incur after the Effective Date for professional fees and expenses.

5.17 Guarantees

Reorganized OSG shall issue such replacement guarantees in respect of the Reorganized Debtors' or their Affiliates' obligations as may be required (including without limitation, pension obligations of OSG Ship Management UK, and obligations of the FSO Joint Venture and LNG Joint Venture).

5.18 Closing of the Chapter 11 Cases

When all Disputed Claims against any Debtor or Reorganized Debtor either have become Allowed or have been disallowed by Final Order, and no contested matter remains

outstanding, the Reorganized Debtors shall ask the Bankruptcy Court to close the applicable Debtor's Chapter 11 Case in accordance with the Bankruptcy Code and the Bankruptcy Rules.

5.19 Corporate Governance, Directors, and Officers

(a) *Certificates of Incorporation and By-Laws*. The certificates or articles of incorporation and by-laws of Reorganized OSG shall be amended to satisfy the provisions of this Plan and the Bankruptcy Code, shall be included in the Plan Supplement, and shall (i) include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities, but only to the extent required by section 1123(a)(6) of the Bankruptcy Code and (ii) to the extent necessary or appropriate, include such provisions as may be needed to effectuate and consummate this Plan and the transactions contemplated herein.

(b) *Officers of Reorganized OSG After the Effective Date.* Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, as of the Effective Date, the initial officers of the Reorganized Debtors following the Effective Date shall be as listed in Exhibit B and shall be acceptable to the Requisite Consenting Lenders.

(c) *Directors of Reorganized Debtors*. The Reorganized OSG Board shall have seven (7) members acceptable to the Requisite Consenting Lenders, who shall be nominated by the Chief Restructuring Officer, approved by the existing directors of OSG, and listed in Exhibit B. No member of the current board of directors or any person affiliated therewith shall be appointed to be a director of Reorganized OSG. The members of the Reorganized OSG Board shall have staggered terms and shall meet the requirements of the Jones Act. Members of the boards of directors of Debtors other than Reorganized OSG shall be as listed on Exhibit B and shall be acceptable to the Requisite Consenting Lenders. The initial term of each class, as well as the identity of the directors serving in each class, shall be provided in the Plan Supplement.

5.20 Cancellation of Notes, Instruments and Debentures

On the Effective Date, except to the extent otherwise provided herein, all notes, instruments, certificates, and other documents evidencing Claims or Equity Interests shall be cancelled and the obligations of the Debtors or Reorganized Debtors and their non-Debtor Affiliates thereunder or in any way related thereto shall be discharged; provided, however, that notwithstanding confirmation of this Plan or the occurrence of the Effective Date, any indenture or agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of (1) allowing Holders to receive distributions under the Plan, and (2) allowing and preserving the rights of the Credit Agreement Agent, the Notes Trustees, and OSG and OIN as lenders under an Intercompany Facility. For the avoidance of doubt, the 8.125% Notes and the 7.500% Notes will not be cancelled on the Effective Date.

5.21 Exemption from Registration

To the extent that the Plan Securities constitute "securities," as defined in section 2(a)(1) of the Securities Act, and except with respect to any Entity that is an underwriter as

defined in section X.C.3. of the Disclosure Statement, the issuance of the Plan Securities, including any Rights Offering Shares and Rights Offering Warrants issued in the Initial Rights Offering and the Oversubscription Rights Offering, shall be exempt from registration under U.S. state and U.S. federal securities laws pursuant to section 1145 of the Bankruptcy Code, Section 4(a)(2) of the Securities Act ("Section 4(a)(2)") and/or other available exemptions from registration under the Securities Act and state securities laws, as applicable. Issuances of Reorganized OSG Stock in connection with any exercise of Reorganized OSG Jones Act Warrants, which exercises shall be made on a cashless basis, will be exempt from Securities Act registration pursuant to section 1145 of the Bankruptcy Code, Section 3(a)(9) of the Securities Act, or another available exemption from registration under the Securities Act and state securities laws, as applicable.

On the Effective Date, Reorganized OSG shall enter into and deliver the Registration Rights Agreement in substantially the form included as Exhibit K to the Plan. The Registration Rights Agreement shall be deemed to be valid, binding, and enforceable in accordance with its terms on those parties set forth in each such agreement filed as Exhibit K to the Plan.

Without limiting the effect of section 1145 of the Bankruptcy Code, all documents, agreements and instruments entered into and delivered on or as of the Effective Date contemplated by or in furtherance of this Plan, and any other agreement or document related to or entered into in connection with same, shall become, and shall remain, effective and binding in accordance with their respective terms and conditions upon the parties thereto, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person or Entity (other than as expressly required by such applicable agreement).

5.22 Intercompany Claims and Intercompany Equity Interests

Notwithstanding anything in this Plan to the contrary, on the Effective Date, the Intercompany Claims shall be, at the option of Reorganized OSG, Reinstated or discharged and satisfied by contributions, distributions or otherwise.

Notwithstanding anything in this Plan to the contrary, on the Effective Date, the Intercompany Equity Interests shall be Reinstated.

5.23 Intercompany Account Settlement

The Debtors and the Reorganized Debtors, and their respective Affiliates, will be entitled to transfer funds between and among themselves consistent with the terms of the Cash Management Order. Any changes in intercompany account balances resulting from such transfers will be accounted for and settled in accordance with the ordinary course intercompany account settlement practices and will not violate the terms of this Plan.

ARTICLE VI
RIGHTS OFFERING

6.1 Rights Exercise Form

In accordance with the terms of the Rights Offering Procedures, the Debtors will cause to be delivered a form (the "Rights Exercise Form") to each Eligible Participant in order to determine which Eligible Participants elect to exercise their Subscription Rights. In order to exercise its Subscription Rights, each Eligible Participant must, in accordance with the terms set forth in the Rights Exercise Form, validly complete and return a Rights Exercise Form by the date specified (the "Rights Offering Expiration Date"). Only Eligible Participants shall be permitted to participate in the Rights Offering.

6.2 Issuance of Subscription Rights

Each Eligible Participant shall have the right, but not the obligation, to participate in the Initial Rights Offering and the Oversubscription Rights Offering as set forth herein and in the Rights Offering Procedures. Each Eligible Participant that elects to exercise Subscription Rights in accordance with the terms of the Rights Offering, that completes an affidavit of citizenship and is reasonably deemed a U.S. Citizen by OSG shall receive Rights Offering Shares in exchange for the exercise of its Subscription Rights. In the Initial Rights Offering, each Eligible Participant will be entitled to subscribe for the number of Rights Offering Securities equal to the product (rounded down to the nearest whole share or warrant) of: (a) the Subscription Commitment Percentage of such Holder, multiplied by (b) the total number of Rights Offering Securities.

To the extent there are Unsubscribed Securities in the Initial Rights Offering, each Eligible Participant, based on such Eligible Participant's Subscription Commitment Percentage, will be entitled to subscribe for any number of Rights Offering Securities, provided that the total number of Rights Offering Securities that each Eligible Participant may receive in the Oversubscription Rights Offering will not exceed the 1145 Cap. Further, if Eligible Participants, as a whole, elect to exercise more Oversubscription Rights than, when taken together with all validly exercised and paid for Initial Rights, exceed the Rights Offering Securities, then the amount of Oversubscription Rights Offering Securities to be purchased by each Eligible Participant exercising rights in the Oversubscription Rights Offering will be reduced proportionately to the extent of such aggregate over-election based on the number of Rights Offering Securities such Eligible Participant is entitled to receive in the Initial Rights Offering.

Each Eligible Participant that elects to exercise Subscription Rights in accordance with the terms of the Rights Offering and is unable or fails to timely complete an affidavit of citizenship, or is reasonably deemed to be a non-U.S. Citizen by OSG, shall receive: (i) Rights Offering Shares in exchange for the exercise of its Subscription Rights if Foreign Eligible Participants elect to purchase in the aggregate Rights Offering Securities that account for less than 23% of all of the Rights Offering Securities to be purchased pursuant to the Rights Offering, or (ii) if Foreign Eligible Participants elect to purchase in the aggregate Rights Offering Securities that account for 23% or more of all of the Rights Offering Securities to be purchased pursuant to the Rights Offering, (A) a number of Rights Offering Shares equal to the product

determined by multiplying (I) 23% of the total number of Rights Offering Shares issued pursuant to the Rights Offering by (II) a fraction, (x) the numerator of which is the number of Rights Offering Securities such Foreign Eligible Participant elects to purchase in accordance with the terms of the Rights Offering and (y) the denominator of which is the aggregate number of Rights Offering Securities that all Foreign Eligible Participants elect to purchase in accordance with the terms of the Rights Offering, and (B) Rights Offering Warrants equal to the number of Rights Offering Securities that such Foreign Eligible Participant elects to purchase in accordance with the terms of the Rights Offering minus the number of Rights Offering Shares issued to such Foreign Eligible Participant pursuant to subclause (A) above, in exchange for the exercise of its Subscription Rights.

6.3 Transfer Restriction

Except as provided in the Equity Commitment Agreement, the Subscription Rights issued to each Eligible Participant will be severable from such Eligible Participant's Allowed Credit Agreement Claim and may be separately sold, transferred, assigned or pledged to other Eligible Participants as of the subscription date for the Rights Offering (so long as neither the sale, transfer, assignment or pledge of such Subscription Rights nor the subsequent exercise of such Subscription Rights will require registration under the Securities Act), in whole or in part with the consent of the Debtors, such consent not to be unreasonably withheld.

Each Eligible Participant shall provide notice to the Debtors of any proposed sale, transfer, assignment, or pledge of Subscription Rights using the form of proposed notice attached to this Plan as Exhibit L. The Debtors shall return such notice indicating their consent or non-consent within five business days of receipt. Upon closing such sale, transfer, assignment, or pledge, the applicable buyer transferee, assignee, or pledgee shall provide notice to KCC in accordance with the form attached to this Plan as Exhibit M. No such sale, transfer, assignment, or pledge will be recorded or given effect for purposes of distribution unless notice is received by KCC on or before the Rights Offering Expiration Date.

The obligations of the parties to the Equity Commitment Agreement shall be transferable consistent with the terms of the Equity Commitment Agreement.

6.4 Subscription Period and Mailing

The Rights Offering shall commence for each Eligible Participant on the day upon which the Rights Exercise Form is first mailed or made available to Eligible Participants and shall expire on the Rights Offering Expiration Date, unless extended by the Debtors, with the consent of the Requisite Commitment Parties (such consent not to be unreasonably withheld, conditioned or delayed). Eligible Participants will be mailed Rights Exercise Forms together with instructions for the proper completion, due execution, and timely delivery of such Rights Exercise Forms, as well as instructions for payment.

6.5 Exercise of Subscription Rights

(a) To exercise its Subscription Rights, an Eligible Participant that is not a Commitment Party must: (i) return a validly completed Rights Exercise Form to the Rights

Offering Agent so that such Rights Exercise Form is actually received by the Rights Offering Agent on or before the Rights Offering Expiration Date and (ii) pay to the Rights Offering Agent on or before the Rights Offering Expiration Date the Purchase Price multiplied by the number of Rights Offering Securities such Eligible Participant has elected to purchase pursuant to its Subscription Rights, in accordance with the wire instructions set forth on the Rights Exercise Form.

(b) Each Commitment Party must: (i) return a validly completed Rights Exercise Form to the Rights Offering Agent so that such Rights Exercise Form is actually received by the Rights Offering Agent on or before the Rights Offering Expiration Date, (ii) on or before the Rights Offering Expiration Date, pay to the Rights Offering Agent the Purchase Price multiplied by the number of Rights Offering Securities such Eligible Participant has elected to purchase pursuant to its Subscription Rights in the Initial Rights Offering, and (iii) within the Commitment Party Funding Time (as defined in the Rights Exercise Form), pay to the Rights Offering Agent the Purchase Price multiplied by the number of Rights Offering Securities such Commitment Party is obligated to purchase pursuant to its Oversubscription Rights, in each case in accordance with the wire instructions set forth on the Rights Exercise Form.

(c) If the Rights Offering Agent for any reason does not receive on or prior to the Rights Offering Expiration Date from an Eligible Participant a validly completed Rights Exercise Form and immediately available funds as set forth in this Article and in the Rights Exercise Form, such Eligible Participant shall be deemed to have relinquished and waived its right to participate in the Rights Offering. The Debtors shall not be obligated to honor any purported exercise of Subscription Rights received by the Rights Offering Agent after the Rights Offering Expiration Date, regardless of when the documents relating to such exercise were sent. Once the Eligible Participant has validly exercised its Subscription Rights, such exercise will not be permitted to be revoked, rescinded, or modified, unless the Rights Offering is not consummated by August 31, 2014.

(d) The payments made in accordance with the Rights Offering shall be deposited and held by the Rights Offering Agent in an escrow account. The Rights Offering Agent will maintain such account for the purpose of holding the money for administration of the Rights Offering until the Effective Date or such other later date at the option of the Reorganized Debtors. The Rights Offering Agent shall not use such funds for any other purpose and shall not encumber or permit such funds to be encumbered with any Lien or similar encumbrance. Such funds shall be held in such escrow account and disbursed only in accordance with the procedures described in this Article, the Rights Offering Procedures, and the Equity Commitment Agreement.

(e) The Debtors, in consultation with the Requisite Consenting Lenders, may adopt such additional detailed procedures consistent with the provisions of this Article, the Rights Offering Procedures, and the Equity Commitment Agreement to more efficiently administer the exercise of the Subscription Rights.

6.6 Subscription Commitment Procedures

The Commitment Parties shall be obligated to consummate their Subscription Commitment with respect to Unsubscribed Securities on the terms and subject to the conditions set forth in the Equity Commitment Agreement. The Commitment Parties shall receive (i) a fee allocated among the Commitment Parties, as provided in the Equity Commitment Agreement paid promptly following the Effective Date, at each Commitment Party's option, either in the form of (x) shares of Reorganized OSG Equity equal to 5% of the aggregate amount raised in the Rights Offering or (y) the cash equivalent thereof and (ii) the reimbursement of all applicable reasonable documented fees and expenses. Those Commitment Parties that do not comply with Jones Act citizenship requirements will receive a combination of Reorganized OSG Stock to the extent permissible and Reorganized OSG Jones Act Warrants, as determined by the Debtors with the consent of the Commitment Parties and the Credit Agreement Agent, in compliance with the Jones Act.

6.7 Issuance of Rights Offering Shares and Rights Offering Warrants

(a) Under the Rights Offering, Rights Offering Shares and Rights Offering Warrants purchased by Eligible Participants shall be issued on the Effective Date and distributed on the Effective Date or as soon as practicable thereafter.

(b) Any payment made by an Eligible Participant shall be refunded as soon as practicable (1) upon termination of the Equity Commitment Agreement, or (2) if such Eligible Participant has made an overpayment, in an amount equal to such overpayment.

ARTICLE VII
PROVISIONS GOVERNING DISTRIBUTIONS

7.1 Distributions for Claims Allowed as of the Effective Date

(a) Except as otherwise provided herein or as ordered by the Bankruptcy Court, distributions to be made on account of Claims that are Allowed Claims as of the Effective Date shall be made on the Initial Distribution Date or as soon thereafter as is practicable.

(b) Notwithstanding anything to the contrary herein, on the Initial Distribution Date, or as soon thereafter as is reasonably practicable, the Disbursing Agent will distribute to (i) each Holder of an Allowed Class B1, B2, C1, D4 or D5 Claim the treatment accorded to such Holder in Article III; (ii) the Notes Trustees cash sufficient to fund the treatment accorded to Holders of Allowed Class D2 and D3 Claims in Article III; and (iii) to the Credit Agreement Agent or, if so directed by the Credit Agreement Agent, to the Holders directly, the treatment accorded to Holders of Allowed Class D1 Claims in Article III.

