OVERSEAS SHIPHOLDING GROUP INC
Form 424B3
March 04, 2010

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FILED PURSUANT TO RULE 424(B)(3)
FILE NO. 333-165213

SUBJECT TO COMPLETION, DATED MARCH 4, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED MARCH 4, 2010)

3,500,000 Shares

OVERSEAS SHIPHOLDING GROUP, INC.

Common Stock

We are offering 3,500,000 shares of our common stock, par value $1.00 per share.

Our common stock is traded on The New York Stock Exchange under the symbol "OSG." On March 4, 2010, the last reported sale price of our common stock was $46.99 per share.

Investing in our common stock involves risks. See "Risk Factors" on page S-9 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds to Overseas Shipholding Group, Inc. (Before Expenses)	$	$

Delivery of the common stock to purchasers will be made on or about March , 2010.

Sole Book-Running Manager

Goldman, Sachs & Co.

The date of this Prospectus Supplement is March , 2010.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS OR IN ANY FREE WRITING PROSPECTUS FILED BY US WITH THE SEC. WE HAVE NOT, AND THE UNDERWRITER HAVE NOT, AUTHORIZED ANYONE ELSE TO PROVIDE YOU WITH DIFFERENT OR ADDITIONAL INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR INCONSISTENT INFORMATION, YOU SHOULD NOT RELY ON IT. WE ARE NOT, AND THE UNDERWRITER ARE NOT, MAKING AN OFFER TO SELL THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER AND SALE IS NOT

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ABOUT THIS PROSPECTUS SUPPLEMENT

As used in this prospectus supplement, unless otherwise specified or where it is clear from the context that the term only means issuer, the terms "OSG," the "we," "us," and "our" refer to Overseas Shipholding Group, Inc. and its consolidated subsidiaries.

This document is in two parts. The first part is the prospectus supplement, which adds to and updates information contained in the accompanying prospectus, and describes our common stock offering. The second part is the accompanying prospectus, dated March 4, 2010, which provides more general information, some of which may not apply to this offering. For information about our common stock, see "Description of Common Stock" in the accompanying prospectus. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or in any free writing prospectus filed by us with the SEC. Neither we nor any of the underwriter have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus, or any document incorporated by reference in this prospectus supplement or the accompanying prospectus, is accurate as of any date other than the date on the front cover of the applicable document. Neither the delivery of this prospectus supplement nor any distribution of securities pursuant to this prospectus supplement shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated by reference into this prospectus supplement or in our affairs since the date of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus supplement and the accompanying prospectus in any jurisdiction where it is unlawful to make such offer or solicitation.

Before purchasing any securities, you should carefully read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the heading "How to Obtain More Information" and "Incorporation by Reference" in this prospectus supplement.

HOW TO OBTAIN MORE INFORMATION

We file annual, quarterly and interim reports, proxy and information statements and other information with the SEC. These filings contain important information, which does not appear in this prospectus. The reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Copies of this material can be obtained by mail from the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website (http://www.sec.gov) that contains reports, proxy and information statements and other materials that are filed through the SEC's Electronic Data Gathering, Analysis and Retrieval (EDGAR) system.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933, as amended, or the Securities Act, with respect to the securities offered by this prospectus. This prospectus does not contain all of the information in the registration statement. We have omitted certain parts of the registration statement, as permitted by the rules and regulations of the SEC. You may inspect and copy the registration statement, including exhibits, at the SEC's public reference facilities or website. Statements contained in this prospectus concerning the contents of any document we refer you to are not necessarily complete and in each instance we refer you to the applicable document filed with the SEC for more complete information.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" into this prospectus, which means that we may disclose important information to you by referring you to other documents that we have filed or will file with the SEC. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, until this offering has been completed. We are not, however, incorporating by reference any documents or portions thereof whether specifically listed below or filed in the future, that are not deemed "filed" with the SEC, including any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K.

- Definitive Proxy Statement on Schedule 14A, as filed on April 30, 2009.
- Annual Report on Form 10-K for the year ended December 31, 2009, as filed on March 1, 2010.
- Current Reports on Form 8-K dated and filed on the following dates:

Dated	Filed
March 4, 2010	March 4, 2010
February 1, 2010	February 3, 2010
January 22, 2010	January 22, 2010
January 6, 2010	January 8, 2010

You may request a copy of these filings at no cost, other than exhibits to such documents which are not specifically incorporated by reference into such documents or this prospectus, by calling our Investor Relations department at (212) 578-1699 or by writing to 666 Third Avenue, New York, NY 10017.

