

OVERSEAS SHIPHOLDING GROUP INC
Form DEF 14A
April 28, 2004

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SCHEDULE 14A INFORMATION

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

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

OVERSEAS SHIPHOLDING GROUP, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required
 - ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11
- (1) Title of each class of securities to which transaction applies:

- (2) Aggregate number of securities to which transaction applies:

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- (4) Proposed maximum aggregate value of transaction:

- (5) Total fee paid:

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- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

OVERSEAS SHIPHOLDING GROUP, INC.

511 Fifth Avenue, New York, N.Y. 10017

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 1, 2004

TO THE STOCKHOLDERS OF OVERSEAS SHIPHOLDING GROUP, INC.:

The Annual Meeting of Stockholders of Overseas Shipholding Group, Inc. will be held at J.P. Morgan Chase & Co., 270 Park Avenue, New York, N.Y., 49th Floor, on Tuesday, June 1, 2004, at 2:30 P.M. for the following purposes:

- (1) To elect twelve directors, each for a term of one year;
- (2) To consider and act upon a proposal to ratify the appointment of Ernst & Young LLP as independent auditors for the year 2004;
- (3) To consider and act upon a proposal to approve the Overseas Shipholding Group, Inc. 2004 Stock Incentive Plan;
- (4) To consider and act upon a proposal to approve the Overseas Shipholding Group, Inc. Executive Performance Incentive Plan; and
- (5) To transact such other business as may properly be brought before the meeting.

Stockholders of record at the close of business on April 9, 2004 will be entitled to vote at the meeting. The stockholders list will be open to the examination of stockholders for any purpose germane to the meeting, during ordinary business hours, for ten days before the meeting at the Corporation's offices, 511 Fifth Avenue, New York, N.Y.

Whether or not you expect to be present at the meeting in person, please date and sign the enclosed proxy and return it without delay in the enclosed envelope, which requires no postage if mailed in the United States.

We urge you to exercise your privilege of attending the meeting in person. In that event, the Corporation's receipt of your proxy will not affect in any way your right to vote in person.

By order of the Board of Directors,

ROBERT N. COWEN
*Senior Vice President,
Chief Operating Officer & Secretary*

New York, N.Y.
April 29, 2004

IMPORTANT
PLEASE SIGN, DATE AND PROMPTLY RETURN THE
ENCLOSED PROXY IN THE ENCLOSED RETURN ENVELOPE

OVERSEAS SHIPHOLDING GROUP, INC.

511 Fifth Avenue, New York, N.Y. 10017

PROXY STATEMENT

The accompanying proxy is solicited on behalf of the Board of Directors of Overseas Shipholding Group, Inc. (the "Corporation") for use at the Annual Meeting of Stockholders to be held on June 1, 2004. Any stockholder giving a proxy may revoke it at any time before it is exercised at the meeting.

Only stockholders of record at the close of business on April 9, 2004 will be entitled to vote at the Annual Meeting. The Corporation has one class of voting securities, its Common Stock, of which 39,316,420 shares were outstanding on said record date and entitled to one vote each. This proxy statement and the accompanying proxy will first be sent to stockholders on or about April 29, 2004.

ELECTION OF DIRECTORS

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

The table below sets forth information as to each nominee, and includes the amount and percentage of the Corporation's Common Stock of which each nominee, and all directors, nominees and executive officers as a group, were the "beneficial owners" (as defined in regulations of the Securities and Exchange Commission (the "SEC")) on April 9, 2004, all as reported to the Corporation. In accordance with SEC regulations, the table includes, in the case of certain of the directors, shares owned by entities in which the nominee, by reason of his position or interest, shares the power to vote or to dispose of securities.

Name and Age	Principal Occupation	Served as Director Since	Shares of Common Stock Beneficially Owned (a)	Percentage of Common Stock Beneficially Owned
Nominees:				
Morten Arntzen, 49	President and Chief Executive Officer of the Corporation.	2004	50,000(b)	0.1%
Oudi Recanati, 54	Director of companies.	1996	4,389,984(c)(j)	11.2%
Robert N. Cowen, 55	Senior Vice President, Chief Operating Officer and Secretary of the Corporation.	1993	5,500	
G. Allen Andreas III, 34	Vice President, Allen & Company, investment banking and asset management.			
Alan R. Batkin, 59	Vice Chairman of Kissinger Associates, Inc., geopolitical consulting firm.	1999	11,500(d)	
Thomas B. Coleman, 61	Chief Executive Officer of International-Matex Tank Terminals, deep water bulk liquid terminals and logistics.	2003	3,500(e)	

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Charles A. Fribourg, 47	Directeur General, Finagrain S.A., agribusiness investment holding company and a subsidiary of ContiGroup Companies, Inc.	2000	121,558(f)	0.3%
Stanley Komaroff, 69	Senior Advisor, Henry Schein, Inc., distributor of healthcare products and services.	1993	7,585(g)	
Solomon N. Merkin, 47	President, Leib Merkin, Inc., private investment company.	1989	10,500(d)(h)	
Joel I. Picket, 65	Chairman of the Board and Chief Executive Officer, Gotham Organization Inc., real estate, construction and development.	1989	10,700(d)	
Ariel Recanati, 40	President, Maritime Overseas Corporation, dry bulk shipping company.	1999	4,379,484(i)(j)	11.1%
Michael J. Zimmerman, 53	Chairman of the Board of the Corporation; Executive Vice President and Chief Financial Officer, ContiGroup Companies, Inc., diversified agribusiness and finance. (k)	2000	16,500(f)	
Director who is not a nominee:				
William L. Frost, 77	President, Lucius N. Littauer Foundation.	1989	14,500(d)(l)	
All directors, nominees and executive officers as a group			4,658,861(m)	11.8%

- (a) Includes the shares of Common Stock issuable within 60 days of April 9, 2004 upon the exercise of all options owned by the indicated stockholders on that date. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned.
- (b) These shares were granted to Mr. Arntzen by the Corporation pursuant to a restricted stock agreement dated January 19, 2004 between Mr. Arntzen and the Corporation and are subject to vesting restrictions. Mr. Arntzen becomes vested in one-quarter of these shares on each of the first four anniversaries of the January 19, 2004 grant date of these shares, subject to accelerated vesting under certain circumstances set forth in the agreement.
- (c) Includes 4,278,477 shares as to which Mr. Oudi Recanati may be deemed to share the power to vote and dispose of under a stockholders agreement, dated as of April 16, 2003 among members of the Recanati family, as amended (the "Stockholders Agreement"); and 101,007 shares as to which he may be deemed to share the power to vote and dispose of by virtue of his positions as an officer and director of the Recanati Foundation. Also includes 10,500 shares issuable upon the exercise of stock options granted under the Corporation's 1999 Non-Employee Directors Stock Option Plan. Mr. Oudi Recanati has a 12.5% partnership interest in OSG Holdings which beneficially owns 2,680,444 shares. See "Information as to Stock Ownership."