(c) Any distribution to be made pursuant to this Plan shall be deemed to have been made on the Effective Date. Any payment or distribution required to be made under this Plan on a day other than a Business Day shall be made on the next succeeding Business Day. Distributions on account of Disputed Claims that first become Allowed Claims after the Effective Date shall be made pursuant to Article IX of this Plan.

7.2 Postpetition Interest on Claims Against Debtors

Postpetition interest shall accrue and be paid on all Allowed Claims in Classes D1 through D5 and on the IRS Claims. Holders of Allowed Claims in Classes D1 through D5 will receive postpetition interest on their Allowed Claims, calculated from the Petition Date, at the contractual rate of interest, if any (including default interest rate, to the extent applicable) set forth in each of the agreements underlying the respective Claims. Postpetition interest shall accrue and be paid on the IRS Claims at the rate of interest specified in section 6621 of the Internal Revenue Code. Holders of Allowed Claims in Class D5 or in Class D4 whose relevant agreements do not entitle them to any contractual rate of interest or who do not file an objection (a "Postpetition Interest Rate Objection") by the Confirmation Objection Deadline will receive postpetition interest on their Allowed Claims calculated from the Petition Date at the Presumed Postpetition Interest Rate. Any Holder of a Claim in Class D4 or D5 who wishes to opt out of the Presumed Postpetition Interest Rate must file a Postpetition Interest Rate Objection, specifying the postpetition interest rate such Holder believes it is entitled to receive and providing the basis for such an interest rate. Any Holder of a Claim in Class D4 or D5 who does not file a Postpetition Interest Rate Objection shall be deemed to accept the application of the Presumed Postpetition Interest Rate to such Holder's Allowed Claim.

7.3 Disbursing Agent

Except as otherwise provided herein, all Cash distributions and other distributions to be made by the Debtors or the Reorganized Debtors, under the Plan or otherwise in connection with the Chapter 11 Cases (including, without limitation, professional compensation and statutory fees) shall be made by the Disbursing Agent. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. The Disbursing Agent may employ or contract with other entities to assist in or make the distributions required by this Plan.

7.4 Delivery of Distributions and Undeliverable or Unclaimed Distributions

(a) *Delivery of Distributions to Holders of Allowed Claims in General.*

(i) Unless otherwise agreed to between the Debtors or the Reorganized Debtors, as applicable, and the Holder of an Allowed Claim, the Debtors shall make distributions to the Holders of Allowed Claims in the same manner and to the same addresses as such payments are made in the ordinary course of the Debtors' businesses, unless another address is listed on the Holder's proof of claim form, in which case such address will be used; provided, however, that, to the extent any distributions are made on account of the PSA/ECA Professional Expenses, they shall be made to the Credit Agreement Agent.

(ii) No distributions shall be made on a Disputed Claim until and unless such Disputed Claim becomes an Allowed Claim.

(iii) In order to permit distributions under the Plan, Reorganized OSG may, but will not be required to, establish reasonable reserves for Disputed Claims.

(iv) Other than the evidentiary certificates referred to at the end of this paragraph, physical certificates representing Plan Securities will not be issued pursuant to the Plan. The Reorganized OSG Stock and the Reorganized OSG Jones Act Warrants will be registered on the New York Stock Exchange. A certificate shall be issued to evidence registration in these shareholder and warrants registers.

(b) *Undeliverable, Unnegotiated and Unclaimed Distributions.*

(i) *Holding of Undeliverable, Unnegotiated and Unclaimed Distributions*. If the distribution to any Holder of an Allowed Claim is returned to the Disbursing Agent as undeliverable or is otherwise unclaimed or not negotiated, no further distributions shall be made to such Holder unless and until the Disbursing Agent is notified in writing of such Holder's then current address.

(ii) *After Distributions Become Deliverable*. The Disbursing Agent shall make all distributions that have become deliverable or have been claimed since the Initial Distribution Date as soon as practicable after such distribution has become deliverable or has been claimed.

(iii) *Failure to Claim Undeliverable or Unnegotiated Distributions.* Any Holder of an Allowed Claim (or any successor or assignee or other Person or Entity claiming by, through, or on behalf of, such Holder) that does not assert a claim pursuant to this Plan for an undeliverable or unclaimed distribution within six (6) months after the later of the Effective Date or the date such distribution was made shall be deemed to have forfeited its Claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting any such Claim for an undeliverable or unclaimed distribution against the Debtors or their Estates, the Reorganized Debtors or their property. In such cases, (a) any Cash for distribution on account of such Claims for undeliverable or unclaimed distributions shall become the property of the Reorganized Debtors free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary and (b) any New Securities and Documents held for distribution on account of such Claim shall be sold by the Administrative and Disputed Claims Agent and the proceeds of such sale shall become the property of the Reorganized Debtors free of any restrictions thereon. Nothing contained in this Plan shall require the Debtors, the Reorganized Debtors, the Disbursing Agent, or the Administrative and Disputed Claims Agent to attempt to locate any Holder of an Allowed Claim.

(iv) *No Effect on Cash Distributions*. Any Holder of an Allowed Claim (or any successor or assignee or other Person or Entity claiming by, through, or on behalf of, such Holder) entitled to receive both a distribution of Cash and a distribution of Plan Securities may receive such Cash distribution even if its distribution of Plan Securities has not yet occurred, is returned to the Disbursing Agent as undeliverable, or is otherwise unclaimed.

7.5 Distribution Record Date

On the Distribution Record Date, the Claims Register shall be closed and the Disbursing Agent shall be authorized and entitled to recognize only those Holders listed on the Claims Register as of the close of business on the Distribution Record Date. Notwithstanding

the foregoing, if a Claim or Equity Interest is transferred less than 20 days before the Distribution Record Date, the Disbursing Agent shall make distributions to the transferee only to the extent practical and in any event only if the relevant transfer form contains an unconditional and explicit certification and waiver of any objection to the transfer by the transferor.

7.6 Cash Payments

Payments made pursuant to this Plan shall be made by the Disbursing Agent in Cash and by (i) checks drawn on or (ii) wire transfer from a domestic bank selected by the Disbursing Agent. Any Cash distributions required under the Plan to foreign Creditors may be made, at the option of the Disbursing Agent, by such means as are necessary or customary in a particular foreign jurisdiction. Any check issued by the Disbursing Agent shall be null and void if not negotiated within ninety (90) days. Any Cash distributions required under the Plan in respect of Allowed Notes Claims shall be paid by the Disbursing Agent to the applicable trustees by federal funds wire transfer on the Initial Distribution Date.

7.7 Limitation on Recovery

No Holder of an Allowed Claim shall receive in respect of such Claim any distribution in excess of the Allowed amount of such Claim including, without limitation, distributions from more than one Debtor due to guarantees, undertakings, or joint and several obligations. In the event that the sum of distributions from several Debtors' Estates with respect to an Allowed Claim would be in excess of one hundred percent (100%) of the applicable Holder's Allowed Claim, then the proceeds remaining to be distributed to such Holder in excess of such one hundred percent (100%) shall be redistributed to other Holders of Allowed Claims against such Debtor or Debtors, or shall revest in the Reorganized Debtors, in accordance with the provisions of the Plan and the Bankruptcy Code.

7.8 Withholding and Reporting Requirements

In connection with this Plan and all distributions hereunder, the Reorganized Debtors shall comply with all withholding and reporting requirements imposed by any U.S. federal, state or local taxing authority or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements. The Reorganized Debtors shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. All Persons holding Claims shall be required to provide any information necessary to effectuate information reporting and the withholding of such taxes. Notwithstanding any other provision of this Plan to the contrary, (a) each Holder of an Allowed Claim shall be liable for any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution, (b) any amounts deducted or withheld from any distribution to a Holder by the Reorganized Debtors in respect of any tax shall be treated as if distributed to such Holder in connection with the Plan, and (c) at the discretion of the Reorganized Debtors, no distribution shall be made to or on behalf of such Holder pursuant to this Plan unless and until such Holder has made arrangements satisfactory to the Reorganized Debtors for the payment and satisfaction of such tax obligations. Any Cash, New Securities and Documents and/or other consideration or property to be

distributed pursuant to this Plan shall, pending the implementation of such arrangements, be treated as an unclaimed distribution pursuant to Section 7.4(b) of this Plan.

7.9 Setoffs

The Reorganized Debtors may, pursuant to section 553 of the Bankruptcy Code and applicable non-bankruptcy law, but shall not be required to, set off against any payments or other distributions to be made pursuant to this Plan in respect of an Allowed Claim, claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the Holder of such Claim; provided, however, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Reorganized Debtors of any claim that the Debtors or the Reorganized Debtors may have against such Holder.

7.10 No Fractional Shares or Warrants

There shall be no distribution of (i) fractional shares or (ii) fractional warrants. Where a fractional share, or fractional warrant would otherwise be called for, the actual issuance shall reflect a rounding down of such fraction.

7.11 Hart-Scott-Rodino Compliance

Any shares of Reorganized OSG Stock to be distributed under the Plan to any entity required to file a Premerger Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or to meet any similar requirements under applicable non-U.S. law, shall not be distributed until the notification and waiting periods applicable under such law to such entity shall have expired or been terminated.

ARTICLE VIII
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 Assumption, Rejection and Assignment of Executory Contracts and Unexpired Leases

(a) On the Effective Date, all executory contracts and unexpired leases of the Debtors will be deemed assumed, in accordance with and subject to the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, unless such executory contracts and unexpired leases are (i) identified on Exhibit C to be filed with the Plan Supplement as Rejected Contracts and not removed from such exhibit prior to the Effective Date, (ii) previously rejected by order of the Bankruptcy Court, or (iii) the subject of a motion to reject filed with the Bankruptcy Court on or before the Effective Date.

(b) Each Assigned Contract shall be listed on Exhibit G, along with the proposed counterparty to such Assigned Contract.

(c) Each Rejected Contract shall be rejected only to the extent that it constitutes an executory contract or unexpired lease.

(d) The proposed rejection damages for any Rejected Contract shall be zero dollars unless otherwise indicated in Exhibit C.

(e) Without amending or altering any prior order of the Bankruptcy Court approving the assumption, assignment or rejection of any executory contracts and unexpired leases, entry of the Confirmation Order shall constitute approval of the assumptions, assignments and rejections as applicable, provided herein, pursuant to sections 365(a), 365(f) and 1123 of the Bankruptcy Code. To the extent any provision in any executory contracts and unexpired leases assumed or assigned pursuant to this Plan (including, without limitation, any "change of control" provision) conditions, restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the applicable assumption or assignment of such executory contract or unexpired lease, or that terminates or modifies such executory contract or unexpired lease or allows the counterparty to such executory contract or lease to terminate, modify, recapture, impose any penalty, condition renewal or extension, or modify any term or condition upon any such assumption or assignment, then such provision shall be deemed void and of no force or effect such that the transactions contemplated by this Plan shall not entitle the non-debtor party thereto to terminate or modify such executory contract or unexpired lease or to exercise any other default-related rights with respect thereto. Confirmation of the Plan and consummation of the transactions contemplated thereby shall not constitute a change of control under any executory contract or unexpired lease assumed by the Debtors on or prior to the Effective Date.

8.2 Cure of Defaults of Assumed Executory Contracts and Unexpired Leases

(a) The proposed cure amount (the "Cure Amount") for any executory contract or unexpired lease that is assumed or assumed and assigned pursuant to this Plan shall be zero dollars unless otherwise indicated in a schedule to be filed with the Bankruptcy Court as part of the Plan Supplement or another pleading filed by the Debtors (the "Cure Notice"). All Cure Amounts shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment in Cash in the amounts set forth in the Cure Notice, or on such other terms as the parties to each such executory contract or unexpired lease may otherwise agree in writing, on or as soon as practicable following the Effective Date or on such other terms as the parties to each such executory contract or unexpired lease may otherwise agree. Pursuant to section 365(b)(2)(D) of the Bankruptcy Code, no counterparty to an executory contract or unexpired lease shall be allowed a Claim, as part of its cure Amount, for a default rate of interest or any other form of late payment penalty.

(b) In the event of a dispute pertaining to assumption, assignment, or the Cure Amount set forth in the Cure Notice, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the resolution of the dispute in accordance with Section 8.3 of this Plan. Pending the resolution of such dispute, the executory contract or unexpired lease at issue shall be deemed conditionally assumed by the relevant Reorganized Debtor unless otherwise ordered by the Bankruptcy Court. To the extent that any Person fails to timely File an objection to the assumption, assumption and assignment, or the Cure Amount listed in the Cure Notice or otherwise as set forth in Section 8.3 hereof, such Person is deemed to have consented to such Cure Amounts and the assumption or assumption and assignment of such executory contracts or unexpired leases pursuant to this Plan. The Cure Amounts set forth in the Cure Notice shall be final and binding on all non-debtor parties (including any successors and

designees) to such executory contracts or unexpired leases set forth in the Cure Notice, and shall not be subject to further dispute or audit based on performance prior to the time of assumption, irrespective of the terms and conditions of such executory contract or unexpired lease. Each counterparty to an assumed or assumed and assigned executory contract or unexpired lease, whether entered before or after the Petition Date, shall be forever barred, estopped, and permanently enjoined from (i) asserting against any Reorganized Debtor, or its property, any default existing as of the Effective Date or any counterclaim, defense, setoff or any other interest asserted or assertable against the Debtors; and (ii) imposing or charging against any Reorganized Debtor any accelerations, assignment fees, increases or any other fees as a result of any assumption or assignment pursuant to this Plan.

(c) Upon the assignment of any Assigned Contract, no default shall exist thereunder and no counterparty to any such Assigned Contract shall be permitted to declare a default by the Debtors or the Reorganized Debtors thereunder or otherwise take action against the Reorganized Debtors or their property as a result of any of the Restructuring Transactions, or any Debtor's financial condition, bankruptcy or failure to perform any of its obligations under such Assigned Contract prior to the Effective Date. Any provision in any Assigned Contract that is assigned under this Plan which prohibits or conditions the assignment or allows the counterparty thereto to terminate, recapture, impose any penalty, condition on renewal or extension, or modify any term or condition upon such assignment, constitutes an unenforceable anti-assignment provision that is void and of no force and effect.

8.3 Objections to Rejection, Assumption, Assignment or Cure

Except as provided by Section 8.4 of this Plan regarding amendments to Exhibit C and Exhibit G, responses or objections (each a "Treatment Objection"), if any, to the (i) rejection, including any applicable rejection damages as listed on Exhibit C, (ii) assumption, (iii) assumption and assignment of Assigned Contracts as listed on Exhibit G, or (iv) any Cure Amount related to any contracts or leases to be assumed or assumed and assigned under the Plan as identified on the Cure Notice, shall be Filed, together with proof of service, with the Clerk of the United States Bankruptcy Court, District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801, and served such that the responses or objections are actually received no later than **4:00 p.m. (ET) on [May 15], 2014** (the "Confirmation Objection Deadline") by each of the following parties:

(a) counsel to the Debtors, Cleary Gottlieb Steen & Hamilton LLP, One Liberty Plaza, New York, New York 10006, Attention: James L. Bromley, Esq., and Luke A. Barefoot, Esq.; and Morris Nichols, Arsht & Tunnell LLP, 1201 North Market Street, P.O. Box 1347, Wilmington, Delaware 19801, Attention: Derek C. Abbott, Esq.;

(b) the Office of the United States Trustee, U.S. Department of Justice, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attention: Mark Kenney, Esq.;

(c) counsel to the Committee, Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036, Attention: Daniel H. Golden, Esq., and Fred S. Hodara, Esq.; and

(d) counsel to the Credit Agreement Agent, Milbank, Tweed, Hadley & McCloy LLP, One Chase Manhattan Plaza, New York, NY 10005, Attention: Dennis F. Dunne, Esq. and Samuel A. Khalil, Esq.