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the documents incorporated by reference herein and therein may include forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. All statements other than statements of historical fact should be considered to be forward-looking statements.

This prospectus supplement contains forward-looking statements regarding the outlook for tanker and articulated tug/barge markets, and our prospects, including prospects for certain strategic alliances and investments. There are a number of factors, risks and uncertainties that could cause actual results to differ from the expectations reflected in these forward-looking statements, including:

- changes in production of or demand for oil and petroleum products, either globally or in particular regions;
- the outcome of our negotiations with Maersk Oil Qatar AS;
- resolution of possible claims against us by Bender Shipbuilding and Repair Co., Inc.;
- prospects for the growth of the Gas segment;
- greater than anticipated levels of newbuilding orders or less than anticipated rates of scrapping of older vessels;
- changes in trading patterns for particular commodities significantly impacting overall tonnage requirements;
- changes in the global economy and various regional economies;
- risks incident to vessel operation, including accidents and discharge of pollutants;
- unanticipated changes in laws and regulations; increases in costs of operation;
- drydocking schedules differing from those previously anticipated;
- our ability to attract and retain experienced, qualified and skilled crewmembers;
- changes in credit risk of counterparties, including shipyards, suppliers and financial lenders;
- delays (including failure to deliver) or cost overruns in the building of new vessels or the conversion of existing vessels for other uses; the cost and availability of insurance coverage;
- the availability of suitable vessels for acquisition or chartering-in on terms we deem favorable;
- changes in the pooling arrangements in which we participate, including withdrawal of participants or termination of such arrangements;
- estimates of future costs and other liabilities for certain environmental matters and compliance plans; and
- projections of the costs needed to develop and implement our strategy of being a market leader in the segments in which we compete.

We assume no obligation to update or revise any forward-looking statements. Forward-looking statements in this prospectus supplement and written and oral forward-looking statements attributable to us or our representatives after the date of this prospectus supplement are qualified in their entirety by the cautionary statement contained in this paragraph and in other reports hereafter filed by us with the Securities and Exchange Commission. Please read “Risk Factors” on page S-9 and incorporated by reference in this prospectus supplement for a list of important factors that could cause our actual results of operations or financial condition to differ from the expectations reflected in these forward-looking statements.

We are offering to sell, and seeking offers to buy, the securities described in this prospectus supplement and the accompanying prospectus only where offers and sales are permitted. Since information that we file with the SEC in the future will automatically update and supersede information contained in this prospectus supplement and the accompanying prospectus, you should not assume that the information contained herein or therein is accurate as of any date other than the date on the front of the document.

PROSPECTUS SUPPLEMENT SUMMARY

The following is a summary of some of the information contained in this prospectus supplement. It is not complete and may not contain all the information that is important to you. To understand this offering fully, you should read carefully the entire prospectus supplement, including the risk factors beginning on page S-9 and the financial statements incorporated by reference in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein. Unless the context requires otherwise, references to "we," "us," "our," and "OSG" shall mean Overseas Shipholding Group, Inc. and its consolidated subsidiaries. Any capitalized terms used and not defined in this prospectus supplement have the meaning assigned to them in the accompanying prospectus or our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, incorporated by reference herein.

Overseas Shipholding Group, Inc.

We are one of the world's leading bulk shipping companies engaged primarily in the ocean transportation of crude oil and petroleum products. At December 31, 2009, we owned or operated a modern fleet of 106 vessels (aggregating 10.9 million deadweight tons and 864,800 cubic meters) of which 84 vessels operated in the international market and 22 operated in the U.S. Flag market. Our newbuilding program of owned and chartered-in vessels totaled 23 International and U.S. Flag vessels, bringing our total owned, operated and newbuild fleet to 129 vessels.

Our vessel operations are organized into strategic business units and focused on market segments: crude oil, refined petroleum products, U.S. Flag and gas. The International Flag Crude Tanker unit manages International Flag ULCC, VLCC, Suezmax, Aframax, Panamax and Lightering tankers; the International Flag Product Carrier unit principally manages LR1 and MR product carriers and the U.S. Flag unit manages most U.S. Flag vessels. Through joint venture partnerships, we operate four LNG carriers and, beginning in 2010, two Floating Storage and Offloading ("FSO") service vessels. Dedicated chartering and commercial personnel manage specific fleets while our technical ship management operations and corporate departments support our global operations.

We generally charter our vessels to customers either for specific voyages at spot rates or for specific periods of time at fixed daily amounts. Spot market rates are highly volatile, while time and bareboat charter rates are fixed for specific periods of time and provide a more predictable stream of Time Charter Equivalent Revenues.