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- (d) Includes 10,500 shares of Common Stock issuable upon exercise of stock options.
- (e) Includes 2,500 shares of Common Stock issuable upon exercise of stock options.
- (f) Includes 9,500 shares of Common Stock issuable upon exercise of stock options.
- (g) Includes 6,500 shares of Common Stock issuable upon exercise of stock options.
- (h) Mr. Merkin is a 1.3% partner in OSG Holdings.
- (i) Includes 4,278,477 shares as to which Mr. Ariel Recanati may be deemed to share the power to vote pursuant to the Stockholders Agreement (He may be deemed to share the power to dispose of only 3,862,955 of these shares.); and 101,007 shares as to which he may be deemed to share the power to vote and dispose of by virtue of his position as a director of the Recanati Foundation.
- (j) Mr. Oudi Recanati is the first cousin of Mr. Ariel Recanati.
- (k) Mr. Zimmerman was elected as the non-executive Chairman of the Board of the Corporation on April 20, 2004.
- (l) Excludes 400 shares owned by Mr. Frost's wife, beneficial ownership of which is disclaimed by him.
- (m) Includes 93,000 shares of Common Stock issuable upon exercise of stock options. See Notes (b) through (g) and (i) above.

Each director has been principally engaged in his present employment for the past five years, except: Mr. Morten Arntzen, who served as the Chief Executive Officer of American Marine Advisors, Inc., a merchant banking firm serving the maritime industry, for more than five years prior to year end 2003; Mr. Oudi Recanati, who served as Chairman of Discount Bank and Trust Company from 1999 until June 2002, was Co-Chairman (from 1999) and Co-Chief Executive Officer (from 1996) of IDB Holding Corporation Ltd. until April 1, 2001, engaged in investment and finance; Mr. Cowen, who assumed the additional title of Chief Operating Officer of the Corporation in 1999 and who also served for more than five years prior to year end 2001 as a director and senior officer of Overseas Discount Corporation, a private company engaged in finance and investment; Mr. Ariel Recanati, who, until January 31, 2003, served as a Senior Vice President (since 1998) and Chief Strategic and Planning Officer of the Corporation (since 1999); Mr. Komaroff, who served as Senior Partner of the law firm of Proskauer Rose LLP, the Corporation's counsel, for more than five years prior to year end 2003; and Mr. Merkin who served as Vice President of Leib Merkin Inc. for more than five years prior to August 2003.

Mr. Arntzen is a director of Chiquita Brands International. Mr. Batkin is a director of Diamond Offshore Drilling, Inc., Hasbro, Inc. and Cantel Medical Corp. Mr. Zimmerman is a director of Premium Standard Farms, Inc.

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

INFORMATION ABOUT THE BOARD AND CORPORATE GOVERNANCE

Corporate Governance Guidelines. In 2004, the Board formalized and expanded upon its Corporate Governance Guidelines to reflect regulatory changes, including the Sarbanes-Oxley Act of 2002, the regulations of the SEC and the rules of the New York Stock Exchange ("NYSE") as well as the Board's desire to promote the effective functioning of the Board and its committees, to promote the interests of all stockholders, and to ensure a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions. The Board believes that ethics and integrity cannot be legislated or mandated by directive or policy and that the ethics, character, integrity and values of the Corporation's directors and senior management remain the most important safeguards in quality corporate governance. The Corporate Governance Guidelines are posted on the Corporation's website, which is www.osg.com. Under the Corporate Governance Guidelines, each director is expected to attend all Board meetings and all meetings of committees of which he is a member. Meeting materials are provided to Board and Committee members prior to meetings, and members are expected to review such materials prior to each meeting.

Independence. Under the Corporate Governance Guidelines, which incorporate the standards established by the NYSE, the Board must consist of a majority of independent directors. As determined by the Board, nine of the twelve nominees, namely Messrs. Oudi Recanati, Andreas, Batkin, Coleman, Fribourg, Komaroff, Merkin, Picket and Zimmerman, have been determined to be independent under the Corporate Governance Guidelines.

Meetings of the Board. The Board held five meetings during 2003. Each director attended at least 75% of the total number of meetings of the Board and Committees of which he was a member.

Communications with Board Members. Stockholders may communicate with any director by sending a letter to such director's attention in care of the Corporation's Corporate Secretary, 511 Fifth Avenue, New York, New York 10017. The Corporate Secretary opens and forwards all such correspondence (other than advertisements and other solicitations) to directors unless the director to whom the correspondence is addressed has requested that the Corporate Secretary forward correspondence unopened. Unless the context otherwise requires, the Corporate Secretary will provide any communication addressed to the Board to the director most closely associated with the nature of the request based on Committee membership and other factors.

Code of Ethics. The Corporation has adopted a code of ethics which is an integral part of the Corporation's business conduct compliance program and embodies the commitment of the Corporation and its subsidiaries to conduct operations in accordance with the highest legal and ethical standards. The Code of Ethics applies to all of the Corporation's officers, directors and employees. Each is responsible for understanding and complying with the Code of Ethics. The Code of Ethics is posted on the Corporation's website, which is www.osg.com.

Executive Sessions of the Board; Chairman of the Board or Lead Director. To ensure free and open discussion and communication among the non-management directors, the Corporate Governance Guidelines provide that non-management directors meet in executive session at the end of each regular meeting of the Board; at least one of such executive sessions shall exclude non-management directors who do not qualify as independent. Unless the Board has selected a Chairman who is not the Chief Executive Officer, the Board shall appoint an independent director annually to serve as the "Lead Director". The Chairman, if he is not the Chief Executive Officer, or the Lead Director shall chair the executive sessions. The Board elected Mr. Zimmerman as the non-executive Chairman of the Board of Directors on April 20, 2004. Any non-management director can request that an additional executive session be scheduled.

Committees

The Corporation has three standing committees of its Board: the Audit Committee, the Corporate Governance and Nominating Committee and the Compensation Committee. Each of these committees has a charter that is available on the Corporation's website, www.osg.com.