Any objection to the Cure Amount set forth in the Cure Notice or to the proposed rejection damages shall state with specificity the cure amount or rejection damages amount, as applicable, the objecting party believes is required and provide appropriate documentation in support thereof. If any Treatment Objection is not timely Filed and served before the Confirmation Objection Deadline, each counterparty to an assumed, assumed and assigned, or rejected executory contract or unexpired lease, whether entered before or after the Petition Date, shall be forever barred from (i) objecting to the rejection, assumption, assignment, rejection damages amount, and/or Cure Amount provided hereunder, and shall be precluded from being heard at the Confirmation Hearing with respect to such objection; (ii) asserting against any Reorganized Debtor, or its property, any default existing as of the Effective Date or any counterclaim, defense, setoff or any other interest asserted or assertable against the Debtors; and (ii) imposing or charging against any Reorganized Debtor any accelerations, assignment fees, increases or any other fees as a result of any assumption or, assumption and assignment or rejection pursuant to this Plan.

On and after the Effective Date, the Reorganized Debtors may, in their sole discretion, settle Treatment Objections without any further notice to or action by the Bankruptcy Court or any other party (including by paying any agreed "cure" amounts).

For each executory contract or unexpired lease as to which a Treatment Objection is timely Filed and properly served and that is not otherwise resolved by the parties on or before the date of the Confirmation Hearing, the Debtors, subject to the availability of the Bankruptcy Court, may schedule a hearing on such Treatment Objection and provide at least twenty-one calendar days' notice of such hearing to the party filing such Treatment Objection. Unless the Bankruptcy Court expressly orders or the parties agree otherwise, any assumption, rejection, or assignment approved by the Bankruptcy Court notwithstanding a Treatment Objection shall be effective as of the effective date originally proposed by the Debtors or specified in the Plan or the Confirmation Order. Any cure shall be paid as soon as reasonably practicable following the entry of a Final Order resolving a Cure Amount or assumption or assignment dispute unless the Debtors elect to reject the executory contract or unexpired lease as described below.

8.4 Reservation of Rights

(a) The Debtors reserve their right, on or before 3:00 p.m. (prevailing Eastern Time) on the Business Day immediately before the Confirmation Hearing, as may be rescheduled or continued, to (i) amend Exhibit C to delete or add any unexpired lease or executory contract, and (ii) amend Exhibit G to delete or add any Assigned Contracts, in each case subject to the consent of the Requisite Consenting Lenders. The counterparty to any executory contracts or unexpired leases first listed on or removed from Exhibit C, or Exhibit G, as applicable, later than the date that is ten (10) calendar days before the Confirmation Hearing, shall have five (5) calendar days from the date of service of amended Exhibit C, or Exhibit G, as applicable, to file a Treatment Objection. The counterparty to any executory contract or unexpired lease first listed on or removed from Exhibit C, or Exhibit G, as applicable, later than

the date that is five (5) calendar days before the Confirmation Hearing, shall have until the Confirmation Hearing to file a Treatment Objection. The counterparty to any executory contracts or unexpired leases first listed on or removed from Exhibit C, or Exhibit G, as applicable, on or after the date of the Confirmation Hearing, shall have ten (10) calendar days from the service of such amended Exhibit to file a Treatment Objection.

(b) If the Debtors, in their discretion, determine that the amount asserted to be the necessary "cure" amount would, if ordered by the Bankruptcy Court, make the assumption and/or assignment of the executory contract or unexpired lease imprudent, then the Debtors may elect to (i) reject the relevant executory contract or unexpired lease or (ii) request an expedited hearing on the resolution of the "cure" dispute, exclude assumption or rejection of the contract or lease from the scope of the Confirmation Order, and retain the right to reject the executory contract or unexpired lease pending the outcome of such dispute.

(c) If the Debtors, in their discretion, determine that the amount asserted to be the necessary rejection damages amount would, if ordered by the Bankruptcy Court, make the rejection of the executory contract or unexpired lease imprudent, then the Debtors may elect to (i) assume the relevant executory contract or unexpired lease, (ii) assume and assign the relevant executory contract or unexpired lease, or (iii) request an expedited hearing on the resolution of the rejection damages dispute, exclude assumption or rejection of the contract or lease from the scope of the Confirmation Order, and retain the right to assume or assume and assign the executory contract or unexpired lease pending the outcome of such dispute.

(d) Neither the exclusion nor inclusion of any contract or lease in Exhibit C or Exhibit G, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an executory contract or unexpired lease or that the Reorganized Debtors have any liability thereunder.

8.5 Compensation and Benefit Programs

(a) Reorganized OSG shall administer the Management and Director Incentive Program. The Reorganized OSG Board shall determine the initial grants under the Management and Director Incentive Program, which shall be in form and substance reasonably satisfactory to the Requisite Consenting Lenders.

(b) Except as otherwise expressly provided in this Plan, including the limitations set forth herein with respect to the Management and Director Incentive Program, on and after the Effective Date, subject to any Final Order, the Reorganized Debtors shall have the sole discretion to (1) amend, adopt, assume, and/or honor, in the ordinary course of business or as otherwise provided for herein, any contracts, agreements, policies, programs, and plans for, among other things, compensation, pursuant to the terms thereof or hereof, including any incentive plan, as applicable, including health care benefits, disability benefits, deferred compensation benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation benefits, life insurance, and accidental death and dismemberment insurance for the directors, officers, and employees of any of the Debtors who served in such capacity from and after the Petition Date, and (2) honor, in the ordinary course of business, any

accrued vacation time arising prior to the Petition Date for employees employed as of the Effective Date.

(c) As of the Effective Date, the Reorganized Debtors shall continue (and shall continue their obligations with respect to) the Pension Plans in accordance with, and subject to, their terms, ERISA, the Internal Revenue Code, and applicable law, and shall preserve all of their rights thereunder. All Proofs of Claim filed on account of Claims in connection with the termination of the Pension Plans shall be deemed disallowed and expunged as of the Effective Date without any further action of the Debtors or Reorganized Debtors and without any further action, order, or approval of the Bankruptcy Court. Notwithstanding anything to the contrary in this Plan, no provision in the Plan or the Confirmation Order, or proceeding within the Chapter 11 Cases, shall in any way be construed as discharging, releasing, or relieving the Debtors, the Reorganized Debtors, or any other party in any capacity, from any liability with respect to the Pension Plans under any law, governmental policy, or regulatory provision, including for breach of fiduciary duty.

(d) Collective bargaining agreements shall be treated as executory contracts under the Plan and shall be assumed on the Effective Date.

8.6 Preexisting Obligations to the Debtors Under Rejected Contracts

Rejection of any Rejected Contract pursuant to the Plan shall not constitute a termination of pre-existing obligations owed to the applicable Debtor(s) under such Rejected Contract. In particular, notwithstanding any nonbankruptcy law to the contrary, the Reorganized Debtors expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased by the contracting Debtors or Reorganized Debtors, as applicable, from counterparties to any Rejected Contract.

8.7 Subsequent Modifications, Amendments, Supplements or Restatements.

Unless otherwise provided by the Plan or by separate order of the Bankruptcy Court, each executory contract and unexpired lease that is assumed, whether or not such executory contract or unexpired lease relates to the use, acquisition or occupancy of real property, shall include (a) all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease and (b) all executory contracts or unexpired leases appurtenant to the premises, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, and uses, unless any of the foregoing agreements has been or is rejected pursuant to an order of the Bankruptcy Court or is otherwise rejected as part of the Plan. Modifications, amendments, supplements and restatements to prepetition executory contracts and unexpired leases that have been executed by the Debtors during the Chapter 11 Cases and actions taken in accordance therewith (i) do not alter in any way the prepetition nature of the executory contracts and unexpired leases, or the validity, priority or amount of any Claims against the Debtors that may arise under the same, (ii) are not and do not create postpetition contracts or leases, (iii) do not elevate to administrative expense priority any Claims of the counterparties to the executory contracts and unexpired leases

against any of the Debtors, and (iv) do not entitle any entity to a Claim under any section of the Bankruptcy Code on account of the difference between the terms of any prepetition executory contracts or unexpired leases and subsequent modifications, amendments, supplements or restatements.

ARTICLE IX
PROCEDURES FOR RESOLVING DISPUTED CLAIMS

9.1 Resolution of Disputed Claims

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Reorganized Debtors and the Administrative and Disputed Claims Agent shall have the exclusive right to make and File objections to Claims (other than Administrative Expense Claims and Professional Fees Claims to which other parties may object as set forth in Section 3.1 and Section 13.5 of this Plan) and shall serve a copy of each objection upon the Holder of the Claim to which the objection is made as soon as practicable, but in no event later than ninety (90) days after the Effective Date (the "Claims Objection Deadline") or such later date as is established by the filing of a notice by the Reorganized Debtors prior to the expiration of the then current Claims Objection Deadline. Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the Holder thereof if service is effected in any of the following manners: (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (b) by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto; or (c) by first class mail, postage prepaid, on any counsel that has appeared on the Holder's behalf in the Chapter 11 Cases. The Reorganized Debtors and the Administrative and Disputed Claims Agent shall be authorized to, and shall, resolve all Disputed Claims by withdrawing or settling such objections thereto or by litigating to Final Order in the Bankruptcy Court the validity, nature and/or amount thereof.

9.2 No Distributions Pending Allowance

Notwithstanding any other provision of this Plan to the contrary, no payments or distributions of any kind or nature shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order and the Disputed Claim has become an Allowed Claim.

9.3 Distributions on Account of Disputed Claims Once They Are Allowed

If a Disputed Claim becomes an Allowed Claim after the Initial Distribution Date, the Administrative and Disputed Claims Agent shall be authorized to cause a distribution to be made on account of such Disputed Claim on the date of Allowance or as soon as reasonably practicable thereafter. Such distributions will be made pursuant to the applicable provisions of Article VII of this Plan.

9.4 Estimation of Claims

The Debtors or the Reorganized Debtors may at any time request that the Bankruptcy Court estimate any contingent Claim, unliquidated Claim or Disputed Claim

pursuant to section 502(c) of the Bankruptcy Code regardless of whether any of the Debtors or the Reorganized Debtors previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to such Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent Claim, unliquidated Claim or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtors or the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

9.5 Disputed Claims Reserve

(a) On the Effective Date, the Administrative and Disputed Claims Agent shall hold in the Disputed Claims Reserve the amount of Cash and Reorganized OSG Equity that the Reorganized Debtors determine, in consultation with the Committee, would likely have been distributed to the Holders of all Disputed Claims if such Disputed Claims had been Allowed on the Effective Date. The amount of such Disputed Claims is to be determined, solely for the purposes of establishing reserves and for maximum distribution purposes, to be the lesser of (a) the asserted amount of the Disputed Claim filed with the Bankruptcy Court as set forth in the non-duplicative Proof of Claim, or (if no proof of such Claim was filed) listed by the Debtors in the Schedules, (b) the amount, if any, estimated by the Bankruptcy Court pursuant to section 502(c) of the Bankruptcy Code or ordered by other order of the Bankruptcy Court, or (c) the amount otherwise agreed to by the Debtors or the Reorganized Debtors, as applicable, in consultation with the Holder of such Disputed Claim for distribution purposes. With respect to all Disputed Claims that are unliquidated or contingent and/or for which no dollar amount is asserted on a Proof of Claim, the Debtors will reserve Cash equal to the amount reasonably determined by the Debtors or Reorganized Debtors.

(b) The Administrative and Disputed Claims Agent may, at the direction of the Debtors or the Reorganized Debtors, adjust the Disputed Claims Reserve to reflect all earnings thereon (net of any expenses relating thereto, and net of taxes calculated at the applicable combined highest marginal tax rates imposed on a corporation resident in New York for federal, state and local tax purposes on the amount of all such earnings recognized by the Debtors or Reorganized Debtors for federal, state or local tax purposes) to be distributed on the Distribution Dates, as required by the Plan. The Administrative and Disputed Claims Agent shall hold in the Disputed Claims Reserve all dividends, payments and other distributions made on account of, as well as any obligations arising from, the property held in the Disputed Claims Reserve, to the extent that such property continues to be so held at the time such distributions are made or such obligations arise. To the extent that dividends are issued on the Reorganized OSG Stock that the Administrative and Disputed Claims Agent holds in reserve, the Administrative and Disputed Claims Agent will also distribute such dividends in accordance with this Section 9.5 when distributions are made on Disputed Claims.

(c) After any reasonable determination by the Reorganized Debtors that the Disputed Claims Reserve should be adjusted downward in accordance with this Section 9.5, the Administrative and Disputed Claims Agent shall, at the direction of the Debtors or the Reorganized Debtors, effect a distribution to the Reorganized Debtors in the amount of such adjustment as required by this Plan (an "Adjustment Distribution").

(d) After all Disputed Claims have become either Allowed or disallowed and all distributions required pursuant to Article VII of this Plan have been made, the Administrative and Disputed Claims Agent shall, at the direction of the Reorganized Debtors, distribute the Cash remaining in the Disputed Claims Reserve to the Reorganized Debtors.

(e) It is expected that the Disputed Claims Reserve will be treated as a grantor trust owned by the Reorganized Debtors for U.S. federal income tax purposes. Absent definitive guidance from the IRS or a contrary determination by a court of competent jurisdiction, the Administrative and Disputed Claims Agent shall, to the extent permitted by applicable law, report consistently with the foregoing characterization for state and local income tax purposes. All affected holders of Disputed Claims shall report, for income tax purposes, consistently with the foregoing.

9.6 No Amendments to Claims

A Claim may be amended before the Confirmation Date only as agreed upon by the Debtors and the holder of such Claim, with the consent of the Requisite Consenting Lenders, or as otherwise permitted by the Bankruptcy Court, the Bankruptcy Rules or applicable non-bankruptcy law. On or after the Confirmation Date, the holder of a Claim (other than an Administrative Expense Claim or a Professional Fees Claim) must obtain prior authorization from the Bankruptcy Court or Reorganized Debtors to file or amend a Claim. Any new or amended Claim (other than Rejection Claims) filed after the Confirmation Date without such prior authorization will not appear on the Claims Register and will be deemed disallowed in full and expunged without any action required of the Debtors or the Reorganized Debtors and without the need for any court order.

9.7 No Late-Filed Claims

In accordance with the Bar Date Order and section 502(b)(9) of the Bankruptcy Code, any Entity that failed to file a proof of Claim by the applicable Bar Date or was not otherwise permitted to file a proof of Claim after the applicable Bar Date by a Final Order of the Bankruptcy Court is and shall be barred, estopped and enjoined from asserting any Claim against the Debtors (a) in an amount that exceeds the amount, if any, that is identified in the Schedules on behalf of such Entity as undisputed, noncontingent and liquidated; or (b) of a different nature or a different classification than any Claim identified in the Schedules on behalf of such Entity.

All Claims filed after the applicable Bar Date and for which no Final Order has been entered by the Bankruptcy Court determining that such Claims were timely filed shall be disallowed and expunged without any further action required by the Debtors, the Reorganized Debtors or the Bankruptcy Court. Any Distribution on account of such Claims shall be limited

to the amount, if any, listed in the applicable Schedules as undisputed, noncontingent and liquidated. The Debtors or the Reorganized Debtors have no obligation to review or respond to any Claim filed after the applicable Bar Date unless: (y) the filer has obtained an order from the Bankruptcy Court authorizing it to file such Claim after the Bar Date; or (z) the Reorganized Debtors have consented to the filing of such Claim in writing.

ARTICLE X
CONFIRMATION AND CONSUMMATION OF THE PLAN

10.1 Conditions to Confirmation

It shall be a condition precedent to the confirmation of this Plan that (i) each of the Plan, Disclosure Statement, and Plan Supplement (including, with respect to any amendments, modifications, supplements and exhibits thereto related to the foregoing) shall be in form and substance reasonably satisfactory to the Debtors, the Requisite Consenting Lenders and the Credit Agreement Agent; (ii) the Confirmation Order shall have been entered and not stayed, and shall be in form and substance reasonably satisfactory to the Requisite Consenting Lenders and the Credit Agreement Agent; and (iii) all governmental or other approvals required to effectuate the terms of this Plan shall have been obtained, including any approvals with respect to the Jones Act businesses.