Business Strategy

We are committed to providing safe, reliable transportation services to our customers while ensuring the safety of our crews, vessels and the environment. We are also committed to creating long-term shareholder value by executing on a growth strategy designed to maximize returns in all economic cycles. We believe we can successfully deliver benefits to both customers and shareholders by creating a rewarding and challenging work environment for all employees.

Our growth strategy is focused on four elements:

Sector Leadership

We seek to maintain or achieve market leading positions in each of the primary markets in which we operate: crude oil, products and U.S. Flag. We have expanded our fleet through organic growth and acquisitions of companies that have expanded our market presence, the scale of our fleet and service offerings.

Fleet Optimization

We believe that we can improve returns in any shipping cycle by taking a portfolio approach to managing our business. This approach includes operating a diverse set of vessels that trade in different markets; participating in commercial pools that maximize vessel utilization; managing a fleet of owned and chartered-in tonnage that provides for flexibility and optionality; and trading our fleet in both the spot and time charter markets to enhance returns.

Superior Technical Ship Management

We are committed to operational excellence across our fleet. Our high-quality, modern fleet is operated by experienced crews supported by skilled shore side personnel. One hundred percent of our owned international flag fleet is double hull. Our Safety Management System is designed to ensure that operational practices and procedures are standardized fleet wide and those seafarers and vessel operations meet or exceed all applicable safety, regulatory and environmental standards established by International and U.S. maritime laws.

Financial Flexibility

We believe our strong balance sheet, comparatively high credit rating and level of unencumbered assets provide significant financial flexibility. We have been able to access both the unsecured bank markets and the public debt markets, allowing us to borrow substantial amounts on an unsecured basis. This financial flexibility permits us to pursue attractive business opportunities.

Fleet Highlights

As of December 31, 2009, our owned, operated and newbuild fleet aggregated 129 vessels. Of this total, 101 vessels are International Flag and 28 vessels are U.S. Flag. The Marshall Islands is the principal flag of registry of our International Flag vessels. At a time when customers are demonstrating an increasingly clear preference for modern tonnage based on concerns about the environmental risks associated with older vessels, 100% of our owned International Flag fleet is double hull.

Corporate Information

We were incorporated in the State of Delaware in 1969. Our principal executive offices are located at 666 Third Avenue, New York, New York 10017. Our telephone number is (212) 953-4100 and our website address is www.osg.com. The contents of our website are not part of this prospectus supplement or accompanying prospectus. The information on or accessible through our website is not incorporated by reference into this filing.

THE OFFERING

Common stock offered by us	3,500,000 shares
Common stock to be outstanding immediately following the offering	30,403,262 shares (1)
Use of Proceeds	The net proceeds, after estimated expenses, to us from the sale of the common stock offered hereby will be approximately $ million, which we will use for general corporate purposes, including, without limitation, capital expenditures and working capital. We may use a portion of the net proceeds from this offering to pay down certain of our existing debt, including our revolving credit facilities. We have not yet determined the amount of net proceeds, if any, to be used for the foregoing purpose.
Risk Factor	See "Risk Factors" and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
New York Stock Exchange Symbol	OSG

(1) The number of shares of our common stock to be outstanding immediately after the offering as shown above is based on 26,903,262 shares of common stock outstanding as of March 1, 2010 and excludes as of that date shares of our common stock issuable upon exercise of outstanding stock options, shares of our common stock reserved for issuance under our equity compensation plan and outstanding but unvested restricted stock units.

The number of shares of our common stock to be outstanding after the offering does not take into account:

- 1,614,366 shares of our common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price of $50.32 per share;
- 639,564 shares of our common stock reserved for future awards under our equity compensation plan; and
- 236,303 shares of our common stock reserved for issuance in connection with our outstanding restricted stock units and performance share units.

RISK FACTORS

Before investing in our securities, you should carefully consider the risk factors described in "Risk Factors" in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended December 31, 2009 and subsequent filings containing updated disclosures of such factors, together with other information contained in this prospectus supplement and any related free writing prospectus and the other information that we have incorporated by reference. If any of these risk factors were actually to occur, our business, financial condition or results of operations could be materially adversely affected. Any capitalized terms used and not defined in this prospectus supplement have the meaning assigned to them in the accompanying prospectus or our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, incorporated by reference herein.

Risks Relating to Owning Our Common Stock and This Offering

Future sales of our common stock in the public market could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. As of March 1, 2010, we had 26,903,262 shares of common stock outstanding, all of which shares, other than shares held by our directors and certain officers which are subject to a 90 day lock-up agreements in connection with this offering, were eligible for sale in the public market, subject in some cases to the volume limitations and manner of sale requirements under Rule 144. In addition, all of the shares offered under this prospectus supplement and the accompanying prospectus will be freely tradeable without restriction or further registration upon issuance.