Audit Committee. The Audit Committee is required to have no fewer than three members all of whom must be independent directors. During 2003, the Audit Committee consisted of Messrs. Zimmerman (Chairman), Frost and Picket. The Board determined that Mr. Zimmerman is an audit committee financial expert, as defined by rules of the SEC. The Audit Committee met five times during 2003.

The Audit Committee oversees the Corporation's accounting, financial reporting process, internal controls and audits and consults with management, the internal auditor and the independent auditors on, among other things, matters related to the annual audit, and published financial statements and the accounting principles applied. As part of its duties, the Audit Committee retains the Corporation's independent auditors, subject to stockholder ratification. It maintains direct responsibility for the compensation and oversight of the Corporation's independent auditors and evaluates the independent auditors' qualifications, performance and independence. The Audit Committee has established policies and procedures for the pre-approval of all services provided by the Corporation's independent auditors.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee, was formed in 2004. The Committee is required to have no fewer than two members, all of whom must be independent directors. The current members of the Committee are Messrs. Oudi Recanati (Chairman), Komaroff, Merkin and Zimmerman. The Committee meets as many times as necessary each year. The Corporate Governance and Nominating Committee considers and makes recommendations on matters related to the practices, policies and procedures of the Board and takes a leadership role in shaping the corporate governance of the Corporation. As part of its duties, the Committee assesses the size, structure and composition of the Board and Board committees, coordinates evaluation of Board performance and reviews Board compensation and makes recommendations to the Board with respect thereto. The Committee also acts as a screening and nominating committee for candidates considered for election to the Board. In this capacity it concerns itself with the composition of the Board with respect to depth of experience, balance of professional interests, required expertise and other factors set forth in the Corporate Governance Guidelines. The Committee evaluates prospective nominees identified on its own initiative or referred to it by other Board members, management, stockholders or external sources and all self-nominated candidates. The Committee uses the same criteria for evaluating candidates nominated by stockholders and self-nominated candidates as it does for those proposed by other Board members, management and search consultants.

To be considered for membership on the Board, the following criteria are considered:

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

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

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

absence of conflicts of interest with the Corporation;

status as a U.S. citizen; and

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

A stockholder may recommend a person as a nominee for director by writing to the Secretary of the Corporation. Recommendations must be received by December 31, 2004 in order for a candidate to be considered for election at the 2005 Annual Meeting. Each recommendation for nomination should contain the following information: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had such nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. All the director nominees named in this proxy statement were evaluated under the criteria set forth above and recommended by the Corporate Governance and Nominating Committee for election by stockholders at the Annual Meeting.

All nominees for election at the Annual Meeting, were previously elected to the board by stockholders other than Mr. Arntzen, the Corporation's President and Chief Executive Officer who was elected a director by the Board in January 2004 and Mr. Andreas, who is not a director and who came to the attention of the Corporate Governance and Nominating Committee through the recommendation of a non-management director.

Compensation Committee. The Compensation Committee is required to have no fewer than two members, all of whom must be independent directors. During 2003 the Compensation Committee consisted of Messrs. Oudi Recanati (Chairman) and Fribourg. The Committee met four times during 2003. The Compensation Committee makes recommendations to the Board as to the Corporation's general compensation philosophy, determines which of the corporate goals and objectives established by the Board are relevant to the compensation of the Corporation's Chief Executive Officer ("CEO"), evaluates the performance of the CEO in light of those goals and objectives, and determines and approves the CEO's compensation level based on this evaluation; establishes annual compensation, including benefits and perquisites of all executive officers of the Corporation, and reports such determinations and actions to the Board; reviews and approves employment agreements, severance agreements, change of control agreements and other similar agreements relating to executive officers; and establishes and modifies incentive-compensation plans and equity-based plans, and monitors such plans and their administration. The Compensation Committee also prepares an Annual Report of the Compensation Committee on Executive Compensation for inclusion in the Corporation's annual proxy statement or Annual Report on Form 10-K in accordance with the applicable rules and regulations of the SEC.

Other Committees. In 2003, the Board formed a Search Committee to recommend to the Board a suitable candidate to replace the Corporation's retiring President and Chief Executive Officer, Morton P. Hyman. The Committee consisted of Messrs. Zimmerman (Chairman), Batkin, Coleman and Merkin and met 15 times. The Committee recommended that Morten Arntzen be appointed the Corporation's President and Chief Executive Officer; Mr. Arntzen was appointed in December 2003.

From 1998 through 2003, the Corporation's 1998 Stock Option Plan Committee administered the 1998 Stock Option Plan. In 2003, the members of the 1998 Stock Option Plan Committee were Messrs. Oudi Recanati and Fribourg. Beginning in April 2004, such Plan was administered by the Compensation Committee.

COMPENSATION AND CERTAIN TRANSACTIONS

The following Summary Compensation Table includes individual compensation information for services in all capacities to the Corporation and its subsidiaries during the years ended December 31, 2003, 2002 and 2001 by the Corporation's Chief Executive Officer in 2003 and the four other most highly compensated executive officers of the Corporation serving during fiscal 2003 (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		All Other Compensation
		Salary	Bonus	
Morton P. Hyman	2003	\$ 1,236,923	\$ 1,050,000(1)	\$ 16,108,788(2)
Chairman, President and Chief Executive Officer	2002	1,200,000	100,560	37,267
	2001	1,200,000	525,000	32,917
Robert N. Cowen	2003	575,000	646,947(3)	15,906(4)
Senior Vice President, Chief Operating Officer and Secretary	2002	519,600	43,543	116,121
	2001	519,600	227,325	14,321
Myles R. Itkin	2003	605,000	680,701(3)	16,151(4)
Senior Vice President, Chief Financial Officer and Treasurer	2002	605,000	50,699	16,151
	2001	605,000	264,688	58,562
Robert E. Johnston	2003	575,000	646,947(3)	16,206(4)
Senior Vice President and Chief Commercial Officer	2002	575,000	48,185	16,206
	2001	575,000	251,563	274,262
Peter J. Swift	2003	425,000	478,179(3)	16,441(4)
Senior Vice President and Head Shipping Operations	2002	425,000	35,615	36,056
	2001	425,000	185,938	16,441

(1) Consists of \$450,000 under the Corporation's Incentive Compensation Plan for 2003 and \$600,000 awarded by the Board in recognition of Mr. Hyman's contribution to the Corporation's five-year cost reduction program.

(2) Consists of \$15,852,846 paid to Mr. Hyman under the Corporation's supplemental employee retirement plans and pension plan upon his retirement, matching contribution of \$12,000 paid by the Corporation under its Savings Plan, the cost of term life insurance in the amount of \$31,635 and the payment of \$212,307 for accrued but unused vacation time.