10.2 Conditions to Effective Date

Each of the following is a condition precedent to the occurrence of the Effective Date:

(a) the Confirmation Order (including any amendment or modification thereof) shall (i) have been entered by the Bankruptcy Court in form and substance reasonably satisfactory to the Debtors and the Requisite Consenting Lenders, and (ii) not have been stayed, vacated or set aside;

(b) all actions, documents, certificates, and agreements necessary to implement the Plan shall have been effected or executed and delivered to the required parties and, to the extent required, filed with the applicable government units in accordance with applicable law;

(c) all of the conditions precedent for effectiveness of the Exit Financing shall have been satisfied or waived in accordance with the terms thereof;

(d) payment in Cash of all PSA/ECA Professional Expenses incurred through such date that is ten (10) Business Days prior to the Effective Date;

(e) notice of the projected Effective Date shall have been provided to the Committee, the Consenting Lenders, and the Credit Agreement Agent, or their respective counsel, no later than five (5) Business Days prior to the projected Effective Date;

(f) receipt of approval of the United States Coast Guard and MARAD of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants, in a form reasonably acceptable to the Debtors and the Requisite Consenting Lenders; and

(g) Reorganized OSG shall have entered into and delivered the Registration Rights Agreement in substantially the form included in the Plan Supplement.

10.3 Waiver of Conditions

Each of the conditions set forth in Sections 10.1 and 10.2 of this Plan may be waived in whole or in part by the Debtors, subject to notice to the Committee and the consent of the Requisite Consenting Lenders (which consent shall not be unreasonably withheld), without any other notice to parties in interest or notice to or order of the Bankruptcy Court and without a hearing. The failure to satisfy or waive a condition to the Effective Date may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of a Debtor to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each right shall be deemed an ongoing right that may be asserted at any time.

10.4 Notice of Effective Date

Upon satisfaction of all the conditions to the Effective Date set forth in Section 10.2, or if waivable, waiver pursuant to Section 10.3, or as soon thereafter as is reasonably practicable, the Reorganized Debtors shall File with the Bankruptcy Court the "Notice of Effective Date" in a form reasonably acceptable to the Reorganized Debtors in their sole discretion, which notice shall constitute appropriate and adequate notice that this Plan has become effective; provided, however, that the Debtors shall have no obligation to notify any Person other than counsel to the Committee, the Consenting Lenders and the Credit Agreement Agent of such fact. The Plan shall be deemed to be effective as of 12:01 a.m., prevailing Eastern Standard Time, on the date of such filing. A courtesy copy of the Notice of Effective Date may be sent by United States mail, postage prepaid (or at the Debtors' option, by courier or facsimile) to those Persons who have Filed with the Bankruptcy Court requests for notices pursuant to Bankruptcy Rule 2002.

10.5 Consequences of Non-Occurrence of Effective Date

If, following the entry of the Confirmation Order, the Effective Date does not occur on or before August 31, 2014, or such later date as is agreed upon in writing by the Debtors and the Requisite Consenting Lenders, then the Confirmation Order will be deemed vacated by the Bankruptcy Court without further notice or order. If the Confirmation Order is vacated pursuant to this Section, (a) the Debtors shall File a notice to this effect with the Bankruptcy Court, (b) this Plan shall be null and void in all respects, (c) any settlement of Claims provided for hereby shall be null and void without further order of the Bankruptcy Court, and (d) the time within which the Debtors may assume, assume and assign or reject all executory contracts and unexpired leases shall be extended for a period of sixty (60) days after the date the Confirmation Order is vacated; provided, however, that the Debtors retain their rights to seek further extensions of such deadline in accordance with, and subject to, section 365 of the

Bankruptcy Code, and nothing contained in the Plan or Disclosure Statement shall (x) constitute a waiver or release of any Claims, Equity Interests, or Causes of Action, (y) prejudice in any manner the rights of any Debtor or any other Entity or (z) constitute an admission, acknowledgement, offer or undertaking of any sort by any Debtor or any other Entity.

ARTICLE XI
EFFECT OF PLAN CONFIRMATION

11.1 Binding Effect; Plan Binds All Holders of Claims and Equity Interests

(a) On the Effective Date, and effective as of the Effective Date, the Plan shall, and shall be deemed to, be binding upon the Debtors and all present and former Holders of Claims against and Equity Interests in any Debtor, and their respective Related Persons, regardless of whether any such Holder of a Claim or Equity Interest has voted or failed to vote to accept or reject this Plan.

(b) Further, pursuant to section 1142 of the Bankruptcy Code and in accordance with the Confirmation Order, the Debtors and any other necessary party shall execute, deliver and join in the execution or delivery (as applicable) of any instrument, document or agreement required to effect a transfer of property, a satisfaction of a Lien or a release of a Claim dealt with by the Plan, and to perform any other act, and the execution of documents necessary to effectuate the Restructuring Transactions and all other documents set forth or contemplated in the Plan, including in the Plan Supplement, that are necessary for the consummation of the Plan and the transactions contemplated herein.

11.2 Revesting of Assets.

Except as provided in this Plan, on the Effective Date, all property of the Estates, to the fullest extent provided by section 541 of the Bankruptcy Code, and any and all other rights and assets of the Debtors of every kind and nature shall revest in the Reorganized Debtors free and clear of all Liens, Claims and Interests other than (a) those Liens, Claims and Interests retained or created pursuant to this Plan or any document entered into in connection with the transactions described in this Plan and (b) Liens that have arisen subsequent to the Petition Date on account of taxes that arose subsequent to the Petition Date. On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Equity Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

11.3 Releases and Related Injunctions

(a) ***Releases by the Debtors*. As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, including: (i) the settlement, release, and compromise of debt and all other good and valuable consideration paid pursuant hereto; and (ii) the services of the Debtors' present and former officers, directors, managers, and advisors in facilitating the expedient implementation of the restructuring transactions contemplated hereby, each of the Debtors, the Reorganized Debtors, and any Person or Entity seeking to exercise the rights of the Debtors' Estates,**

including, without limitation, any successor to the Debtors or any Estate representative appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code, the Committee and all Related Persons, and the Notes Trustees shall be deemed to forever release, waive, and discharge each of the Released Parties from any and all Claims, obligations, suits, judgments, damages, demands, debts, remedies, rights, Causes of Action (including Avoidance and Other Actions), rights of setoff and liabilities whatsoever (including any derivative claims asserted on behalf of the Debtors) in connection with or in any way relating to the Debtors, the Chapter 11 Cases, the Disclosure Statement, or the Plan (other than the rights of the Debtors, or the Reorganized Debtors to enforce the obligations under the Confirmation Order and the Plan and the contracts, instruments, releases, and other agreements or documents delivered thereunder) whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise, that are based in whole or part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date; provided, however, that nothing in this Section 11.3(a) of the Plan:

(i) shall be deemed to prohibit the Reorganized Debtors from asserting and enforcing any Claims, obligations, suits, judgments, demands, debts, rights, causes of action or liabilities they may have against any employee (including directors and officers) for alleged breach of confidentiality, or any other contractual obligations owed to the Debtors or the Reorganized Debtors, including non-compete and related agreements or obligations;

(ii) shall operate as a release, waiver, or discharge of any causes of action or liabilities unknown to the Debtors as of the Petition Date arising out of gross negligence, willful misconduct, fraud or criminal acts of such Released Party; or

(iii) shall release any of the Causes of Actions preserved under this Plan, including the Professional Liability Action.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the foregoing release by the Debtors, which includes by reference each of the related provisions and definitions contained herein or elsewhere in the Plan, and further, shall constitute the Bankruptcy Court's finding that the foregoing release by the Debtors is: (1) in exchange for the good and valuable consideration provided by the released parties; (2) a good-faith settlement and compromise of the claims released by the foregoing by the Debtors; (3) in the best interests of the Debtors and all Holders of Claims and Interests; (4) fair, equitable and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to any of the Debtors or the Reorganized Debtors asserting any claim or cause of action released pursuant to the foregoing release by the Debtors.

(b) ***Releases by Holders of Claims and Equity Interests*. Notwithstanding anything contained herein to the contrary, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Holders of Claims against and Equity Interests in the Debtors and the Reorganized Debtors who: (i) either vote to**

Accept the Plan or are presumed to have voted for the Plan under section 1126(f) of the Bankruptcy Code, or (ii) are entitled to vote to Accept or reject the Plan and reject the plan or abstain from voting and do not mark their ballots to indicate their refusal to grant the releases provided in this sub-paragraph shall be deemed to forever release, waive, and discharge each of the Released Parties from any and all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action (including Avoidance and Other Actions), rights of setoff and liabilities whatsoever (including any derivative claims asserted on behalf of the Debtors) in connection with or in any way relating to the Debtors, the conduct of the Debtors' businesses, the Chapter 11 Cases, the Disclosure Statement, or the Plan (other than the rights of the Debtors, the Reorganized Debtors, or a Creditor holding an Allowed Claim to enforce the obligations under the Confirmation Order and the Plan and the contracts, instruments, releases, and other agreements or documents delivered thereunder) whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise, whether for tort, contract, violation of federal or state securities law or otherwise, that are based in whole or part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date; provided, however, that nothing in this Section 11.3(b) of the Plan shall operate as a release, waiver or discharge of any Causes of Action or liabilities unknown to such Holder as of the Petition Date arising out of gross negligence, willful misconduct, fraud or criminal acts of any such Released Party; and provided further, however, that nothing in this Section 11.3(b) of the Plan shall operate as a release waiver or discharge of any Causes of Action or claims for contribution or proportionate fault that any party other than the Debtors who is a named defendant in the OSG Securities Class Action may have against any other person other than the Debtors that arises from or is related to the liability claims asserted against them in that action.

11.4 Discharge of Claims

To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by this Plan or the Confirmation Order: (1) all consideration distributed under this Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Old Equity Interests and all Claims of any kind or nature whatsoever against the Debtors or any of their assets or properties and regardless of whether any property shall have been distributed or retained pursuant to this Plan on account of such Old Equity Interests or Claims; (2) the Plan shall bind all Holders of Claims and Equity Interests, notwithstanding whether any such Holders failed to vote to Accept or reject the Plan or voted to reject the Plan; and (3) all Persons and Entities shall be precluded from asserting against the Debtors, the Debtors' Estates, the Reorganized Debtors, their successors and assigns, and their assets and properties any other Claims or Equity Interests based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. Except as otherwise expressly provided by this Plan or the Confirmation Order, upon the Effective Date, the Debtors shall be deemed discharged and released under and to the fullest extent provided under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims of any kind or nature whatsoever, including, without limitation, demands and liabilities that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code.

11.5 Preservation of Rights of Action

(a) Except as otherwise provided in this Plan, the Confirmation Order or in any document, instrument, release or other agreement entered into in connection with this Plan or approved by order of the Bankruptcy Court, in accordance with section 1123(b) of the Bankruptcy Code, the Debtors and their Estates shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including the Professional Liability Action, the Avoidance and Other Actions, and any actions specifically enumerated on Exhibit J to this Plan, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date; provided that no Causes of Action released pursuant to Section 11.3(a) of this Plan against the Released Parties shall vest in the Reorganized Debtors. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, the Disclosure Statement, or the Confirmation Order to any Cause of Action against them as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against them.** The Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan.

(b) Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a final order of the Bankruptcy Court, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the confirmation or consummation of the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors. The Reorganized Debtors may pursue such Causes of Action, or decline to do any of the foregoing, as appropriate, in accordance with the best interests of the Reorganized Debtors and without further notice to or action, order or approval of the Bankruptcy Court.

11.6 Exculpation and Limitation of Liability

For purposes of the Plan, "Exculpated Parties" means (i) each of the Debtors, non-Debtor Affiliates, Reorganized Debtors, and all of their respective Affiliates, (ii) the Committee, (iii) the Credit Agreement Agent, (iv) the Credit Agreement Lenders and (v) with respect to the foregoing, each of their respective officers, directors, employees, representatives, advisors, attorneys, notaries (pursuant to the laws of the United States and any other jurisdiction), auditors, agents and professionals, in each case acting in such capacity on or any time after the Petition Date, and any person claiming by or through any of them but *excluding* defendants in the Professional Liability Action and any other Causes of Action preserved by the Debtors.

On the Effective Date, the Exculpated Parties shall neither have nor incur any liability to any Holder of Claim or Equity Interest, the Debtors, the Reorganized Debtors, or any other party-in-interest, or any of their Related Persons for any prepetition

or postpetition act or omission in connection with, relating to, or arising out of the Chapter 11 Cases, the formulation, negotiation, or implementation of the Disclosure Statement or this Plan, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the confirmation of the Plan, the consummation of the Plan or the administration of the Plan, except for acts or omissions that are the result of willful misconduct, gross negligence, fraud or criminal acts; provided, however, that (i) the foregoing is not intended to limit or otherwise impact any defense of qualified immunity that may be available under applicable law; (ii) each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, the Plan; and (iii) the foregoing exculpation shall not be deemed to release, affect, or limit any of the rights and obligations of the Exculpated Parties from, or exculpate the Exculpated Parties with respect to, any of the Exculpated Parties' obligations or covenants arising pursuant to the Plan or the Confirmation Order.

11.7 Injunction

(a) **Except as otherwise provided in this Plan or in any document, instrument, release or other agreement entered into in connection with this Plan or approved by order of the Bankruptcy Court, the Confirmation Order shall provide, among other things, that from and after the Effective Date all Persons or Entities who have held, hold, or may hold Claims against or Equity Interests in the Debtors are (i) permanently enjoined from taking any of the following actions against the Estate(s) or any of their property on account of any such Claims or Equity Interests and (ii) permanently enjoined from taking any of the following actions against any of the Debtors, the Reorganized Debtors or their property on account of such Claims or Equity Interests: (A) commencing or continuing, in any manner or in any place, any action or other proceeding; (B) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (C) creating, perfecting, or enforcing any Lien or encumbrance; (D) asserting a setoff or right of subrogation of any kind against any debt, liability or obligation due to the Debtors; and (E) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of this Plan; provided, however, that nothing contained herein shall preclude such Persons or Entities from exercising their rights pursuant to and consistent with the terms of this Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered under or in connection with this Plan.**

(b) **By accepting distributions pursuant to this Plan, each Holder of an Allowed Claim or Equity Interest will be deemed to have specifically consented to the injunctions set forth in this Section 11.7.**

11.8 Term of Bankruptcy Injunction or Stays

All injunctions or stays provided for in the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date. Upon the Effective Date, all injunctions or stays provided for in the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code,

or otherwise, shall be lifted and of no further force or effect—being replaced, to the extent applicable, by the injunctions, discharges, releases and exculpations of this Article XI.

11.9 Termination of Subordination Rights and Settlement of Related Claims

The classification and manner of satisfying all Claims and Equity Interests under this Plan take into consideration all subordination rights, whether arising by contract or under general principles of equitable subordination, section 510(b) or 510(c) of the Bankruptcy Code or otherwise. All subordination rights that a Holder of a Claim or Equity Interest may have with respect to any distribution to be made pursuant to this Plan will be discharged and terminated and all actions related to the enforcement of such subordination rights will be permanently enjoined. Accordingly, distributions pursuant to this Plan to Holders of Allowed Claims will not be subject to payment to a beneficiary of such terminated subordination rights or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights; provided, however, that nothing contained herein shall preclude any Person or Entity from exercising their rights pursuant to and consistent with the terms of this Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered under or in connection with this Plan.