Our financial results may vary significantly from period to period which may reduce our stock price.

Our financial results may fluctuate as a result of a number of factors, many of which are outside of our control, which may cause the market price of our common stock to fall. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our financial results may be negatively affected by any of the risk factors listed in this "Risk Factors" section and, in particular, the following risks:

- failure to estimate or control contract costs;
- adverse judgments or settlements in legal disputes;
- expenses related to acquisitions, mergers or joint ventures;
- other one-time financial charges;
- fluctuations due to revenue recognition under strategic alliance agreements; and
- fluctuations due to the effects of inflation.

In addition, the public trading price for our common stock may be affected by a number of factors, including but not limited to:

- changes in earnings estimates, investors' perceptions, recommendations by securities analysts or our failure to achieve analysts' earning estimates;
- quarterly variations in our or our competitors' results of operations;
- general market conditions and other factors unrelated to our operating performance or the operating performance of our competitors;
- future sales of our common stock;
- future issuance and/or sale of preferred stock;
- future sales of debt securities;
- announcements by us, or our competitors, of acquisitions, new products, significant contracts, commercial relationships or capital commitments;
- commencement of, or involvement in, litigation;
- any major change in our board of directors or management;
- changes in governmental regulations or in the status of our regulatory approvals;
- a lack of, limited, or negative industry or security analyst coverage;
- developments in our industry and general economic conditions; and
- the other factors described elsewhere in these "Risk Factors."

We may not pay dividends on our common stock in the future.

Holders of our common stock are only entitled to receive dividends as our Board of Directors may declare out of funds legally available for such payments. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board of Directors and will depend on many factors, including our financial condition, earnings, compliance with debt instruments, legal requirements and other factors as our Board of Directors deems relevant.

Management will have broad discretion as to the use of the proceeds from this offering, and we may not use the proceeds effectively.

We have not designated any portion of the net proceeds from this offering to be used for any particular purpose. Accordingly, our management will have broad discretion as to the application of the net proceeds from this offering, and could spend the proceeds in ways that do not necessarily improve our operating results or enhance the value of our common stock.

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Future offerings of debt securities, which would be senior to our common stock upon liquidation, may adversely affect the market price of our common stock.

We may attempt to increase our capital resources by issuing debt securities. Holders of our debt securities may be entitled to regular interest payments and may receive a security interest in some or all of our assets. Upon liquidation, holders of our debt securities and lenders with respect to our other borrowings will receive distributions of our available assets prior to the holders of our common stock.

Transfers of our common stock in violation of our citizenship requirements may be deemed invalid

As some of our vessels are engaged in the United States coastwise trade 46 USC 50501, also referred to herein as the Shipping Act, requires that at least 75% of our shares be owned by United States citizens, as defined by the Shipping Act. In order to ensure compliance with these citizenship requirements, and in accordance with our certificate of incorporation and by-laws, our Board of Directors adopted a requirement in July 1976 that at least 77% of our common stock must be held by U.S. citizens. On April 16, 2008, we announced that U.S. ownership of our common stock at the close of business on April 15, 2008 had declined to the minimum percentage of 77%. While the percentage of U.S. citizenship ownership of our outstanding common stock fluctuates daily, the highest it has been since April 15, 2008 has been approximately 3% above the Minimum Percentage. Any purported transfer of common stock in violation of the ownership limitations in our by-laws will be ineffective for all purposes, the common stock will not be transferred on our books, and we may regard the common stock certificate, whether or not validly issued, as having been invalidly issued. In the event that a non-U.S. citizen purchases shares of our common stock, including in connection with this offering, in violation of our citizenship requirement, any such sale may be void. For further discussion please see the section entitled "Description of Common Stock - Qualification for Ownership and Transfer of Shares" in the accompanying prospectus.

Risks Related to Our Industry

The highly cyclical nature of the industry may lead to volatile changes in charter rates and vessel values, which may adversely affect our earnings

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

- demand for 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, particularly by OPEC 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.