(3) For Messrs. Cowen, Itkin, Johnston and Swift, consists of bonuses related to performance in 2003, including payments under the Corporation's Incentive Compensation Plan, totaling \$359,447, \$378,201, \$359,447 and \$265,679, respectively, and special awards by the Board in February 2003 of \$287,500, \$302,500, \$287,500 and \$212,500, respectively, relating to the Corporation's five-year cost reduction and fleet modernization program.

(4) For Messrs. Cowen, Itkin, Johnston and Swift, consists of matching contributions by the Corporation under its Savings Plan in the amount of \$12,000 and the cost of term life insurance in the respective amounts of \$3,906, \$4,151, \$4,206 and \$4,441.

Mr. Hyman retired as Chairman, President and Chief Executive Officer of the Corporation effective December 31, 2003. In connection with Mr. Hyman's retirement, Mr. Hyman and the Corporation entered in an agreement pursuant to which the Corporation paid Mr. Hyman a lump sum of \$1,200,000 (equal to one year of his annual base salary) and engaged him as an independent consultant for a six-month period ending on June 30, 2004 for a consulting fee equal to one-half of his annual base salary. In addition, the Corporation paid Mr. Hyman \$15,852,846, which was the amount of

his benefits under the Corporation's supplemental executive retirement plans and pension plan, agreed to provide him for six months with office space and a secretary, and reimbursed him for certain expenses totaling \$25,000.

The Corporation and Mr. Arntzen are parties to an agreement dated as of January 19, 2004, pursuant to which the Corporation agreed to employ Mr. Arntzen as its President and Chief Executive Officer at a base salary of no less than \$750,000 per year and an annual bonus in 2004 of no less than \$375,000. Under the agreement, the Corporation granted Mr. Arntzen on the date of agreement 50,000 restricted shares of the Corporation's Common Stock, which shares vest in equal installments on the first four anniversaries of the date of grant, and also granted him at the same time options to purchase 100,000 shares of the Corporation's Common Stock at a price of \$35.70 per share, exercisable in equal installments on the day immediately prior to each of the first three anniversaries of the date of grant. Pursuant to this agreement the Corporation also reimbursed Mr. Arntzen for certain expenses totaling \$25,000. If the Corporation terminates Mr. Arntzen's employment without cause or Mr. Arntzen resigns with good reason (as those terms are defined in the agreement) prior to January 19, 2007, then, upon Mr. Arntzen's signing of a general release, the Corporation shall pay him two years of base salary and shall accelerate the vesting of the next installment of his restricted shares and stock options.

The Corporation has agreements in effect until October 2005 with Messrs. Cowen, Itkin, Johnston and Swift and until January 2007 with Mr. Arntzen providing that in the event of a "change of control" of the Corporation, as defined in the agreements, each of the executives will be entitled to certain payments and benefits upon a termination of his employment (whether voluntary or involuntary) for periods ranging up to two years after the change of control or upon termination of his employment by the Corporation without cause or by the executive with good reason within 120 days prior to the change of control. Upon any such termination, the executive will be entitled to payment of three times (for Messrs. Arntzen and Cowen) or two times (for Messrs. Itkin, Johnston and Swift) his highest annual salary plus target annual incentive compensation in effect within 121 days prior to or at any time after the change of control, three years (for Messrs. Arntzen and Cowen) or two years (for Messrs. Itkin, Johnston and Swift) of additional service and compensation credit at that compensation level for pension purposes and for purposes of the Corporation's supplemental employee retirement benefit plans (see "Pension Plan" below) and three years (for Messrs. Arntzen and Cowen) or two years (for Messrs. Itkin, Johnston and Swift) of continued coverage for the executive and his dependents under the Corporation's health plan and for the executive under the Corporation's life insurance plan. If and to the extent these payments and benefits, and any other amounts paid to Mr. Cowen as a result of a change of control, constitute "excess parachute payments" under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the excess parachute payments are subject to excise tax (and are not deductible to the Corporation); in that event the Corporation has agreed to pay Mr. Cowen an additional amount so that the net amount retained by him, after payment of such excise tax and of other applicable taxes on the additional amount, will equal the full amount to which he would be entitled in the absence of such excise tax. To the extent that payments, benefits and other amounts received by Messrs. Arntzen, Itkin and Johnston and Swift as a result of a change of control would be subject to excise tax, the amounts to be paid to Messrs. Arntzen, Itkin, Johnston and Swift under the terms of the agreements will be reduced such that no excise tax will apply.

The Corporation also has severance protection agreements in effect until July 2005 with each of Messrs. Cowen, Itkin, Johnston and Swift providing that if the executive's employment is terminated without cause or he resigns with good reason (as such terms are defined in the agreements), he shall be paid the same amount of salary at the same times as he would have been paid if he had remained an employee for twenty-four months based on his highest annual base salary in the six-month period immediately prior to his termination or resignation (less certain taxes and reimbursements), incurred but unreimbursed business expenses, and any accrued but unpaid base salary, bonuses, vacation pay or other compensation. Under such agreements, the Corporation shall also pay the executive any other vested amounts or benefits under applicable employee benefit plans of the Corporation and provide continued health benefits for up to eighteen months.

**AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR
AND YEAR-END OPTION VALUES**

The following table sets forth, for each of the Named Executive Officers, information regarding the exercise of stock options during fiscal 2003 and value of unexercised options at the end of fiscal 2003. No options were granted to the Named Executive Officers in fiscal 2003 and none of the Named Executive Officers had unexercisable options at the end of fiscal 2003.

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Shares Underlying Unexercised Options at December 31, 2003	Value of Unexercised In-the-Money Options at December 31, 2003(1)
			(All Exercisable)	(All Exercisable)
Morton P. Hyman.	550,000	\$ 6,045,463	0	\$ 0
Robert N. Cowen	180,000	1,819,052	0	0
Myles R. Itkin	150,000	1,629,956	60,000	1,165,500
Robert E. Johnston	166,500	1,774,086	25,500	495,338
Peter J. Swift	87,500	992,863	62,500	1,214,063

(1)

Reflects market value of underlying shares of the Corporation's Common Stock on December 31, 2003 of \$34.05 minus the exercise price multiplied by the number of shares underlying the in-the-money options.

STOCKHOLDER RETURN PERFORMANCE PRESENTATION

Set forth below is a line graph comparing the yearly percentage change in the cumulative total stockholder return on the Corporation's Common Stock against the cumulative total return of the published Standard and Poor's 500 Index, a peer group consisting of Frontline Ltd., OMI Corporation, Teekay Shipping Corporation and the Corporation, and the Dow Jones U.S. Marine Transport Index, previously used by the Corporation and included herein for comparative purposes, for the five years ended December 31, 2003.