ARTICLE XII
RETENTION OF JURISDICTION

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain jurisdiction over all matters arising in, arising under or related to the Chapter 11 Cases and this Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

(a) allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Expense Claim and the resolution of any objections to the allowance or priority of Claims or Equity Interests;

(b) resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor or any Reorganized Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;

(c) ensure that distributions to Holders of Allowed Claims and Equity Interest are accomplished pursuant to the provisions of this Plan;

(d) decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;

(e) enter such orders as may be necessary or appropriate to implement or consummate the provisions of this Plan and all contracts, instruments, releases and other

agreements or documents created in connection with this Plan, the Disclosure Statement or the Confirmation Order;

(f) resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of this Plan, including, without limitation, any other contract, instrument, release or other agreement or document that is executed or created pursuant to this Plan, or any Entity's rights arising from or obligations incurred in connection with this Plan or such documents, including, without limitation, the Jones Act citizenship status of the Holder of any Claim or Old Equity Interest that receives Reorganized OSG Stock or Reorganized OSG Jones Act Warrants;

(g) modify this Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or modify the Confirmation Order, or any contract, instrument, release or other agreement or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, this Plan, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with this Plan or the Confirmation Order, in such manner as may be necessary or appropriate to consummate this Plan;

(h) hear and determine all applications for compensation and reimbursement of expenses of Professionals under sections 327, 330, 331, 363, 503(b), 1103 and 1129(c)(9) of the Bankruptcy Code; provided, however, that from and after the Effective Date the payment of fees and expenses of the Reorganized Debtors, including counsel fees, shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(i) issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with consummation, implementation or enforcement of this Plan or the Confirmation Order;

(j) hear and determine Causes of Action by or on behalf of the Debtors or the Reorganized Debtors;

(k) hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(l) hear and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated, or distributions pursuant to this Plan are enjoined or stayed;

(m) determine any other matters that may arise in connection with or related to this Plan, the Confirmation Order or any contract, instrument, release (including the releases in favor of the Released Parties) or other agreement or document created in connection with this Plan or the Confirmation Order;

(n) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Chapter 11 Cases;

(o) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code; and

(p) enter orders closing the Chapter 11 Cases.

ARTICLE XIII
MISCELLANEOUS PROVISIONS

13.1 Effectuating Documents and Further Transactions

Each of the Debtors and the Reorganized Debtors are authorized to execute, deliver, file or record such contracts, instruments, releases, consents, certificates, resolutions, programs and other agreements or documents and take such acts and actions as may be reasonable, necessary or appropriate to effectuate, implement, consummate or further evidence the terms and conditions of this Plan, any notes or securities issued pursuant to this Plan, and any transactions described in or contemplated by this Plan.

13.2 Authority to Act

Prior to, on or after the Effective Date (as appropriate), all matters expressly provided for under this Plan that would otherwise require approval of the stockholders, security holders, officers, directors, partners, managers, members or other owners of one or more of the Debtors or Reorganized Debtors shall be deemed to have occurred and shall be in effect prior to, on or after the Effective Date (as appropriate) pursuant to the applicable law of the states or jurisdictions in which the Debtors or the members of Reorganized Debtors are formed, without any requirement of further vote, consent, approval, authorization or other action by such stockholders, security holders, officers, directors, partners, managers, members or other owners of such entities or notice to, order of or hearing before the Bankruptcy Court.

13.3 Insurance Preservation

Nothing in this Plan, including any releases, shall diminish or impair the enforceability of any insurance policies or other policies of insurance that may cover insurance Claims or other Claims against the Debtors or any other Person.

13.4 Exemption from Transfer Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, Transfer or exchange (or deemed issuance, Transfer or exchange) of the Plan Securities; (b) the creation of any mortgage, deed of trust, Lien, pledge or other security interest; (c) the making or assignment of any lease or sublease; or (d) the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with this Plan (including, without limitation, any merger agreements, agreements of consolidation, restructuring, disposition, liquidation, dissolution, deeds, bills of sale and transfers of tangible property) will not be subject to any stamp tax, recording tax, personal property tax, real estate transfer tax, transaction privilege tax, privilege taxes, or other similar taxes in the United States. Unless the Bankruptcy Court orders otherwise, all sales, transfers and assignments of owned and leased property approved by the Bankruptcy Court on or prior to the Effective Date shall be deemed to have been in furtherance

of or in connection with this Plan.

13.5 Bar Dates for Administrative Expense Claims

Holders of asserted Administrative Expense Claims (other than (i) Professional Fees Claims and (ii) the PSA/ECA Professional Expenses not paid prior to the Effective Date shall submit proofs of Claim on or before the Administrative Expense Claims Bar Date or forever be barred from doing so, unless such alleged Administrative Expense Claim is incurred in the ordinary course of business by any Debtor and is not yet past-due, in which case the applicable Administrative Expense Claims Bar Date shall be thirty (30) days after such due date or as otherwise ordered by the Bankruptcy Court. The Debtors and the Reorganized Debtors shall have thirty (30) days (or such longer period as may be allowed by order of the Bankruptcy Court) following the Administrative Expense Claims Bar Date to review and File objections to such Administrative Expense Claims, if necessary. In the event an objection is Filed as contemplated by this Section 13.5, the Bankruptcy Court shall determine the Allowed amount of such Administrative Expense Claim.

13.6 Administrative Claims Reserve

(a) On the Effective Date, the Administrative and Disputed Claims Agent shall hold in the Administrative Claims Reserve Account the amount of Cash that the Debtors determine will be required after the Effective Date to satisfy Allowed Administrative Expense Claims (the "Administrative Claims Reserve").

(b) The Administrative and Disputed Claims Agent may, at the direction of the Debtors or the Reorganized Debtors, adjust the Administrative Claims Reserve to reflect all earnings thereon (net of any expenses relating thereto, and net of taxes calculated at the applicable combined highest marginal tax rates imposed on a corporation resident in New York for federal, state and local tax purposes on the amount of all such earnings recognized by the Debtors or Reorganized Debtors for federal, state or local tax purposes), to be distributed on the Distribution Dates, as required by the Plan. The Administrative and Disputed Claims Agent shall hold in the Administrative Claims Reserve all payments and other distributions made on account of, as well as any obligations arising from, the property held in the Administrative Claims Reserve, to the extent that such property continues to be so held at the time such distributions are made or such obligations arise.

(c) After any reasonable determination by the Reorganized Debtors that the Administrative Claims Reserve should be adjusted downward in accordance with this Section 13.6, the Administrative and Disputed Claims Agent shall, at the direction of the Debtors or the Reorganized Debtors, effect an Adjustment Distribution, and any date of such distribution shall be an Interim Distribution Date.

(d) After all Administrative Expense Claims have become either Allowed or disallowed and all distributions required pursuant to Article VII of this Plan have been made, the Administrative and Disputed Claims Agent shall, at the direction of the Reorganized Debtors, effect a final distribution of the Cash remaining in the Administrative Claims Reserve. Any amounts remaining in such reserve or reserves shall revest in the Reorganized Debtors.

(e) It is expected that the Administrative Claims Reserve will be treated as a grantor trust owned by the Reorganized Debtors for U.S. federal income tax purposes. Absent definitive guidance from the IRS or a contrary determination by a court of competent jurisdiction, the Administrative and Disputed Claims Agent shall, to the extent permitted by applicable law, report consistently with the foregoing characterization for state and local income tax purposes. All affected holders of Administrative Expense Claims shall report, for income tax purposes, consistently with the foregoing.

13.7 Payment of Statutory Fees

All fees payable pursuant to section 1930 of title 28, United States Code, as determined by the Bankruptcy Court, shall be paid for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed or closed, whichever occurs first.

13.8 Amendment or Modification of the Plan

Subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123 and 1125 of the Bankruptcy Code, the Debtors reserve the right to alter, amend or modify this Plan at any time prior to or after the Confirmation Date but prior to the substantial consummation of this Plan, with material modifications being subject to the consent of the Requisite Consenting Lenders (it being understood that any modifications impacting the recoveries on the Credit Agreement Claims or the treatment of any other Claims or Old Equity Interests shall be considered to be material), and consultation with the Committee. A Holder of a Claim that has Accepted this Plan shall be deemed to have Accepted this Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder.

13.9 Severability of Plan Provisions

If, prior to the Confirmation Date, any term or provision of this Plan is determined by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation, provided, however, that, to the extent any alteration or interpretation of any term or provision of the Plan adversely affects the Consenting Lenders, then the Debtors shall be required to obtain the consent of the Requisite Consenting Lenders, with respect to such alteration or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

13.10 Successors and Assigns

This Plan shall be binding upon and inure to the benefit of the Debtors and their respective successors and assigns, including, without limitation, the Reorganized Debtors. The

rights, benefits and obligations of any Person or Entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Person or Entity.

13.11 Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Equity Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise. Except as otherwise provided in the Plan, pursuant to section 510 of the Bankruptcy Code, the Reorganized Debtors reserve the right to re-classify any Allowed Claim or Equity Interest in Classes D4, D5, and/or E1 in accordance with any contractual, legal, or equitable subordination relating thereto.

13.12 Revocation, Withdrawal, or Non-Consummation

Subject to the terms of the Plan Support Agreement, the Debtors reserve the right to revoke or withdraw this Plan as to any or all of the Debtors prior to the Confirmation Date and to File subsequent plans of reorganization. If the Debtors revoke or withdraw this Plan as to any or all of the Debtors, or if confirmation or consummation as to any or all of the Debtors does not occur, then, with respect to such Debtors only, except as otherwise provided by the Debtors, (a) this Plan shall be null and void in all respects, (b) any settlement or compromise embodied in this Plan (including the fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests), assumption or rejection of executory contracts or leases affected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void and (c) nothing contained in this Plan shall (i) constitute a waiver or release of any Claims by or against, or any Equity Interests in, such Debtors or any other Person or Entity, (ii) prejudice in any manner the rights of such Debtors or any other Person or Entity or (iii) constitute an admission of any sort by the Debtors or any other Person or Entity.

13.13 Notice

All notices, requests and demands to or upon the Debtors or Reorganized OSG to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to any Debtor:

Overseas Shipholding Group, Inc.
1301 Avenue of the Americas, 42nd Floor
New York, NY 10019
Attn: Capt. Robert Johnston

If to Reorganized OSG:

Overseas Shipholding Group, Inc.
1301 Avenue of the Americas, 42nd Floor
New York, NY 10019
Attn: Capt. Robert Johnston

If to the counsel to the Credit Agreement Agent:

Milbank, Tweed, Hadley & McCloy LLP
One Chase Manhattan Plaza
New York, NY 10005
Attn: Samuel Khalil

If to the Committee, prior to its dissolution:

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, NY 10036
Attn: Fred S. Hodara

If to the United States Trustee:

Office of the United States Trustee for the District of Delaware
844 King Street, Suite 2207
Lockbox 35
Wilmington, DE 19801
Attn: Mark Kenney

in each case, with copies (which shall not constitute notice hereunder) to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Facsimile: (212) 225-3999
Attention: James Bromley, Esq. and Luke Barefoot, Esq.

-and-

Morris Nichols, Arsht & Tunnell LLP
1201 North Market Street
P.O. Box 1347
Wilmington, Delaware 19801
Facsimile: (302) 658-3989
Attention: Derek Abbott, Esq.

13.14 Governing Law

Except to the extent that the Bankruptcy Code, the Bankruptcy Rules or other federal law is applicable, or to the extent that a Restructuring Document or Exhibit provides otherwise, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law of such jurisdiction.

13.15 Tax Reporting and Compliance

Reorganized OSG is hereby authorized, on behalf of each of the Debtors, to request an expedited determination under section 505(b) of the Bankruptcy Code of the tax liability of the Debtors for all taxable periods ending after the Petition Date through and including the Effective Date.

13.16 Fees and Expenses

From and after the Effective Date, the Reorganized Debtors may, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of Professionals employed by the Debtors or the Reorganized Debtors thereafter incurred, including those fees and expenses incurred in connection with the implementation and consummation of this Plan.

13.17 No Admissions

Notwithstanding anything herein to the contrary, nothing in the Plan shall be deemed as an admission by the Debtors with respect to any matter set forth herein, including liability on any Claim.

13.18 Dissolution of Committee

The Committee appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code shall be dissolved on the Effective Date and its members shall be released

from any further duties and responsibilities in the Chapter 11 Cases and under the Bankruptcy Code without need for a further order of the Bankruptcy Court; provided, however that obligations arising under confidentiality agreements, joint interest agreements and protective orders, if any, entered during the Chapter 11 Cases shall remain in full force and effect according to their terms; provided further that the Committee shall continue to prepare and prosecute fee applications filed in compliance with this Plan. The Debtors and the Reorganized Debtors shall have no obligation to pay or reimburse any fees of any official or unofficial committee of creditors incurred after the Effective Date except with regard to the preparation and prosecution of fee applications.

13.19 Filing of Additional Documents

On or before substantial consummation of this Plan, the Debtors shall File such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan.

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Dated: March 7, 2014
New York, New York

Respectfully Submitted,

OVERSEAS SHIPHOLDING GROUP, INC. (for itself and all other Debtors)

By: _____
Name: John J. Ray, III
Title: Chief Restructuring Officer

James Bromley
Luke Barefoot
Jane VanLare
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Telephone: (212) 225-2000

- and -

Derek C. Abbott (No. 3376)
Daniel B. Butz (No. 4227)
William M. Alleman, Jr. (No. 5449)
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Wilmington, Delaware 19801
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Facsimile: (302) 658-3989

Counsel for the Debtors and Debtors-in-Possession

Appendix B

Financial Statements

–To Come–

Appendix C

Liquidation Analysis

Liquidation Analysis

Important Note on Debtors' Liquidation Analysis

The liquidation analysis presented below is an estimate, based on a number of significant assumptions, of the proceeds that may be generated in a hypothetical Chapter 7 liquidation of the Debtors and their Affiliates. The Liquidation Analysis is not, and does not purport to be a valuation of the Debtors' assets or indicative of the values that may be realized in actual liquidation.

Section 1129(a)(7) of the Bankruptcy Code requires that each holder of an impaired allowed claim or interest either (a) accept the plan of reorganization or (b) receive or retain under the plan property of a value, as of the effective date of such plan, that is not less than the value such holder would receive or retain if the applicable debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date. This requirement is referred to as the "best interests" test. To make these findings, a bankruptcy court must: (a) estimate the cash liquidation proceeds that a Chapter 7 trustee would generate if the assets of such debtor's estate were liquidated pursuant to Chapter 7 of the Bankruptcy Code; (b) determine the liquidation distribution that each non- accepting holder of a claim or an interest would receive from such liquidation proceeds under the priority scheme dictated by Chapter 7; and (c) compare such holder's liquidation distribution to the distribution provided to such holder under the plan.

To demonstrate compliance with the "best interests" test, the Debtors estimated the proceeds that would be generated from a hypothetical Chapter 7 liquidation (the "Liquidation Analysis"). The Liquidation Analysis was prepared by the Debtors with the assistance of their financial and other advisors and represents the Debtors' best estimate of the proceeds that would be realized if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. The Debtors' management does not believe that including more historical information or projected information would cause the result of this analysis to vary significantly. The Liquidation Analysis, however, is subject to any changes due to the Debtors' continued operations.

The Liquidation Analysis is premised upon a number of estimates and assumptions that, although developed and considered reasonable by the Debtors, are inherently subject to significant business, economic and competitive uncertainties beyond the control of the Debtors, and, as discussed below, may be subject to change. Thus, there can be no assurance that the values reflected in the Liquidation Analysis would be realized if the Debtors were, in fact, to undergo a liquidation. In addition, any liquidation ultimately undertaken would take place under future circumstances that cannot be predicted with certainty. Accordingly, although the Liquidation Analysis is necessarily presented with numerical specificity, if the Debtors' estates were in fact liquidated as described herein, the actual proceeds from such a liquidation could vary significantly from the amounts set forth in the Liquidation Analysis. The actual liquidation proceeds could be materially higher or lower than the amounts set forth in the Liquidation Analysis, and no representation or warranty can be or is being made with respect to the actual proceeds that would be generated from the liquidation of the Debtors under Chapter 7 of the Bankruptcy Code. The Liquidation Analysis has been prepared solely for the purposes of estimating the proceeds that would be available if the Debtors liquidated under Chapter 7 of

the Bankruptcy Code and does not represent values that may be appropriate for any other purpose, including the values applicable in the context of the Plan. Nothing contained in the Liquidation Analysis is intended as or constitutes a concession or admission for any purpose other than the presentation of a hypothetical liquidation analysis, as required by the "best interests" test set forth in section 1129(a)(7) of the Bankruptcy Code.