An increase in the supply of vessels without an increase in demand for such vessels could cause charter rates to decline, which could have a material adverse effect on our revenues and profitability

Historically, the marine transportation industry has been cyclical. The profitability and asset values of companies in the industry have fluctuated based on changes in the supply and demand of vessels. The supply of vessels generally increases with deliveries of new vessels and decreases with the scrapping of older vessels. The newbuilding order book equaled 31 % of the existing world tanker fleet as of December 31, 2009 and no assurance can be given that the order book will not increase further in proportion to the existing fleet. If the number of new ships delivered exceeds the number of vessels being scrapped, capacity will increase. In addition, if dry bulk vessels are converted to oil tankers, the supply of oil tankers will increase. If supply increases and demand does not, the charter rates for our vessels could decline significantly. A decline in charter rates could have a material adverse effect on our revenues and profitability.

Charter rates may decline from their current level, which could have a material adverse effect on our revenues and profitability

Because many of the factors that influence the supply of, and demand for, tanker capacity are unpredictable and beyond our control, the nature, timing and degree of changes in charter rates are unpredictable. The global economic recession that started in 2008 and its accompanying adverse impact on demand has resulted in a decline in charter rates. The lower charter rates have adversely affected our revenues and profitability and any additional declines in charter rates could have a material adverse effect on our revenues and profitability.

Our revenues are subject to seasonal variations

We operate our 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 our vessels trade in the spot market, seasonality has affected our operating results on a quarter-to-quarter basis and could continue to do so in the future.

The global economic recession and constraints on capital availability that commenced in 2008 adversely affects the tanker industry and our business

The current global economic recession and constraints on capital have adversely affected the financial condition of entities throughout the world, including certain of our customers, joint venture partners, financial lenders and suppliers, including shipyards from whom we have contracted to purchase vessels. Those entities that suffer a material adverse impact on their financial condition may be unable or unwilling to comply with their contractual commitments to us which, in turn, could have an adverse impact on us. The failure of entities to comply with contractual commitments could include the refusal or inability of customers to pay charter hire to us, shipyards' failure to construct and deliver to us newbuilds, or joint ventures' or financial lenders' inability or unwillingness to honor their commitments, such as to contribute funds to a joint venture with us or to lend funds to us. While we seek to monitor the financial condition of such entities, the availability and accuracy of information about the financial condition of such entities may be limited and the actions that we may take to reduce possible losses resulting from the failure of such entities to comply with their contractual obligations may be restricted.

Terrorist attacks, piracy and international hostilities can affect the tanker industry, which could adversely affect our business

Additional terrorist attacks like those in New York on September 11, 2001 and in London on July 7, 2005, piracy attacks against merchant ships, including oil tankers, particularly in the Gulf of Aden and off the East Coast of Africa, especially Somalia, 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 our ability to re-charter our vessels on the expiration or termination of the charters and the charter rates payable under any renewal or replacement charters. We conduct our operations internationally, and our business, financial condition and results of operations may be adversely affected by changing economic, political and government conditions in the countries and regions where our vessels are employed. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political instability, terrorist or other attacks, war, international hostilities or piracy.

The market value of vessels fluctuates significantly, which could adversely affect our liquidity, result in breaches of our financing agreements or otherwise adversely affect our 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 world fleet;
- 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.

Declining values of our vessels could adversely affect our liquidity by limiting our ability to raise cash by refinancing vessels. Declining vessel values could also result in a breach of loan covenants or trigger events of default under relevant financing agreements that require us to maintain certain loan-to-value ratios. In such instances, if we are unable or unwilling to pledge additional collateral to offset the decline in vessel values, our lenders could accelerate our debt and foreclose on our vessels pledged as collateral for the loans.

Shipping is a business with inherent risks, and our insurance may not be adequate to cover our losses

Our vessels and their cargoes are at risk of being damaged or lost because of events such as:

- 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 and increased costs.

We carry insurance to protect against most of the accident-related risks involved in the conduct of our business. We currently maintain one billion dollars in coverage for each of our vessels for liability for spillage or leakage of oil or pollution. We also carry insurance covering lost revenue resulting from vessel off-hire due to vessel damage. Nonetheless, risks may arise against which we are not adequately insured. For example, a catastrophic spill could exceed our insurance coverage and have a material adverse effect on our operations. In addition, we may not be able to procure adequate insurance coverage at commercially reasonable rates in the future, and we cannot guarantee that any particular claim will be paid. 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 our losses, we may not be able to timely obtain a replacement ship in the event of a loss. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the P & I Associations through which we obtain insurance coverage for tort liability. Our payment of these calls could result in significant expenses which would reduce our profits or cause losses.