The Dow Jones U.S. Marine Transport Index is based on the total stockholder return of the Corporation's Common Stock and the common stock of one other U.S. company whose vessels and trading routes are different from those of the Corporation. Until the end of 2003, there were not a sufficient number of competitors whose stock had been publicly traded in the United States for at least five years for the Corporation to construct a peer group. The Corporation believes that the peer group is more relevant for comparative purposes than the Dow Jones U.S. Marine Transport Index. As additional competitors of the Corporation become eligible to be included in the peer group, the Corporation will consider including them.

STOCK PERFORMANCE GRAPH COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN* THE CORPORATION, S&P 500 INDEX, PEER GROUP INDEX, DOW JONES U.S. MARINE TRANSPORT INDEX

*

Assumes that the value of the investment in the Corporation's Common Stock and each index was \$100 on December 31, 1998 and that all dividends were reinvested. In accordance with rules of the Securities and Exchange Commission ("SEC"), the Corporation's Stockholder Return Performance Presentation does not constitute "soliciting material" and is not incorporated by reference in any filings with the SEC made pursuant to the Securities Act of 1933 (the "1933 Act") or the Securities Exchange Act of 1934 (the "1934 Act").

PENSION PLAN

The Corporation through OSG Ship Management, Inc., its wholly-owned subsidiary, maintains a pension plan (the "Pension Plan") which provides employees with annual retirement benefits based upon age, credited service and average compensation (comprised of salaries, bonuses and incentive compensation) for the highest five successive years of the last ten years prior to retirement. An additional year of credited service is recognized each year during the five year period ending on December 31, 2005 for those employed at the end of 2002 pursuant to the Corporation's program to transfer certain administrative functions to the Newcastle, United Kingdom office. The Pension Plan is non-contributory by the employee, and the contributions to the Pension Plan are determined on an actuarial basis without individual allocation.

The annual pension payable to any employee under the Pension Plan may not exceed the limitations imposed for qualified plans under Federal law. However, under supplemental retirement plans the Named Executive Officers will be entitled to the additional benefits that would have been payable to them under the Pension Plan in the absence of such limitations. Payments under the supplemental retirement plans will be accelerated upon a "change of control" as defined therein.

The following table sets forth the estimated annual pensions payable under the Pension Plan and the supplemental retirement plans (subject to reduction on an actuarial basis where survivorship benefits are provided), upon normal retirement, to employees at various compensation levels and in representative years-of-service classifications, calculated before application of the Social Security offset provided for in the Pension Plan:

Average Compensation	Years of Credited Service						
	10 years	15 years	20 years	25 years	30 years	35 years	40 years
\$ 400,000	60,000	90,000	120,000	150,000	180,000	210,000	240,000
500,000	75,000	112,500	150,000	187,500	225,000	262,500	300,000
600,000	90,000	135,000	180,000	225,000	270,000	315,000	360,000
700,000	105,000	157,500	210,000	262,500	315,000	367,500	420,000
800,000	120,000	180,000	240,000	300,000	360,000	420,000	480,000
900,000	135,000	202,500	270,000	337,500	405,000	472,500	540,000
1,000,000	150,000	225,000	300,000	375,000	450,000	525,000	600,000
1,200,000	180,000	270,000	360,000	450,000	540,000	630,000	720,000
1,500,000	225,000	337,500	450,000	562,500	675,000	787,500	900,000

The respective number of years of credited service under the Pension Plan of the Named Executive Officers are as follows: Robert N. Cowen-27 years; Myles R. Itkin-12 years; Robert E. Johnston-31 years; Peter J. Swift-11 years. The supplemental retirement plan provides that upon normal retirement, Mr. Cowen will receive an additional annual pension benefit of \$23,166 (which is subject to reduction on actuarial basis if he retires before normal retirement age). In addition, the supplemental retirement plan credits Mr. Johnston with six additional years of service.

COMPENSATION OF DIRECTORS

Non-employee directors of the Corporation receive a director's fee of \$25,000 per year, payable quarterly, and a fee of \$1,000 for each meeting of the Board of Directors they attend. In addition, the Chairman of the Audit Committee receives a fee of \$10,000 per year, payable quarterly, and each member of the Audit Committee receives a fee of \$1,000 for each committee meeting he attends. Each member of the Search Committee received a fee of \$1,000 for each committee meeting attended. Effective April 20, 2004, each member of the Corporate Governance and Nominating Committee and the Compensation Committee will receive a fee of \$1,000 for each committee meeting attended.

Under the 1999 Non-Employee Director Stock Option Plan each non-employee director is granted an option to purchase 7,500 shares of Common Stock upon his becoming a director (for those directors who held office when the Plan was adopted, such option was granted at the inception of the Plan). The options are granted at the fair market value of the Common Stock on the date of grant and become exercisable in three equal annual installments commencing one year after the date of the option grant. The Plan also provides for an annual grant of an option to purchase 1,000 shares of Common Stock to each continuing non-employee director following the annual stockholders meeting at the fair market value of the Common Stock on the date of grant, exercisable commencing one year after such date. If stockholders approve the Overseas Shipholding Group, Inc. 2004 Stock Incentive Plan, there will be no additional option grants after July 1, 2004.

Pursuant to the Plan, on July 1, 2003, all non-employee directors were each granted an option to purchase 1,000 shares of Common Stock at \$22.07 per share, other than Mr. Coleman who became a director on February 11, 2003 and received an option to purchase 7,500 shares of Common Stock at \$16.35 per share.

EXECUTIVE COMPENSATION REPORT OF THE COMPENSATION COMMITTEE

In accordance with rules of the SEC, the Report on Executive Compensation does not constitute "soliciting material" and is not incorporated by reference in any filings with the SEC made pursuant to the 1933 Act or the 1934 Act.

The Compensation Committee (the "Committee") of the Board of Directors reviews and determines compensation for members of senior management. It is composed of two non-employee directors of the Corporation who meet all applicable independence requirements of the SEC and NYSE: Oudi Recanati and Charles A. Fribourg. The Committee's compensation policies are designed to promote the following objectives:

to attract and motivate talented executives, and to encourage their long term tenure with the Corporation;

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

to motivate executives to maximize stockholder values.