General Assumptions

In Chapter 7, a trustee (the "Chapter 7 Trustee") is appointed to manage the debtor's affairs and conduct a liquidation. Accordingly, the Liquidation Analysis assumes that the Debtors would be forced to liquidate and would do so on an expedited, but orderly basis under the supervision of the Chapter 7 Trustee. The Debtors would be forced to cease substantially all operations and use their cash position to liquidate their assets and pay claims in accordance with the priority scheme set forth in Chapter 7 the Bankruptcy Code. The likely consequences of the conversion of the Debtors' cases from Chapter 11 to Chapter 7 of the Bankruptcy Code include the following:

- The Debtors' workforce consists of specialized employees who are crucial to the operations of the Debtors' businesses. With the Debtors facing certain liquidation, those employees, including crews on the Debtors' vessels, would likely quickly leave the Debtors' employ to the extent there were employment opportunities elsewhere. The loss of these employees would render the possibility of continuing operations in an effort to complete a going concern sale highly remote, if not impossible, and make an orderly liquidation significantly more difficult.

- A Chapter 7 liquidation would likely cause international vendors to be keenly aware of the status of any unpaid Claims and would significantly increase the risk of ship arrests in foreign jurisdictions, thereby complicating the process associated with an orderly liquidation of those assets in a reasonable timeframe.

- The Debtors' revenues are primarily derived by employing their vessels on time charters and in the spot market of oil and product tankers in a highly competitive environment. Commencement of a Chapter 7 liquidation would quickly cause customers to seek other sources of supply, making it highly unlikely that many of the Debtors' customers could be maintained by a Chapter 7 Trustee for any significant period of time. The Debtors may also, as a result, experience high levels of uncollectible accounts receivable.

- If litigation were necessary to resolve the Claims against the liquidating estates, the delay could be significant and impose substantial additional administrative expenses. The effects of this delay on the value of distributions under the hypothetical liquidation have not been considered. Recoveries do not reflect any potential negative impact on the distributable value available to the Debtors' creditors on account of any potential unknown and contingent liabilities, including, but not limited to, environmental obligations and litigation claims, which could be material.

The table below summarizes the estimated proceeds that would be available for distribution to the Debtors' creditors in a hypothetical liquidation of the Debtors' estates under Chapter 7 of the Bankruptcy Code. The following assumptions have been made in preparing the Liquidation Analysis:

- Pursuant to the terms of the Plan, the majority of Classes of Claims are Unimpaired and the Impaired Classes of Claims and Old Equity Interests consist of Claims against or Interests in one or more of the three parent-level entities, Overseas Shipholding Group, Inc. ("OSG"), OSG

International, Inc. ("OIN") and OSG Bulk Ships, Inc. ("OBS"). Therefore, the Liquidation Analysis reflects liquidation recoveries of all Unimpaired Claims under the Plan on a consolidated basis and reflects the unsecured creditor recoveries at each of OSG, OIN and OBS.

- The Debtors assume an expedited but orderly wind-down of their businesses to maximize recovery values. While the Debtors assume the majority of the wind-down would be accomplished in approximately 90 days, the liquidation would be expected to take at least six months to complete.

- The Liquidation Analysis assumes that the Chapter 7 Trustee will sell all of the assets of the Debtors. While many of the assets are located outside the United States, we expect the proceeds from the sale of these assets to be consistent across jurisdictions. Further, we assume that the expenses incurred to sell assets located outside of the United States would be comparable to the expenses incurred to sell such assets if they were located in the United States, which may not be the case, and therefore the Debtors may experience depressed values in certain foreign jurisdictions.

- The liquidation of certain of the assets produces taxable income and the related taxes are deducted from the gross proceeds to arrive at the net liquidation recoveries available to creditors.

Additional assumptions with respect to the Liquidation Analysis are provided below.

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Consolidated Liquidation Analysis of Overseas Shipholding Group, Inc., et al.

($ millions, unless other wise specified)

	Notes	Amount	Estimated Recovery Percentages	Estimated Liquidation Recoveries
Assets:	1			
Cash	2	$ 611.07	100%	$ 611.07
Accounts and Other Receivables:	3			
Freight:				
1-30 Days		6.84	80%	5.47
31-60 Days		2.40	70%	1.68
61-90 Days		1.71	50%	0.86
91-120 Days		0.51	15%	0.08
>120 Days		7.71	10%	0.77
Demurrage:				
1-30 Days		8.80	75%	6.60
31-60 Days		3.86	60%	2.31
61-90 Days		1.96	35%	0.68
91-120 Days		1.10	10%	0.11
>120 Days		1.88	5%	0.09
Accrued		26.81	80%	21.45
Pool		85.91	75%	64.43
Miscellaneous		6.40	65%	4.16
Other		2.73	25%-75%	1.58
Other Assets	4			
Inventory on Board		16.88	80%	13.51
Prepayments and Unexpired Insurance		35.53	65%	23.09
Other		1.55	25%-80%	1.24
Vessels and Joint Ventures:	5			
U.S. Owned and Chartered Vessels		1,004.25	55%	554.38
International Owned Vessels and Joint Ventures		1,516.83	80%	1,213.47
Other Property Plant & Equipment	6			
Computers, Furniture and Equipment		9.53	15%	1.43
Land and Building Note Payment		7.62	84%	6.36
TOTAL ASSETS		3,361.88		2,534.83
Administrative Claims:	7			
Corporate Wind Down	8	126.69	100.00%	126.69
Chapter 7 Trustee and Professional Expenses	9	106.00	100.00%	106.00
Pension and Other Liabilities	10	124.40	100.00%	124.40
Other	11	183.22	100.00%	183.22
Total Administrative Claims		540.31		540.31
Secured Claims:	12			
Export Import Bank of China		311.75	89.81%	279.97
Danish Ship Finance		268.63	100.00%	268.63
Other Secured Claims		1.21	Various	1.20
Total Secured Claims		581.59		549.80
Unsecured Priority Claims:	13			
Internal Revenue Service		255.76	100.00%	255.76
Other Priority Claims		9.43	Various	9.43
Total Priority Claims		265.19		265.19
Unsecured Claims:	14			
Unsecured Revolving Line of Credit		1,500.82	66.40%	996.59
8.125% Notes due 2018		302.98	8.65%	26.21
7.5% Notes due 2024		148.71	8.65%	12.86
8.75% Debentures due 2013		66.12	8.65%	5.72
Charter Rejection Claims		278.95	Various	102.17
Other Unsecured Claims		70.61	Various	35.99
Total Unsecured Claims		2,368.19		1,179.53
Total Payout				2,534.83
Unsecured Claim Recovery Percentages of the Parent Companies				
Overseas Shipholding Group, Inc.			8.65%	
OSG Bulk Ships, Inc.			23.92%	
OSG International, Inc.			33.84%	

Specific Assumptions

Note 1
Amount reflects the book values as of December 31, 2013 unless otherwise stated in these accompanying notes.

Note 2
The Debtors' actual cash balance as of the year ended December 31, 2013 was approximately $611.1 million, including restricted cash of approximately $9.1 million related to a letter of credit collateral account and $24.5 million related to secured debt facilities. Cash and equivalents consist of all cash and liquid investments, if applicable, with maturities of three months or less, in bank accounts.

Note 3
Estimated proceeds realized from accounts receivable in a liquidation are based on management's estimate of collectability and the assumption that every reasonable effort will be made by the Chapter 7 Trustee to collect receivables from customers, a number of whom may be in various foreign jurisdictions. The amounts due from charters (accounts receivable) consist of freight receivables, demurrage receivables and accrued voyage revenue. Freight receivables are receivables for undisputed freight services that the Debtors have already preformed. Demurrage receivables are associated with the delay of a vessel caused by a voyage charterer's failure to load, unload, etc. before the time of scheduled departure. As such, the payment owed by the voyage charterer for such delay is typically disputed. Accrued voyage revenue, is freight income that is being earned at the time of the balance sheet of December 31, 2013. This amount would become a freight receivable after the cargo is delivered to the destination port. Accrued pool receivables relate to working capital deposits and undistributed earnings from pools in which the Debtors participate. Upon withdrawal of a vessel from a pool in which it participates, these accounts are settled over time and may be subject to further adjustment. Final settlement with the pool upon withdrawal can take up to three years in the ordinary course. Miscellaneous receivables relate to various non-voyage and non-pool activities. An estimated recovery percentage has been applied to balances based on the trade accounts receivable aging as of December 31, 2013. Accounts aged over 90 days are assumed to have *de minimis* liquidation value. The following recovery percentages have been applied to gross accounts receivable in determining the estimated net recoverable amounts:

Freight Receivables	
Current	80%
1-30 Days Overdue	70%
31-60 Days Overdue	50%
61-90 Days Overdue	15%
>90 Days Overdue	10%
Demurrage Receivables	
Current	75%
1-30 Days Overdue	60%
31-60 Days Overdue	35%
61-90 Days Overdue	10%
>90 Days Overdue	5%
Accrued Voyage Revenue	80%
Accrued Pool Receivables	75%
Miscellaneous Receivables	65%
Other Receivables	25%-75%

Note 4
Other Assets include bunker and lubricants inventory, insurance claims, prepaid insurance and other current assets and receivables. Bunker and lubricants inventory consist of the fuel and lubes to operate the vessels. This inventory is stored on-board the vessels at the time of purchase. Insurance claims consist substantially of payments made by the Company for repairs of vessels that the Company expects, pursuant to the terms of the insurance agreements, to recover from the carrier, net of deductibles which have been expensed. Prepaid insurance includes insurance premiums paid in advance which cover a period of time which has not elapsed. Other current assets include cash onboard the vessels and bonded stores, among other things.

Note 5
The Debtors assume that the liquidation of vessel assets would be accomplished through the sale of vessels to competitors and/or financial sponsors on the secondary market over an accelerated time period. The Debtors have received appraisal values for the U.S. owned fleet from a third party ship-valuation company which was used as the base amount for the Liquidation Analysis. The estimated liquidation recoveries for the U.S. owned vessels have assumed a 20% discount on the appraisal values and have further been reduced by estimated taxes that would be incurred upon sale. The Debtors' interest in the U.S. chartered-in vessels was estimated based on the depreciated value of the vessels less the charter hire and profit share obligations to arrive at an estimated value of the Debtors' interest in the vessels after which the same 20% discount was applied and the amount was further reduced by estimated taxes that would be incurred upon sale in determining the estimated liquidation recoveries.

The Debtors have received three appraisals from third-party, internationally recognized ship-valuation companies for the international fleet of owned vessels. These appraisals are based on recent asset transactions observed in the market and assume vessels to be in sound condition, free of average damage, free of charter commitments, and there being a willing seller and willing buyer. Compared to a normalized asset sale scenario, the liquidation value of the vessels is estimated to be approximately 20% lower than the average of the three appraisals, which is the discount that was applied in determining the estimated liquidation recoveries. In addition, through joint venture partnerships, the Company operates four LNG carriers and two Floating Storage and Offloading service vessels. These joint ventures have been valued based on indications of interest received by the Debtors and similar discounts to those described above have been applied in determining the estimated liquidation recoveries of these joint ventures.

In a normalized scenario, with a reasonable amount of time, the Debtors' management believes it could sell any one vessel in a fair, reasonable, and negotiated transaction. Under a liquidation scenario (90-180 days), asset prices are predicted to be negatively affected as the sale of the Debtors' fleet of vessels would temporarily overwhelm the vessel supply in the market. Based on the current marketplace for vessel scrapping, it is estimated that the scrap value of the owned vessels would be approximately $663 million as compared to the $1,468 million of estimated liquidation recoveries in the Liquidation Analysis for the owned vessels, or an additional 45% discount. This represents a base discount of 65% as compared to the 20% used to determine the estimated liquidation recoveries.

Note 6
Other property, plant & equipment include certain vessel equipment, furniture & fixtures, computer equipment, software & other. Vessel equipment includes capital goods aboard the vessel. The Debtors have applied an estimated recovery percentage of 15% to these items. A large portion of these items are significantly depreciated and are not likely to result in significant liquidation value, particularly since the potential universe of buyers for these assets is narrow and is primarily comprised of competing companies. Additionally, the Debtors anticipate recoveries in a liquidation under Chapter 7 from a note receivable related to land and a building in the Philippines. This recovery in the Liquidation Analysis is based on an the appraised value of the property using an exchange rate of 0.0224 Philippine Pesos to U.S. dollars, but such value is subject to change based on fluctuations in the foreign currency exchange rates between these two currencies.

The Debtors' vessels are required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. The Debtors capitalize the costs associated with the drydocks as they occur and amortize these costs on a straight line basis over the period between drydocks. From management's experience when selling assets, buyers give little to no credit to historical drydock payments unless they have been made within 6 months of purchase. Buyers also factor in the need of near-term, future drydock payments when determining the purchase price of a vessel. Therefore, no value has been assigned to deferred drydock costs, as it is assumed this value is included in the vessel values described in Note 4 above.

Note 7
The assets owned by non-Debtors will be used first to satisfy the obligations of such non-Debtors. Such obligations are included as administrative claims in the Liquidation Analysis. Any residual value will then be distributed to the equity-holding subsidiary of that non-Debtor to be used to satisfy the claims of its estate.

Note 8
Corporate wind down costs include general and administrative expenses, severance, benefits and retention over a six month period. These costs include the closing of nine offices worldwide and severance for both shoreside personnel associated with these offices and seaside personnel associated with the Debtors' fleet of owned vessels. These costs are estimated to be approximately $127 million.

Note 9
Fees related to the Chapter 7 Trustee and its advisors, along with the fees of the Debtors' professional advisors, incurred in selling all of the Debtors' assets and completely winding down the affairs of the Debtors are estimated to be approximately $106 million.

Note 10
Benefit and pension plan termination costs associated with a liquidation under Chapter 7 of the Bankruptcy Code are estimated to be approximately $124 million.

Note 11
Other administrative costs include all ordinary course post-petition obligations of the Debtors and non-Debtors including approximately $40 million related to certain capital commitments approved by the Bankruptcy Court.

Note 12
As of the Petition Date, the substantial majority of the Debtors' secured liabilities consisted of funded debt under two secured debt facilities with an aggregate outstanding balance of approximately $580 million. The Export Import Bank of China ("CEXIM") facility is secured by five of the Debtors' vessels and other related assets. Each of the five Debtors owning the vessels securing the CEXIM facility and OSG are joint and several obligors under the CEXIM facility. Their obligations are also guaranteed by OSG. The Danish Ship Finance ("DSF") facility is secured by ten of the Debtors' vessels and other related assets. Each of the ten Debtors owning the vessels securing the DSF facility are joint and several obligors under the DSF facility. The obligations under the DSF facility are guaranteed by OSG, OIN and OBS. The liquidation recoveries shown in the Liquidation Analysis for CEXIM and DSF reflect the recoveries from their secured Claims and unsecured deficiency Claims against all of their respective obligors.

Note 13
As of the Petition Date, the unsecured priority Claims against the Debtors consisted primarily of a $256 million Claim asserted by the Internal Revenue Service related to tax issues for the years

2012 and prior.