Because we conduct our business on a worldwide basis, we face a number of significant risks that could result in losses or higher costs

Our vessels operate all over the world, exposing us to many risks, including:

- changing economic, political and social conditions in the countries where we do business or where our vessels are registered or flagged;
- the imposition of increased environmental and safety regulations by international organizations, Classification Societies, flag states and port states;
- the imposition of taxes by flag states, port states and jurisdictions in which we or our subsidiaries are incorporated or where our vessels operate;
- currency fluctuations;
- pandemics or epidemics which may result in a disruption of worldwide trade including quarantines of certain areas;
- terrorism, piracy and war, including the possible outbreak of hostilities that could reduce or otherwise affect the movement of oil from the Middle East; and
- expropriation of our vessels.

As a result of these risks, we may incur losses or higher costs, including those incurred as a result of the impairment of our assets or a curtailment of our operations.

Compliance with environmental laws or regulations, including those relating to the emission of greenhouse gases, may adversely affect our business

Our 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 our vessels operate, as well as the countries of our vessels' registration. Many of these requirements are designed to reduce the risk of oil spills and other pollution and to decrease emission of greenhouse gases, and our compliance with these requirements can be costly.

These requirements can affect the resale value or useful lives of our vessels, require a reduction in carrying capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in, certain ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations, in the event that there is a release of petroleum or other hazardous substances from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of or exposure to hazardous materials associated with our 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 our vessels.

We could incur significant costs, including cleanup costs, fines, penalties, third-party claims and natural resource damages, as the result of an oil spill or other liabilities under environmental laws. We 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. 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 within the United 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.

OPA 90 provides for the scheduled phase out of all non double hull vessels that carry oil in bulk in U.S. waters. IMO and the European Union also have adopted separate phase out schedules applicable to single hull vessels operating in international and EU waters. These regulations will reduce the demand for single hull vessels, force the remaining single hull vessels into less desirable trading routes, increase the number of ships trading in routes open to single hull vessels and could increase demands for further restrictions in the remaining jurisdictions that permit the operation of these vessels. As a result, single hull vessels are likely to be chartered less frequently and at lower rates.

In addition, in complying with OPA, IMO regulations, EU directives and other existing laws and regulations and those that may be adopted, shipowners may incur significant additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage. 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 us to incur significant capital expenditures on our vessels to keep them in compliance, or even to scrap or sell certain vessels altogether. As a result of accidents such as the November 2002 oil spill from the Prestige, a 26-year-old single hull tanker unrelated to us, we believe that regulation of the shipping industry will continue to become more stringent and more expensive for us and our competitors. In recent years, the IMO and EU have both accelerated their existing non double hull phase out schedules in response to highly publicized oil spills and other shipping incidents involving companies unrelated to us. Future accidents can be expected in the industry, and such accidents or other events could be expected to result in the adoption of even stricter laws and regulations, which could limit our operations or our ability to do business and which could have a material adverse effect on our business and financial results. Furthermore, we anticipate that the IMO, EU, U.S. or other countries where we operate might enact climate control legislation or other regulatory initiatives that could restrict emissions of greenhouse gases. Such actions could result in significant financial and operational impacts on our business.

The market value of our vessels, which in 2008 reached historically high levels, may be depressed at a time and in the event that we sell a vessel

Vessel values have generally experienced high volatility and values in recent years have been at or near historically high levels. The fair market value of our vessels can be expected to fluctuate, depending on general economic and market conditions affecting the tanker industry and competition from other shipping companies, types and sizes of vessels and other modes of transportation. The global economic recession that commenced in 2008 has resulted in a decrease in vessel values. In addition, although we have a modern fleet, as vessels grow older, they generally decline in value. These factors will affect the value of our vessels at the time of any vessel sale. If for any reason, we sell a vessel at a time when prices have fallen, the sale may be at less than the vessel's carrying amount on our financial statements, with the result that we would also incur a loss on the sale and a reduction in earnings and surplus.

Risks Related to Our Business

Our business would be adversely affected if we 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.

We are subject to the Jones Act and other federal laws that restrict maritime transportation between points in the U.S. (known as marine cabotage services or coastwise trade) to vessels built and registered in the U.S. and owned and manned by U.S. citizens. We are responsible for monitoring the foreign ownership of our common stock and other interests to insure compliance with the Jones Act. If we do not comply with these restrictions, we would be prohibited from operating our 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 our vessels, fines or forfeiture of the vessels.

In order to ensure compliance with Jones Act citizenship requirements, and in accordance with our certificate of incorporation and by-laws, our Board of Directors adopted a requirement in July 1976 that at least 77% (the "Minimum Percentage") of our common stock must be held by U.S. citizens. On April 16, 2008, we announced that U.S. ownership of our common stock at the close of business on April 15, 2008 had declined to the minimum percentage of 77%. While the percentage of U.S. citizenship ownership of our outstanding common stock fluctuates daily, the highest it has been since April 15, 2008 has been approximately 3% above 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 our common stock in the event that U.S. citizens were unable to transfer shares of our common stock to non-U.S. citizens. Furthermore, under certain circumstances this ownership requirement could discourage, delay or prevent a change in control of us.