In setting annual compensation levels, the Committee takes into account year-to-year comparisons of financial performance, as well as many other factors. Because the Corporation's results over a short term period are significantly affected by bulk shipping market dynamics beyond the Corporation's control, financial results attributable solely to rate changes are not the principal element in determining compensation. Instead, the Committee considers management's initiatives in enhancing the Corporation's financial results in all rate environments and in achieving other corporate objectives. In 2003 these objectives included: maintaining and expanding upon strategic alliances and commercial relationships with key customers as well as other shipowners; improving the financial strength and flexibility of the Corporation; and implementing fleet renewals and disposals consistent with long term strategic planning for the Corporation's bulk shipping business.

In addition to base salary, the Corporation has adopted an Incentive Compensation Plan for 2003 designed to reward employees at all levels for their performance as measured against individual goals. The Plan provides for significant enhancement of cash awards based on the Corporation's financial performance in attaining earnings thresholds established at the beginning of each year. The Committee believes that the Plan is an appropriate and effective means of motivating employees to help achieve the Corporation's key financial and operating objectives.

In setting executive compensation for 2003, the Committee noted that the Corporation achieved record earnings of \$121.3 million. While such earnings reflect the high time charter equivalent revenue in all tanker segments in which the Corporation operates, notably in the first and fourth quarters of the year, the Committee believes that such record results also reflected in large part management's achievement in successfully executing the Corporation's \$60 million cost reduction and efficiency improvement programs, including the efficient transfer of administrative functions and technical management of the international flag fleet from New York to Newcastle, United Kingdom. The Committee also noted that in 2003, management added two additional well established shipowners with a total of five modern Aframax tankers and newbuildings to the Aframax International pool established by the Corporation and PDV Marina S.A., thereby enhancing the scale and efficiencies of the pool. This expansion of the pool followed management's repositioning of the vessels in the pool at the end of 2002 from the Caribbean, where employment opportunities and tanker rates were adversely affected by the Venezuelan general strike that reduced oil exports, to the North Sea and Mediterranean, where such opportunities and rates were substantially improved.

The Committee noted that management has achieved significant progress in 2003 toward its goal of renewing the Corporation's Very Large Crude Carriers ("VLCCs") and Aframax fleets, consistent with the Corporation's policy of maintaining a conservative debt level and maximizing financial flexibility. During 2003, the Corporation took delivery of a VLCC newbuild, and an Aframax newbuild, and in January 2004 took delivery of an additional Aframax newbuild. In addition, during the year, the Corporation increased its ownership interest in two double hull VLCCs from 50% to 100%, restructured its ownership interest in joint ventures owning five VLCCs, resulting in a net acquisition of one-third of a vessel, and entered into a sale-leaseback agreement for one of its VLCCs on favorable terms. The Corporation also entered into sale-leaseback transactions for its two Capesize bulk carriers and chartered out such bulk carriers for the first three years of the seven-year leaseback term. The Corporation's fleet renewal program as well as the Corporation's policy of opportunistically acquiring modern second hand tonnage while disposing of older vessels, ensures that the Corporation will continue to have one of the most modern fleets in the industry.

The Corporation also successfully issued \$200 million principal amount of senior unsecured notes due in March 2013 and concluded two new five year unsecured revolving credit facilities aggregating \$330 million. Together with the Corporation's existing \$350 million long-term facility that matures in December 2006, the Corporation's total unsecured credit availability was \$680 million at the end of 2003. The terms, conditions and financial covenants contained in the new credit facilities were more favorable than those contained in the existing \$350 million facility. At year end, the Corporation's liquidity adjusted debt to capital ratio stood at 37.6% compared with 45.5% at year end 2000. This 7.9% decrease in the ratio was made even as the Corporation made more than \$487 million in investments in joint ventures and vessels, improving the Corporation's financial strength and flexibility.

While the Committee took the foregoing accomplishments into account, the Committee's compensation determinations for the Corporation's executive officers are to some extent subjective and are not arrived at by application of any specific formula. The Committee also takes into account an executive's length of service and particular contributions over the executive's entire career with the Corporation. While the Committee considers many aspects of an individual's performance, it does not give particular weight to or quantify any one or more performance factors.

Mr. Hyman's compensation reflects his leadership of the Corporation and his active participation in establishing and building upon the Corporation's key commercial alliances. In his capacity as Chairman, President and Chief Executive Officer of the Corporation, Mr. Hyman spearheaded the successful effort to restructure operations and materially reduce overhead and costs of operations, a significant contributing factor in the Corporation's record earnings performance in 2003. Mr. Hyman has played a key leadership role in the development and success of the Tankers pool. Mr. Hyman's compensation also reflects his many contributions as a key member of management since the

Corporation was founded in 1969. To a large extent Mr. Hyman's compensation reflects an assessment of his performance based upon the subjective judgment of the Committee. The Committee believes that Mr. Hyman's compensation and the benefits he receives under the agreement entered into in connection with his retirement are appropriate and reasonable in light of his contribution to the growth and success of the Corporation, and his service as its President for 33 years.

Pursuant to Section 162(m) of the Code, compensation exceeding \$1 million paid to the Corporation's executive officers may not be deducted by the Corporation unless such compensation is performance based and paid pursuant to criteria approved by the stockholders. The Committee considered the provisions of Section 162(m) in setting 2003 compensation paid to the Named Executive Officers of the Corporation.

The Committee believes that the interests of stockholders are best served by granting stock options to all employees and thereby giving them the opportunity to participate in appreciation in the Corporation's stock over an extended period. In this way, the profitability and value of the Corporation is enhanced for the benefit of stockholders by enabling the Corporation to offer employees stock based incentives in the Corporation in order to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the stockholders. Until April 20, 2004, the Corporation's 1998 Stock Option Plan, approved by the stockholders, was administered by the 1998 Stock Option Plan Committee, which was composed of two non-employee directors of the Corporation: Oudi Recanati and Charles A. Fribourg. The Plan is currently administered by the Committee, which determines the persons to whom stock options will be granted under the Plan and allocates the amounts to be granted to such persons. No stock options were granted to the Named Executive Officers in the past three fiscal years. There were 610,000 and 500,000 stock options granted to the Named Executive Officers in fiscal 2000 and 1999, respectively. These options vested in three equal annual installments beginning one year after the date of option grant, the last installment of which vested in February 2003.

Submitted by the Compensation Committee of the Board of Directors:

Compensation Committee

Oudi Recanati
Charles A. Fribourg

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the securities laws of the United States, the Corporation's directors, executive officers and any persons holding more than 10 percent of the Corporation's Common Stock are required to report their ownership of Common Stock and any changes in that ownership, on a timely basis, to the SEC. Based on material provided to the Corporation, all such reports were filed on a timely basis in 2003.