Note 14

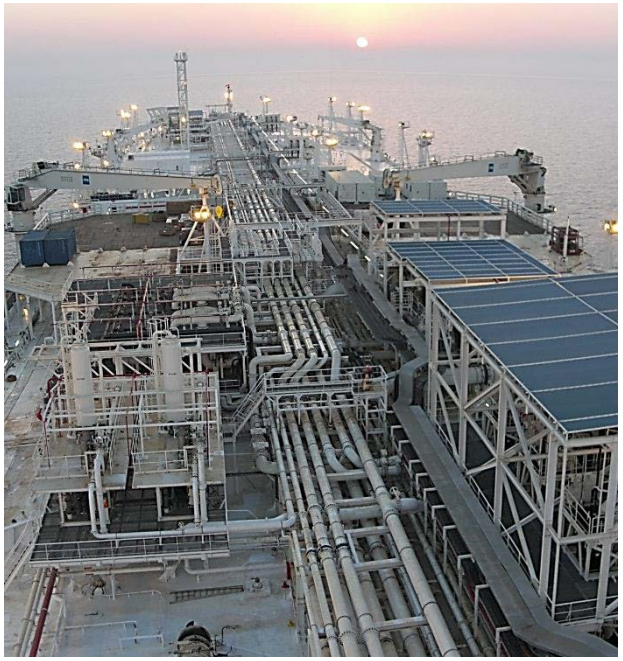
Prepetition non-priority unsecured Claims (which do not include the secured claims and unsecured priority Claims discussed in Note 11 and 12, respectively) include Claims related to the Debtors' unsecured revolving credit facility, 8.125% unsecured notes, 8.75% unsecured debentures, 7.5% unsecured notes, contract rejection damages, accounts payable and other liabilities in a Chapter 7 liquidation. The estimated liquidation recoveries for the unsecured revolving credit facility include the combined recoveries from OSG, OIN and OBS as joint and several obligors under the facility. The estimated liquidation recoveries for the contract rejection damages Claims include the combined recoveries from both the underlying obligor Debtor and any guarantor Debtor, if applicable. The analysis does not include assumptions about all possible contract rejection damage Claims or the value of other unsecured Claims that could result from a Chapter 7 liquidation, as they cannot be accurately calculated at this time. Additionally, the estimates included in the analysis could be materially different from the actual Claims that would be incurred if the Debtors were to liquidate under Chapter 7 of the Bankruptcy Code.

Appendix D

Projections

Projections

March 4, 2014



DISCLAIMER

Statements in this presentation constitute forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts should be considered forward looking statements. There are a number of factors, risks and uncertainties, many of which are beyond the control of the Company, that could cause actual results to differ materially from the expectations expressed or implied in these forward looking statements, including the Company's ability to emerge from the cases being jointly administered under the caption *In re Overseas Shipholding Group, Inc. et al.*, Case No. 12 – 20000 (PJW) in the U.S. Bankruptcy Court for the District of Delaware (the "Chapter 11 Cases"); the Company's ability to generate cash; the Company's ability to raise cash through the sale of non-core assets; the success of the Company's strategic investment decisions; the success of the Company's plan to reduce its cost structure; the Company's ability to attract, retain and motivate key employees; continued weakness or worsening of economic conditions; the Company's ability to streamline its operations and reduce its general and administrative expenses; the amount of time and attention of the Company's management spent on the prosecution of the Chapter 11 Cases; potential changes to the Company's capital structure; the highly cyclical nature of OSG's industry; fluctuations in the market value of vessels; an increase in the supply of vessels without a commensurate increase in demand; adequacy of OSG's insurance to cover its losses; constraints on capital availability; acts of piracy on ocean-going vessels; terrorist attacks and international hostilities and instability; changing economic, political and governmental conditions abroad; compliance with environmental laws or regulations, including compliance with regulations concerning discharge of ballast water and effluents scheduled to become effective in the next few years; seasonal variations in OSG's revenues; the effect of the Company's indebtedness on its ability to finance operations, pursue, desirable business operations and successfully run its business in the future; the Company's ability to generate cash to service its indebtedness; potential costs, penalties and adverse effects associated with litigation and regulatory inquiries, including the ongoing IRS audits, regarding the restatement of the Company's prior financial statements; the Company's compliance with the Jones Act provisions on coastwise trade and the continuing existence of these provisions and international trade agreements; the Company's ability to renew its time charters when they expire or to enter into new time charters for newbuilds; delays or cost overruns in building new vessels (including delivery of new vessels), the scheduled shipyard maintenance of the Company's vessels or rebuilding or conversion of the Company's vessels; termination or change in the nature of OSG's relationship with any of the pools in which it participates; OSG's ability to compete effectively for charters with companies with greater resources; increased operating costs and capital expenses as the Company's vessels age; refusal of certain customers to use vessels of a certain age; the failure of contract counterparties to meet their obligations; the shipping income of OSG's foreign subsidiaries becoming subject to current taxation in the United States; the success of the Company's programs to remediate the material weakness in internal control over financial reporting; trading risk associated with Forward Freight Agreements; unexpected drydock costs; and the arrest of OSG's vessels by maritime claimants. The Company assumes no obligation to update or revise any forward looking statements. More information about potential factors that could affect our business and financial results is available in our filings with the SEC such as our Annual Report on Form 10-K for the year ended December 31, 2012, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including, where applicable, under the heading "Risk Factors" in such reports.

US Flag Assumptions

- Current charter rates are based on existing contracts.
- The option periods on all charters are assumed to be exercised by the chartering party.
- Future time charter rates and vessel useful lives are based on Wilson Gillette report dated December, 2013 with certain modifications made by the Company.
- The segment level projections shown do not include cash flows resulting from the debt financing contemplated in the plan.
- The segment projections are pre-tax. Because the US Flag business has a low tax basis, taxes payable on the yearly income may be significant.
- New building prospects and fleet replacement recommendations will be evaluated after emergence due to recent growth in the number of vessels currently on order.
  - 13 newbuild vessels are currently on order
  - 5 additional vessels are being held as options
  - All newbuld vessels are scheduled to deliver in 2015, 2016, and 2017

US Flag Assumptions

- The ATB fleet currently generates a meaningful portion of the US Flag EBITDA. Due to the age of the ATBs, however, the Company believes this fleet will likely exit the market over a period of time from 2016 – 2022.
  - The lifespan of the current ATBs could be extended if TCE rates support capital investment into drydocks and ballast water treatment
  - The lifespan of the current ATBs could be shortened by an over supply of tonnage due to competitors deliveries of new tankers and ATBs, changes in regulations relating to the export of crude oil or increases in pipeline capacity.

- For the purposes of this forecast, the Company's rebuilt ATBs are assumed to be retired according to the schedule below. This schedule is primarily driven by the respective ages of the vessels and their required drydock dates. The ATB retirement dates could change materially.

Vessel	Scrap Date
OSG 192 - ENDURANCE	12/31/2019
OSG 209 - HONOUR	7/31/2020
OSG 214 - ENTERPRISE	9/14/2016
OSG 242 - COLUMBIA	7/31/2021
OSG 243 - INDEPENDENCE	3/31/2022
OSG 244 - COURAGEOUS	8/30/2018
OSG 252 - NAVIGATOR	5/31/2016
OSG 254 - INTREPID	11/15/2017

US Flag Assumptions

- Vessel operating expenses are assumed to escalate at 2.5%/year.
- For this forecast, Delaware Bay lightering volumes are assumed to be at the contractual minimums throughout the period.
  - The lightering contracts are subject to cancellation on short notice. In the case of the Company's largest lightering customer, this contract is subject to either a reduction in the minimum volume or cancellation, both of which require 180 days notice. In the event of a reduction in the volume, the amount paid to OSG in 2014 would be approximately $11.3 million. Additionally, if the contract were completely cancelled, an additional $22.7 million would be due to OSG for a total payment of about $34 million. Such a reduction or termination, however, would result in lost future revenue and cash flow and the underutilization of these two vessels.
- The shuttle tankers are assumed to return to the conventional tanker market at the expiry of their current charters, assuming all options are exercised.
- MSP vessels remain in the program throughout the period. For both vessels, the Company assumes current contracts of affreightment extend throughout the period.
- The forecast includes additional income from the Company's interest in Alaska Tanker Corp.
- Payments for capital expenditures largely relate to Ballast Water Treatment systems.
- Drydocks follow a regular 5 year cycle with IRPs in mid-cycle. Tankers that are fifteen years of age or older are required to drydock every 2.5 years with no IRPs.

US Flag Forecast

($ in millions)	2014	2015	2016	2017	2018	2019	2020
TCE revenues	$ 391.1	$ 406.1	$ 416.1	$ 404.3	$ 410.1	$ 423.3	$ 412.8
Vessel expenses	(135.7)	(140.2)	(140.3)	(137.2)	(135.3)	(135.7)	(134.1)
Charter hire expenses	(91.3)	(92.1)	(92.3)	(91.9)	(92.1)	(92.2)	(91.0)
Profit share expenses	-	-	-	(7.0)	(25.2)	(31.4)	(33.8)
Cash from vessel operations[1]	$ 164.2	$ 173.8	$ 183.4	$ 168.2	$ 157.4	$ 164.0	$ 153.9
G&A	(25.1)	(25.7)	(26.3)	(24.7)	(24.2)	(23.6)	(23.0)
EBITDA	$ 139.1	$ 148.1	$ 157.1	$ 143.4	$ 133.2	$ 140.4	$ 130.9
Payments for drydockings	(26.3)	(26.2)	(17.3)	(20.7)	(14.6)	(20.9)	(30.5)
Payments for capital expenditure	(16.9)	(3.2)	(7.4)	(2.0)	(2.0)	(2.8)	(10.5)
Vessel sale / scrap income[2]	-	-	4.8	2.5	2.4	1.9	2.1
Pre-tax vessel cash flow	$ 95.9	$ 118.8	$ 137.1	$ 123.2	$ 119.0	$ 118.5	$ 92.0
Tanker & shuttle average TCE	$ 58,321	$ 61,206	$ 65,691	$ 68,949	$ 72,556	$ 77,196	$ 79,675
Fixed revenue %[3]	100%	100%	76%	64%	39%	26%	17%
ATB average TCE	$ 35,145	$ 37,091	$ 37,775	$ 37,166	$ 37,954	$ 41,155	$ 45,525
Fixed revenue %[3]	97%	76%	63%	25%	0%	0%	0%
Average daily TCE rate	$ 46,916	$ 48,567	$ 50,909	$ 52,753	$ 56,258	$ 60,350	$ 64,322
Average number of owned vessels	14.0	14.0	13.1	11.9	10.7	10.0	8.6
Average number of chartered-in vessels	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Number of revenue days	8,337	8,361	8,173	7,664	7,290	7,014	6,418
Number of ship operating days:							
Owned vessels	5,110	5,110	4,800	4,333	3,891	3,649	3,140
Chartered-in vessels	3,650	3,650	3,660	3,650	3,650	3,650	3,660

(1) Excludes depreciation, amortization, severance and relocation costs, shipyard contract termination costs, gain/(loss) on disposal of vessels and vessel impairment charges.
(2) Scrap values assume steel prices of $400/ton.
(3) Fixed rate percentage assumes all customer options are exercised.

US Flag Fleet Size Assumptions

	Vessels at Year End							
	2013	2014	2015	2016	2017	2018	2019	2020
Aker Tankers	10	10	10	10	10	10	10	10
Owned Tankers	2	2	2	2	2	2	2	2
Current ATBs	8	8	8	6	5	4	3	2
Lightering	2	2	2	2	2	2	2	2
MSP	2	2	2	2	2	2	2	2
Total	24	24	24	22	21	20	19	18

OSG International Assumptions

- The company's expected spot tanker market rates shown below ($/day).
  - The rates below are derived from third party analyst forecasts through 2015 and an assumption that by 2018, TCE rates will reach the approximate level required to generate a return on newbuild vessels.

	2014	2015	2016	2017	2018
VLCC	21,303	22,944	30,000	37,000	44,000
Aframax	15,727	16,334	20,700	25,100	29,500
Panamax	14,397	15,400	18,500	21,600	24,800
MR	15,519	16,693	19,200	21,700	24,300

- OSG International tanker fleet consists of 47 owned vessels (including 1 currently under construction) and 7 long term charters. A full fleet list as of 1/1/14 is shown below.
  - Historically, the Company has also entered into short term charter-in agreements. Because these charters are typically short term and at prevailing market rates, their contribution to cash flows is assumed to be minimal. Consequently, for the purposes of this forecast, all revenue, expense and cash flow from any potential short-term charters have been excluded.
  - The forecast also assumes the sale of the Overseas Beryl was completed as of 12/31/13.
- The forecast includes the OSG International ship-to-ship business but excludes the Company's full service International lightering business.

OSG International Assumptions

- Vessel life is assumed to be 20 years and vessels are assumed to be sold for scrap value when the reach their 20th anniversary.
- Vessels over 15 years in age are assumed to earn 25% less than the market TCE rates.
- The segment level projections shown do not include cash flows resulting from the debt financing contemplated in the plan.
- The segment level projections are on a pre-tax basis and do not include any deductions for tax payments.
- Vessel operating expenses escalate at 2.5%/year with a one-time step up of 10% at age 15 years.
- Capital expenditures largely relate to Ballast Water Treatment systems. The forecast does not include any expenditures to add to or replace the owned tanker fleet. The Company expects, however, that some level of capital expenditures will be required to renew the International fleet.
- Drydocks follow a regular 5 year cycle with IRPs in mid-cycle up to fifteen years of age, thereafter vessels drydock every 2.5 years with no IRPs.

OSG International Assumptions

- OSG International G&A assumes full implementation of the recently announced technical management outsourcing program on July 1st, 2014.
  - Annual savings from the outsourcing arrangement are targeted at approximately $32 million on an annualized basis.
- The estimated $34 million in one time costs associated with the technical management outsourcing program are not included in the projections.
- Please see the SEC form 8-K dated 1/13/14 for additional details.

OSG International Joint Ventures

- Through joint venture partnerships, the OSG International owns an interest in four LNG carriers and two Floating Storage and Offloading ("FSO") service vessels.
- Both the company and its partner Euronav NV have 50% interests in the FSO joint venture.
  - The joint venture has a contract with Maersk Oil Qatar AS ("MOQ") to perform FSO services in the Al Shaheen Field off the shore of Qatar.
  - The current charter out contracts are materially shorter than the useful life of the vessels
- The Company has a 49.9% interest in the LNG joint venture with Qatar Gas Transport Company Limited (Nakilat).
  - The LNG joint venture owns four 216,000 cubic meter LNG carriers.
  - The four vessels are each on time charters, with options to extend, that cover the useful lives of the vessels.
- Each of the joint ventures has the following general provisions:
  - Purchase options held by the charterer
  - Restrictions on Sale/Change of Control
- Over the past 5 years, cash distributions from the two joint ventures have ranged from $1.5 to $13.2 million per year.
- The Projections assume distributions of $7.5 million in 2014 and $15 million per year from 2015 through 2018.