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 and the North American Free Trade Agreement. If maritime cabotage services were included in the General Agreement on Trade in Services, the North American Free Trade Agreement 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. On two occasions during 2005, the U.S. Secretary of Homeland Security, at the direction of the President of the U.S., issued limited waivers of the Jones Act for the transportation of petroleum and petroleum products as a result of the extraordinary circumstances created by Hurricane Katrina and Hurricane Rita on Gulf Coast refineries and petroleum product pipelines. 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. We 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 our business, results of operations and financial condition.

Our financial condition would be materially adversely affected if the shipping income of our foreign subsidiaries becomes subject to current taxation in the U.S.

As a result of changes made by the 2004 Act, we do not report in taxable income on a current basis the undistributed shipping income earned by our international flag vessels, which in recent years represented substantially all of our 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.

In his State of the Union address on January 27, 2010, President Obama stated that “it’s time to finally slash the tax breaks for companies that ship our jobs overseas and give those tax breaks for companies that create jobs in the United States of America.” An increasing number of Congressmen and Senators have announced support for ending such tax breaks. While we believe that the changes made in the 2004 Act with respect to foreign shipping income do not “ship jobs overseas,” and, in fact, have enabled us to expand our 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. Such repeal, either directly or indirectly by limiting or reducing benefits received under the 2004 Act, would have a materially adverse affect on our business and financial results.

Our substantial debt and charter in commitments could adversely affect our financial condition

We have substantial debt and debt service requirements. At December 31, 2009, our consolidated total debt was $1.8 billion and our unused borrowing capacity under revolving credit facilities was $1.0 billion and our charter in commitments were $2.0 billion.

The amount of our debt could have important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future capital expenditures, working capital and other general corporate requirements;
- require us to dedicate a substantial portion of our cash flow from operations to make interest and principal payments on our debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the shipping industry;
- place us at a competitive disadvantage compared with competitors that have less debt or charter-in commitments including by causing us to have a lower credit rating; and
- limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity.

When our credit facilities mature, we may not be able to refinance or replace them

The global economic downturn that started in 2008 has adversely affected the availability and terms of debt and equity capital. When our indebtedness matures, we may need to refinance it and may not be able to do so on favorable terms or at all. If we are able to refinance maturing indebtedness, the terms of any refinancing or alternate credit arrangements may contain terms and covenants that restrict our financial and operating flexibility.

We are highly dependent upon volatile spot market charter rates

We depend on spot charters for a significant portion of our revenues, In 2009, 2008 and 2007, we derived approximately 49%, 65% and 60%, respectively, of our TCE revenues in the spot market. Although chartering a significant portion of our vessels on the spot market affords us greater opportunity to increase income from operations when rates rise, dependence on the spot market could result in earnings volatility. A significant decrease in our spot market TCE revenues could adversely affect our profit or result in cash losses.

We 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 our existing time charters will be renewed or that we will be successful in entering into new time charters on certain of the newbuilds that will be delivered to us 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, we are unable to obtain time charters or voyage charters at desirable rates, our profitability may be adversely affected.

Delays or cost overruns in building new vessels (including the failure to deliver new vessels), in the scheduled shipyard maintenance of our vessels, or in rebuilding or conversion of our vessels could adversely affect our results of operations

Building new vessels, scheduled shipyard maintenance or rebuilding or conversion of vessels are subject to risks of delay (including the failure to deliver new vessels) or cost overruns caused by one or more of the following:

- financial difficulties of the shipyard building or repairing 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, cost overruns and failure to deliver new vessels could materially increase our expected contract commitments, which would have an adverse effect on our 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 our financial condition and results of operations. Our remedies for losses resulting from shipyards' failure to comply with their contractual commitments may be limited by the relevant contracts, including by liquidated damages provisions, such as those that limit the amount of monetary damages that may be claimed or that limit our right to cancellation of the building contract. While purchase price payments for newbuild vessels made prior to vessel delivery to international shipyards historically have been 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. If an international shipyard fails to deliver a contracted newbuild vessel for which there is a guarantee, we may claim against the guarantee, substantially reducing the risk that we will suffer a loss of our investment. If a U.S. shipyard fails to deliver a contracted vessel, our investment may be supported only by our liens on the work in progress, which may result in a loss of part or all of our investment.