INFORMATION AS TO STOCK OWNERSHIP

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

Name and Address	Number of Shares Beneficially Owned	Percent of Class as of December 31, 2003
Mrs. Diane Recanati (1)(2) 511 Fifth Avenue New York, New York	4,379,484	11.1%*
Mr. Leon Recanati (1)(3) The Triangle Tower 3 Azrieli Center Tel Aviv, Israel	4,379,484	11.1%*
Mr. Michael Recanati (1)(4) 590 Fifth Avenue New York, New York 10036	4,379,484	11.1%*
The Michael Recanati Trust (1)(5) 590 Fifth Avenue New York, New York 10036	4,278,477	10.9%*
Mrs. Yudit Yovel Recanati (1)(6) 64 Kaplan Street Herzliya, Israel	4,379,484	11.1%*
OSG Holdings (1)(7) 511 Fifth Avenue New York, New York	2,680,444	6.8%
Archer-Daniels-Midland Company (8)(11) 4666 Faries Parkway Decatur, Illinois	5,093,391	13.0%
Dimensional Fund Advisors Inc. (9)(11) 1299 Ocean Avenue, 11th Floor Santa Monica, California	2,241,046	5.7%
Franklin Resources, Inc. (10)(11) One Franklin Parkway San Mateo, California	1,961,700	5.0%

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Messrs. Oudi Recanati, Ariel Recanati and Leon Recanati, Mrs. Diane Recanati and Mrs. Yudit Yovel Recanati and The Michael Recanati Trust (whose trustees are Michael Recanati and Daniel Pearson) all share the power to vote 4,278,477 shares subject to a stockholders agreement dated as of April 16, 2003 among members of, or trusts for the benefit of members of, the Recanati family, as amended (the "Stockholders Agreement"). All of these persons (other than Daniel Pearson) also share the power to vote and dispose of the 101,007 shares owned by the Recanati Foundation. All of the shares that are subject to the Stockholders Agreement or owned by the Recanati Foundation are listed as beneficially owned by each of the foregoing persons under "Election of

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Directors" or in this table and are included in calculating such person's ownership percentage. The percentage ownership for these persons or the Trust is as of April 9, 2004.

- (1) Mrs. Diane Recanati is the mother of Messrs. Oudi Recanati, a director of the Corporation, and Michael Recanati, the aunt of Mr. Ariel Recanati, a director of the Corporation, and the aunt of Mr. Leon Recanati and Mrs. Yudit Yovel Recanati, who are brother and sister.
- (2) Includes 4,278,477 shares subject to the Stockholders Agreement as to which she may be deemed to share the power to vote (she shares the power to dispose of these shares with Messrs. Oudi Recanati and the Michael Recanati Trust). Also includes 101,007 shares held by the Recanati Foundation, which Mrs. Recanati may be deemed to share the power to vote and dispose of by virtue of her position as a director of the Recanati Foundation.
- (3) Includes 4,278,477 shares subject to the Stockholders Agreement, as to which he may be deemed to share the power to vote (he shares the power to dispose of only 3,862,955 of these shares); and 101,007 shares which he may be deemed to share the power to vote and dispose of by virtue of his position as a director of the Recanati Foundation.
- (4) Includes 4,278,477 shares subject to the Stockholders Agreement, as to which he may be deemed to share the power to vote and dispose; and 101,007 shares which he may be deemed to share the power to vote and dispose of by virtue of his position as a director of the Recanati Foundation.
- (5) Messrs. Michael Recanati and Daniel Pearson, as trustees of The Michael Recanati Trust, share the power to vote and direct the disposition of these 4,278,477 shares, which are subject to the Stockholders Agreement.
- (6) Includes 4,278,477 shares subject to the Stockholders Agreement, as to which she may be deemed to share the power to vote (she shares the power to dispose of only 3,862,955 of these shares); and 101,007 shares which she may be deemed to share the power to vote and dispose of by virtue of her position as a director of the Recanati Foundation.
- (7) OSG Holdings is a partnership whose principal partners on April 9, 2004 were members of the family of the late Hermann Merkin (the father of Mr. Solomon N. Merkin, a director of the Corporation) whose address is 910 Sylvan Avenue, Englewood Cliffs, New Jersey; EST Associates L.P., a limited partnership whose address is 275 Madison Avenue, Suite 902, New York, New York; Mr. Oudi Recanati, a director of the Corporation, whose address is Quai de L'île 3, CH-1204, Geneva, Switzerland and Mrs. Diane Recanati. The percentage interest in OSG Holdings of these partners is: members of the family of the late Hermann Merkin, 37.34%; EST Associates L.P., 36.68% (Ms. Vivian Ostrovsky, 4 Avenue de Montespan, Paris France, is the general partner in EST Associates L.P. and may therefore be deemed the beneficial owner of all the shares owned directly by EST Associates L.P.); and Mr. Oudi Recanati and Mrs. Diane Recanati, who each have a 12.5% partnership interest in OSG Holdings. Additional information about Mr. Oudi Recanati's beneficial ownership of shares can be found under "Election of Directors" and additional information about Mrs. Diane Recanati's beneficial ownership of shares can be found in note 2 above.
- (8) Archer-Daniels-Midland Company has reported that it acquired these shares for investment purposes and that it has sole power to vote and dispose of them.
- (9) As of December 31, 2003, Dimensional Fund Advisors Inc. has the sole power to vote and dispose of these shares which are owned by investment vehicles as to which Dimensional Fund Advisors Inc. provides investment advice or acts as investment manager.
- (10) As of December 31, 2003, Franklin Resources, Inc. has the sole power to vote and dispose of these shares which are owned by investment companies or other managed accounts which are advised by investment advisory subsidiaries of Franklin Resources, Inc.
- (11) According to filings with the SEC, these shares were not acquired for the purpose of or having the effect of changing or influencing control of the Corporation nor in connection with or as a participant in any transaction having such purpose or effect.

SELECTION OF AUDITORS

The Audit Committee has appointed Ernst & Young LLP as independent auditors for the Corporation and its subsidiaries for the year 2004 subject to the ratification of the stockholders at the Annual Meeting. If the appointment is not ratified by the stockholders, the selection of independent auditors will be reconsidered by the Audit Committee.

Ernst & Young LLP is a well known and well qualified firm of public accountants which (including its predecessors) has served as auditors of the Corporation since the Corporation was organized in 1969. Representatives of Ernst & Young LLP will attend the Annual Meeting and be afforded an opportunity to make a statement, as well as be available to respond to appropriate questions submitted by stockholders.