OSG International Tanker Forecast

(in millions)	2014	2015	2016	2017	2018
TCE revenues	$ 288.5	$ 307.7	$ 350.0	$ 363.0	$ 390.1
Vessel expenses[(1)]	(142.3)	(142.0)	(149.2)	(146.5)	(139.7)
Charter hire expenses	(26.6)	(26.9)	(12.8)	(6.8)	(2.1)
Cash flow from vessel operations[(2)]	$ 119.6	$ 138.7	$ 188.0	$ 209.7	$ 248.3
G&A[(3)]	(41.3)	(20.5)	(21.0)	(21.5)	(22.1)
EBITDA	$ 78.4	$ 118.2	$ 166.9	$ 188.2	$ 226.2
Payments for drydockings	(20.3)	(7.6)	(27.6)	(28.0)	(17.0)
Payments for capital expenditure	(3.8)	(0.3)	(39.8)	(52.9)	(12.8)
Joint venture distributions	7.5	15.0	15.0	15.0	15.0
Vessel sale / scrap income	5.6	-	16.2	16.2	7.6
Pre-tax vessel cash flow	$ 67.3	$ 125.3	$ 130.7	$ 138.5	$ 219.0
Average daily TCE rate	$ 15,620	$ 16,482	$ 20,202	$ 22,511	$ 25,726
Average number of owned vessels	46.2	46.0	45.9	44.0	42.6
Average number of vessels chartered-in under operating leases	7.00	7.00	4.18	2.99	0.92
Number of revenue days	18,472	18,666	17,325	16,126	15,165
Number of ship-operating days:					
Owned vessels	16,865	16,790	16,788	16,065	15,555
Vessels chartered-in under operating leases	2,555	2,555	1,531	1,092	337

(1) Includes technical management fees for 2014 through 2018. These fees are not included in 2013 vessel expenses.
(2) Excludes depreciation, amortization, severance and relocation costs, shipyard contract termination costs, gain/(loss) on disposal of vessels and vessel impairment charges.
(3) 2014 G&A assumes technical management outsourcing is fully implemented on 7/1/14.

OSG International Fleet List – Owned Crude Tankers

Vessel Name	Age as of 12/31/13	DWT (MT 000s)	LWT (MT 000s)	Notes
VLCC/ULCCs (11)				
OVERSEAS KILIMANJARO	2	298,000	42,163	
OVERSEAS MCKINLEY	2	298,000	42,163	
OVERSEAS EVEREST	4	297,000	42,193	
OVERSEAS ROSALYN	11	317,972	44,957	
OVERSEAS MULAN	12	318,518	44,441	
OVERSEAS TANABE	12	298,561	40,575	
OVERSEAS SAKURA	13	298,641	40,495	
OVERSEAS RAPHAEL	14	309,614	43,376	
OVERSEAS EQUATORIAL	17	300,349	42,649	
OVERSEAS SOVEREIGN	17	309,892	42,760	
TI OCEANIA	11	441,585	67,899	*ULCC currently in lay-up*
Aframaxes/LR2 (9)				
OVERSEAS SHENANDOAH	0	113,000	20,500	*LR2-Coated, Newbuild 2014 Delivery*
OVERSEAS REDWOOD	0	113,000	20,500	
OVERSEAS YOSEMITE	5	113,005	21,100	
OVERSEAS YELLOWSTONE	5	113,005	21,100	
OVERSEAS PORTLAND	12	112,139	18,921	
OVERSEAS FRAN	12	112,118	18,943	
OVERSEAS SHIRLEY	13	112,056	19,004	
OVERSEAS JOSEFA CAMEJO	13	112,200	18,860	
OVERSEAS ELIANE	19	94,813	17,080	

See following page for Panamax/LR1 fleet

OSG International Fleet List – Owned Crude Tankers *(Cont'd)*

Vessel Name	Age as of 12/31/13	DWT (MT 000s)	LWT (MT 000s)	
Panamaxes/LR1 (13)				
OVERSEAS SAMAR	2	73,836	14,527	*LR1-Coated, trading Crude*
OVERSEAS LEYTE	3	73,944	14,504	*LR1-Coated, trading Crude*
OVERSEAS VISAYAS	7	74,993	13,938	*LR1-Coated, trading Crude*
OVERSEAS LUZON	7	74,908	14,200	*LR1-Coated, trading Crude*
OVERSEAS REYMAR	10	69,636	13,213	
CABO SOUNION	10	69,636	13,213	
CABO HELLAS	10	69,636	13,213	
OVERSEAS SILVERMAR	12	69,609	13,242	
OVERSEAS ROSEMAR	12	69,629	13,150	
OVERSEAS GOLDMAR	12	69,684	13,166	
OVERSEAS RUBYMAR	12	69,599	13,250	
OVERSEAS JADEMAR	12	69,708	13,150	
OVERSEAS PEARLMAR	12	69,697	13,150	

OSG International Fleet List – Owned Product Tankers

Vessel Name	Age as of 12/31/13	DWT (MT 000s)	LWT (MT 000s)
MRs *(14, All Coated)*			
OVERSEAS ATHENS	2	50,342	10,635
OVERSEAS MILOS	2	50,378	10,598
OVERSEAS KYTHNOS	3	50,284	10,693
OVERSEAS SKOPELOS	4	50,222	10,755
OVERSEAS ATALMAR	9	46,177	10,187
OVERSEAS ARIADMAR	9	46,205	10,159
OVERSEAS ANTIGMAR	10	46,168	10,196
OVERSEAS ANDROMAR	10	46,195	10,169
OVERSEAS ALCMAR	10	46,248	10,100
OVERSEAS ALCESMAR	10	46,248	10,149
OVERSEAS AMBERMAR	12	35,970	8,334
OVERSEAS PETROMAR	13	35,768	8,455
OVERSEAS MAREMAR	16	45,999	9,696
OVERSEAS LUXMAR	16	45,999	9,696

OSG International Fleet List – Long Term Charter-in

Vessel Name	Charter Expiry	Age as of 12/31/13	DWT (MT 000s)
MRs *(7, All Coated)*:			
OVERSEAS KIMOLOS	6/20/2018	5	51,218
OVERSEAS SIFNOS	4/18/2018	6	51,225
ALEXANDROS II	11/29/2017	6	51,257
CYGNUS	1/26/2016	7	51,218
SEXTANS	4/17/2016	7	51,218
HERCULES	1/16/2016	7	51,218
ORION	1/14/2016	7	51,218

OSG International Fleet Size Assumptions

Owned Vessels at Year End

	2014	2015	2016	2017	2018
VLCC	11	11	10	9	9
Aframax/LR2	8	8	8	8	8
Panamax/LR1	13	13	13	13	13
MR	14	14	14	14	12
Total	46	46	45	44	42

Chartered Vessels at Year End

	2014	2015	2016	2017	2018
VLCC	0	0	0	0	0
Aframax/LR2	0	0	0	0	0
Panamax/LR1	0	0	0	0	0
MR	7	7	3	2	0
Total	7	7	3	2	0

Appendix E

Valuation Analysis and Sources and Uses of Cash Contemplated by the Plan

Appendix E-1

Valuation Analysis

Valuation of the Reorganized Debtors as of June 30, 2014

CHILMARK PARTNERS, LLC ("CHILMARK") HAS NOT BEEN ASKED TO AND DOES NOT EXPRESS ANY VIEW AS TO WHAT THE TRADING VALUE OF THE REORGANIZED DEBTORS' SECURITIES WOULD BE WHEN ISSUED PURSUANT TO THE PLAN OR THE PRICES AT WHICH THEY MAY TRADE IN THE FUTURE. NOTHING HEREIN CONSTITUTES AN OPINION AS TO THE FAIRNESS, FROM A FINANCIAL POINT OF VIEW, OF THE CONSIDERATION TO BE RECEIVED UNDER THE PLAN OR THE TERMS AND PROVISIONS OF THE PLAN. ALTHOUGH SUBSEQUENT DEVELOPMENTS MAY AFFECT CHILMARK'S OR THE DEBTORS' VIEWS, NEITHER CHILMARK NOR THE DEBTORS HAVE ANY OBLIGATION TO UPDATE, REVISE, OR REAFFIRM THE VIEWS SET FORTH HEREIN.

As part of formulating the plan of reorganization, the Debtors received four competing proposals for a plan of reorganization. The proposals were received from (i) the Committee (the "UCC Proposal"); (ii) an ad hoc group of noteholders and charter rejection claims representing more than 60% of the outstanding notes (the "Noteholder Proposal"); (iii) an ad hoc group of equity holders representing approximately 30% of the outstanding equity of OSG (the "Equity Proposal"); and (iv) certain revolving credit facility lenders representing over 70% of the outstanding debt (the "Bank Proposal") (all of the foregoing, the "Competing Plan Proposals"). Each of the proponents of the Competing Plan Proposals (the "Competing Plan Proponents") either directly or through their advisors, had access to non-public information about the company in order to perform due diligence and formulate fully informed, detailed plan of reorganization proposals. Each of the Competing Plan Proposals received specified a value for the Debtors' business, a pro forma capital structure and all proposals except the UCC Proposal provided investment of significant amounts of new equity into the Reorganized Debtors. After receiving Competing Plan Proposals, the Debtors and their advisors engaged with the Competing Plan Proponents to attempt to develop each of the proposals into the highest or otherwise best offer for the company.

Additionally, during the Chapter 11 process, the Debtors received indications of interest from strategic and financial investors regarding the U.S. Flag segment, the International Flag segment and select discrete assets.

The Debtors, in consultation with their advisors, evaluated the Competing Plan Proposals and the other indications of interest and, in exercising their business judgment, concluded that the Bank Proposal was the highest and best offer for all stakeholders that was also feasible and financeable. Specifically, the Bank Proposal was judged to be superior because, of all the Competing Plan Proposals, it provided the highest aggregate value and the highest return to all stakeholders. The Debtors and their advisors also believed that the Bank Proposal had the least amount of financing risk. The Debtors and their advisors had spent more than three months working with numerous potential exit lenders to understand their informed views on the range of leverage that the financing market would support for the Reorganized Debtors. The Bank Proposal was within that range while also providing for an additional equity investment that allowed the Debtors to retain ownership of the vessels that were collateral for certain secured facilities and provided additional scale for the Debtors' operations. Conversely, certain of the

Competing Plan Proposals not only provided for lower stakeholder recoveries, but also proposed a level of leverage that was well outside of the leverage range provided by potential exit lenders and also failed to account for a significant amount of the Debtors' liabilities.

As a result of the competitive plan proposal process described above and the resulting market indications of value, the Debtors believe that the Bank Proposal currently represents the best measure of the Debtors' value. The Bank Proposal provides for an aggregate value for the Reorganized Debtors' business of approximately $3.175 billion which is comprised of approximately $1.224 billion of net debt and other assumed liabilities plus approximately $1.951 billion of reorganized equity. The $1.951 billion of reorganized equity consists of (a) the conversion of $1.574 billion of structurally senior bank debt into Reorganized OSG Stock and Reorganized OSG Jones Act Warrants, plus (b) $315 million of additional new equity investment by the banks, plus (c) $62 million of Reorganized OSG Stock and Reorganized OSG Jones Act Warrants to be distributed to Holders of Subordinated Claims and Old Equity Interests in Class E1. The net debt and other assumed liabilities of $1.224 billion consist of (i) $735 million of new exit financing, plus (ii) $446 million of reinstated debt, plus (iii) $156 million of assumed post retirement and other liabilities, less (iv) $75 million of cash on the balance sheet, less (v) $38 million of additional excess cash. The "Sources and Uses of Cash Contemplated by the Plan" that follows provides detail on the calculation of the estimate for excess cash.

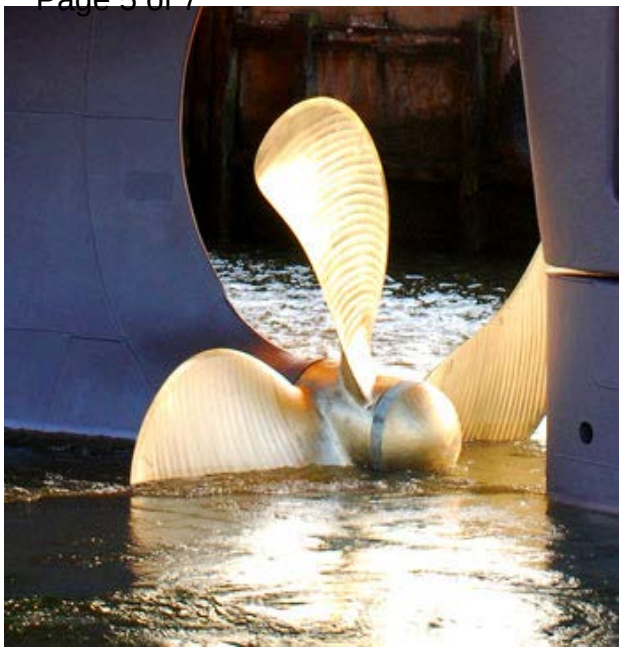
Additionally, the Debtors, with the assistance of their advisors, have the ability to consider any unsolicited alternative restructuring proposals they might receive that would create a superior outcome for the Debtors' stakeholders, even after the execution of the Plan Support Agreement.

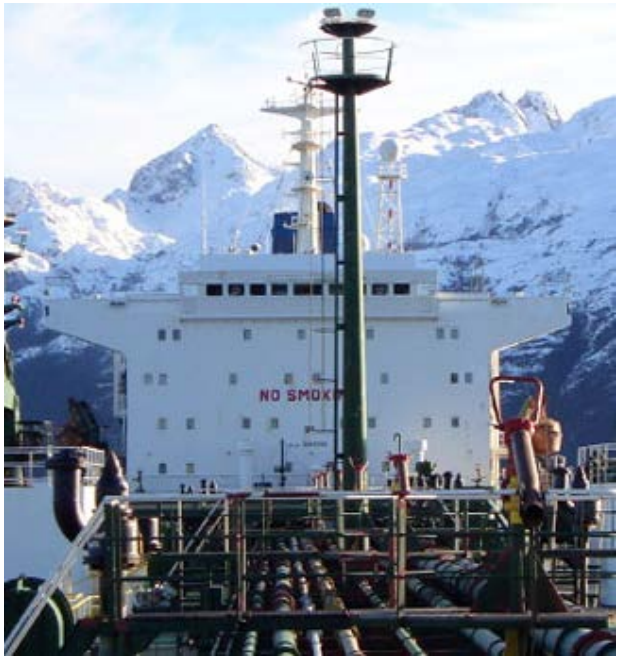
Appendix E-2

Sources and Uses of Cash Contemplated by the Plan

Sources & Uses

March 2, 2014





Estimate of Excess Cash on June 30, 2014

(US$ millions)

Sources	
12/31 Cash on Balance Sheet	$602
6 month Cash Flow	67
Total	**$669**

Uses	
Employee/Professional/Financing Costs/Contingencies/Other	$195
International Business Transition Costs	34
Remaining Construction Costs for OS Shenandoah	20
OS Tampa Shuttle Tanker Conversion Costs	20
Required Working Capital Investment	9
Cash on Balance Sheets	75
Total Uses Before non-Tax Distributions	**$353**

Creditor Distribution Cash Flows *($mm)*	
Cash Available From Business	$316
Rights Offering	300
Rights Offering fee paid in stock	15
Release of Cash Collateral for Letter of Credit	9
Estimated Exit Financing	735
Distributable Cash	**$1,375**
Approximate Creditor Distributions Required	-1,337
Excess Cash	**$38**

Preliminary analysis subject to change and refinement as the debtors complete their analysis.

Estimated Cash Distributions to Creditors

(US$ millions)

Claims Paid in Cash	Principal	Interest[1]	PPI Rate
IRS Settlement (2011 & prior)	-$256	-$14	
Charter Rejection Claims	-279	-13	Varies
DSF Claim[2]	-269	-	NA
CEXIM Claim[2]	-312	-	NA
8.125% Note - BNY Trust Accrued Interest	-	-50	9.13%
7.5% Note - Wilmington Trust Accrued Interest	-	-22	7.50%
8.75% Note - BNY Trust Matured Issuance	-64	-12	8.75%
Other Claims[3]	-32	-2	2.98%
Priority/Admin Claims	-13	-1	2.98%
Total	-1,224	-113	
Total Cash Distributions Required	**-1,337**		

Notes:
(1) Note interest includes accrued interest as stated in the respective claims as well as post-petition interest accrued since the petition date at the default rate.
(2) Assumes adequate protection payments cover any post-petition interest.
(3) Excludes litigation claim secured by letter of credit since the cash collateral is being returned and any claim in respect of the letter of credit will be satisfied in Reorganized OSG Equity.

Preliminary analysis subject to change and refinement as the debtors complete their analysis.