Termination of the contracts with Bender Shipbuilding & Repair Co., Inc.'s ("Bender") has, and may continue to, adversely affect us

In March 2009, OSG and Bender terminated the construction agreements pursuant to which Bender was building six ATBs and two tugs for us. These agreements were terminated because of Bender's lack of performance under such agreements and its lack of liquidity and poor financial condition. We are completing construction of two of the six ATBs at alternative yards and intend to finish building the two tugs.

In June 2009, certain creditors of Bender filed an involuntary Chapter 7 bankruptcy petition against Bender claiming that Bender was insolvent and raising questions about Bender's pre-petition transfer of assets, specifically transfers of the vessels to us in connection with the termination of contracts of OSG with Bender. Bender subsequently converted the involuntary proceeding into a voluntary Chapter 11 reorganization. As creditors of Bender have raised questions regarding our termination agreement transaction it is likely that the transaction will be reviewed by authorized parties-in-interest in the bankruptcy and possibly challenged. We believe that the termination transaction was valid and for fair consideration, and that we have strong and meritorious defenses in the event of a challenge but no assurance can be given that the bankruptcy court will agree. However, if the bankruptcy court were to sustain a challenge to the transaction, we could be required to pay Bender additional sums for the partially completed ATBs and tugs and related equipment that were transferred to us in connection with the termination agreement transaction. In such case, the payment of additional amounts would have an adverse effect on us. No assurance can be given that our positions with respect to the termination agreement transaction will be upheld.

Termination or change in the nature of our relationship with any of the pools in which we participate could adversely affect our business

All of our VLCCs participate in the Tankers International pool. At December 31, 2009, all of our Aframaxes participate in the Aframax International pool other than those that are engaged in lightering. Five of our crude Panamaxes and three of our Panamax Product Carriers participate directly in Panamax International. Participation in these pools enhances the financial performance of our 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. We cannot predict whether the pools in which our vessels operate will continue to exist in the future. In addition, in 2008 the EU published guidelines on the application of the EU antitrust rules to traditional agreements for maritime services. While we believe that all the pools we 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.

We may not be able to grow our fleet

One part of our strategy is to continue to grow our fleet on an opportunistic basis. Our ability to grow our fleets will depend upon a number of factors, many of which we cannot control. These factors include our ability to:

- identify acquisition candidates and joint venture opportunities;
- replace expiring charters-in at comparable rates;
- identify suitable charter-in opportunities;
- consummate acquisitions or joint ventures;
- integrate any acquired vessels or businesses successfully with our existing operations;
- hire and train qualified personnel; and
- obtain required financing.

Our strategy of growing our business in part through acquisitions is capital-intensive, time-consuming and subject to a number of inherent risks

Part of our business strategy is to opportunistically acquire complementary businesses or vessels such as our acquisitions of Stelmar Shipping Ltd. in January 2005 and Maritrans Inc. in November 2006. If we fail to develop and integrate any acquired businesses or vessels effectively, our earnings may be adversely affected. Further, if a portion of the purchase price of a business is attributable to goodwill and if the acquired business does not perform up to expectations at the time of the acquisition some or all of the goodwill may be written off, adversely affecting our earnings. In addition, our management team will need to devote substantial time and attention to the integration of the acquired businesses or vessels, which could distract them from their other duties and responsibilities.

Operating costs and capital expenses will increase as our 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 our older vessels will increase. In addition, changes in governmental regulations and compliance with Classification Society standards may require us to make additional expenditures for new equipment. In order to add such equipment, we may be required to take our vessels out of service. There can be no assurance that market conditions will justify such expenditures or enable us to operate our older vessels profitably during the remainder of their economic lives.

Our purchase of secondhand vessels carries risks associated with the quality of those vessels

Our expansion strategy includes the opportunistic acquisition of quality secondhand vessels either directly or through corporate acquisitions. Secondhand vessels typically do not carry warranties with respect to their condition, whereas warranties are generally available for newbuildings. While we generally inspect all secondhand vessels prior to purchase, such inspections would normally not provide us with as much knowledge about vessel condition as we would possess if the vessels had been built for us.

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

All of our existing ATBs 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. Although there has to date been no material difference in time charter rates earned by a vessel of a specified age and a rebuilt vessel of the same age measured from the date of rebuilding, no assurance can be given that customers will continue to view rebuilt vessels as comparable to newbuild vessels. If more customers differentiate between rebuilt and newbuild vessels, time charter rates for our rebuilt ATBs will likely be adversely affected or they may not be employable.

In the highly competitive international market, we may not be able to effectively compete for charters with companies with greater resources