Audit Fees. Audit fees incurred by the Corporation to Ernst & Young LLP in 2003 and 2002 for professional services rendered for the audit of the Corporation's annual financial statements for the years ended December 31, 2003 and 2002, the review of the financial statements included in the Corporation's Forms 10-Q, as well as those services that only the independent auditor reasonably could have provided and services associated with documents filed with the SEC and other documents issued in connection with securities offerings, were \$431,300 and \$355,000, respectively.

Audit-Related Fees. Audit-related fees incurred by the Corporation to Ernst & Young LLP in 2003 for accounting consultations related to accounting, financial reporting or disclosure matters not classified as "Audit services", assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities, statutory financial audits for subsidiaries of the Corporation and assistance with internal control reporting requirements, were \$40,944. Ernst & Young LLP did not render to the Corporation in 2002 audit-related services.

Tax Fees. Total fees incurred by the Corporation to Ernst & Young LLP for tax compliance, tax advice and tax planning for 2003 and 2002 were \$530,098 and \$541,959, respectively.

All Other Fees. During 2003 and 2002, no services were performed by, or fees incurred to, Ernst & Young LLP other than as described above.

The Audit Committee considered whether the provision of services described above under "Tax Fees" is compatible with maintaining Ernst & Young LLP's independence.

The Audit Committee has established policies and procedures for pre-approving audit and permissible non-audit work performed by its independent auditors. As set forth in the pre-approval policies and procedures, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent auditors. The Audit Committee will annually review and pre-approve the services that may be provided by the independent auditors without obtaining specific pre-approval from the Audit Committee. The Audit Committee will add or subtract to the list of general pre-approved services from time to time, based on subsequent determinations. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee. In each case, the Audit Committee sets a specific annual limit on the amount of such services the Corporation could obtain from its independent auditors without seeking specific approval, and requires management to report each specific engagement to the Audit Committee on a quarterly basis.

The Board of Directors recommends that stockholders vote FOR the ratification of the appointment of Ernst & Young LLP as independent auditors for the year ending December 31, 2004.

AUDIT COMMITTEE REPORT

Management has primary responsibility for the Corporation's internal controls, the financial reporting process and preparation of the consolidated financial statements of the Corporation. The independent auditors are responsible for performing an independent audit of the Corporation's consolidated financial statements in accordance with auditing standards generally accepted in the United States and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes on behalf of the Board of Directors.

In fulfilling its oversight responsibilities, the Audit Committee has met and held discussions with management and the independent auditors concerning the quality of the accounting principles, the reasonableness of significant judgments and the adequacy of disclosures in the financial statements. Management represented to the Audit Committee that the Corporation's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. The Audit Committee reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee further discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended. The Audit Committee met five times during 2003. The members of the Audit Committee are considered to be independent because they satisfy the independence requirements for Board of Directors members prescribed by the NYSE listing standards and Rule 10A-3 under the 1934 Act.

The Corporation's independent auditors also provided to the Audit Committee the written disclosures and letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as amended, and the Audit Committee discussed with the independent auditors their independence and considered the compatibility of nonaudit services with the auditors' independence.

Based upon the Audit Committee's discussions with management and the independent auditors, the Audit Committee's review of the representations of management, the certifications of the Corporation's chief executive officer and chief financial officer which are required by the Securities and Exchange Commission and the Sarbanes-Oxley Act of 2002, and the report and letter of the independent auditors provided to the Audit Committee, the Audit Committee recommended to the Board of Directors (and the Board of Directors approved) that the audited consolidated financial statements referred to above be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the SEC. The Audit Committee has also approved, subject to stockholder ratification, the selection of Ernst & Young LLP as the Corporation's independent auditors for 2004.

Audit Committee:
Michael J. Zimmerman, Chairman
William L. Frost
Joel I. Picket

In accordance with the rules of the SEC, the Audit Committee report does not constitute "soliciting material" and is not incorporated by reference in any filings with the SEC made pursuant to the 1933 Act or the 1934 Act.

**ADOPTION OF THE OVERSEAS SHIPHOLDING GROUP, INC.
2004 STOCK INCENTIVE PLAN**

On April 20, 2004, the Board of Directors of the Corporation approved the Overseas Shipholding Group, Inc. 2004 Stock Incentive Plan (the "2004 Plan"), subject to stockholder approval. If stockholders approve the 2004 Plan, the 2004 Plan will become effective on June 1, 2004 and there will be no additional option grants under the Corporation's 1998 Stock Option Plan after June 1, 2004 and no additional option grants under the 1999 Non-Employee Director Stock Option Plan after July 1, 2004. The following description of the 2004 Plan is qualified in its entirety by reference to the 2004 Plan, which is attached as Appendix A to this Proxy Statement.

Purpose

The purpose of the 2004 Plan is to enable the Corporation to offer employees, consultants and non-employee directors stock-based and other incentives in the Corporation, thereby creating a means to raise the level of equity ownership by such individuals in order to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Corporation's stockholders.

Administration

The 2004 Plan will be administered by a committee (the "Committee") of the Board of Directors of the Corporation which shall be the Compensation Committee (or other committee of the Board of Directors appointed for purposes of administering the Plan), which Committee shall consist of two or more non-employee directors, each of whom is intended to be, to the extent required by Rule 16b-3 under Section 16(b) of the 1934 Act, Section 162(m) of the Code and the rules and regulations of the NYSE, a "non-employee director" as defined in Rule 16b-3, an "outside director" as defined under Section 162(m) of the Code and an "independent director" as defined under the rules and regulations of the NYSE. Notwithstanding the foregoing, with respect to the application of this Plan to non-employee directors, this Plan shall be administered by the full Board.

If for any reason the Committee does not meet the requirements of Rule 16b-3 or Section 162(m) of the Code, such noncompliance with the requirements of Rule 16b-3 or Section 162(m) of the Code shall not affect the validity of awards, grants, interpretations or other actions of the Committee. If any member of the Committee does not meet the requirements of Section 162(m) of the Code, any actions that require consent of a Section 162(m) eligible committee shall only be acted upon by those Committee members that are "outside directors" under such Code section.

The Committee (or, with respect to non-employee directors, the Board) has the full authority to administer and interpret the 2004 Plan, to grant discretionary awards under the 2004 Plan, to determine the persons to whom awards will be granted, to determine the number of shares of Common Stock to be covered by each award (subject to the individual participant limitations provided in the 2004 Plan), to determine the terms and cond