

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

For the quarter ended September 30, 1997

Transition report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

Commission File Number 1-7615

Kirby Corporation

(Exact name of registrant as specified in its charter)

Nevada

74-1884980

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

1775 St. James Place, Suite 200, Houston, TX 77056-3453

(Address of principal executive offices) (Zip Code)

(713) 435-1000

(Registrant's telephone number, including area code)

No Change

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of shares outstanding of the registrant's Common Stock, \$.10 par value per share, on November 4, 1997 was 24,330,636.

PART 1 - FINANCIAL INFORMATION

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED BALANCE SHEETS
(Unaudited)

ASSETS

September 30, December 31,
1997 1996

(\$ in thousands)

Current assets:		
Cash and invested cash	\$ 3,105	1,544
Available-for-sale securities - short-term investments	21,006	18,199
Accounts and notes receivable, net of allowance for doubtful accounts	80,286	79,866
Inventory - finished goods, at lower of average cost or market	17,398	16,361
Prepaid expenses and other	15,803	13,315
Deferred taxes	1,417	600
	-----	-----
Total current assets	139,015	129,885
	-----	-----
Property and equipment, at cost	531,342	518,773
Less allowance for depreciation	220,699	200,049
	-----	-----
	310,643	318,724
	-----	-----
Investments in affiliates:		
Insurance affiliate	44,302	44,554
Marine affiliates	15,404	12,697
	-----	-----
	59,706	57,251
	-----	-----
Excess cost of consolidated subsidiaries, net of accumulated amortization	6,809	8,316
Sundry	8,260	10,354
	-----	-----
	\$524,433	524,530
	=====	=====

See accompanying notes to condensed financial statements.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED BALANCE SHEETS
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1997	December 31, 1996
	-----	-----
	(\$ in thousands)	
Current liabilities:		
Current portion of long-term debt	\$ 5,333	5,333
Income taxes payable	3,692	4,027
Accounts payable	20,477	30,518
Accrued liabilities	54,430	44,511
Deferred revenues	4,033	5,302
	-----	-----
Total current liabilities	87,965	89,691
	-----	-----
Long-term debt, less current portion	164,968	176,617
Deferred taxes	48,624	45,901
Other long-term liabilities	7,418	6,567
	-----	-----
	221,010	229,085
	-----	-----
Contingencies and commitments	--	--
Stockholders' equity:		
Preferred stock, \$1.00 par value per share. Authorized 20,000,000 shares	--	--
Common stock, \$.10 par value per share. Authorized 60,000,000 shares, issued 30,907,000 shares	3,091	3,091
Additional paid-in capital	158,569	158,712
Unrealized net gains (losses) in value of available-for-sale securities	343	(32)

Retained earnings	134,056	115,263
	-----	-----
	296,059	277,034
Less cost of 6,579,000 shares in treasury (6,129,000 at December 31, 1996)	(80,601)	(71,280)
	-----	-----
	215,458	205,754
	-----	-----
	\$ 524,433	524,530
	=====	=====

See accompanying notes to condensed financial statements.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED STATEMENTS OF EARNINGS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	1997	1996	1997	1996
	-----	-----	-----	-----
	(\$ in thousands, except per share amounts)			
Revenues:				
Transportation	\$ 80,103	80,830	242,011	239,620
Diesel repair	18,877	19,271	59,827	48,836
Investment income and other	342	216	960	917
Gain on disposition of assets	13	19	170	1,767
	-----	-----	-----	-----
	99,335	100,336	302,968	291,140
	-----	-----	-----	-----
Costs and expenses:				
Costs of sales and operating expenses (except as shown below)	65,950	65,778	202,807	189,805
Selling, general and administrative	11,188	11,073	33,898	31,856
Taxes, other than on income	2,006	1,683	5,884	5,512
Depreciation and amortization	8,607	8,615	26,141	26,270
	-----	-----	-----	-----
	87,751	87,149	268,730	253,443
	-----	-----	-----	-----
Operating income	11,584	13,187	34,238	37,697
Equity in earnings of insurance affiliate	422	404	3,734	1,755
Equity in earnings of marine affiliates	778	1,141	2,172	3,055
Interest expense	(3,293)	(3,437)	(10,117)	(9,913)
	-----	-----	-----	-----
Earnings before taxes on income	9,491	11,295	30,027	32,594
Provision for taxes on income	(3,542)	(4,189)	(11,234)	(12,022)
	-----	-----	-----	-----
Net earnings	\$ 5,949	7,106	18,793	20,572
	=====	=====	=====	=====
Net earnings per share of common stock	\$.24	.28	.76	.79
	=====	=====	=====	=====

See accompanying notes to condensed financial statements.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine months ended September 30,	
1997	1996
-----	-----

Cash flows from operating activities:		
Net earnings	\$ 18,793	20,572
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	26,141	26,270
Provision for deferred income taxes	1,705	4,805
Gain on disposition of assets	(170)	(1,767)
Deferred scheduled maintenance costs	5,823	3,213
Equity in earnings of insurance affiliate, net of redemption	766	(1,755)
Equity in earnings of marine affiliates, net of distributions	(2,708)	1,028
Other	3	127
Increase (decrease) in cash flows resulting from changes in operating working capital	(8,740)	9,656
	-----	-----
Net cash provided by operating activities	41,613	62,149
	-----	-----
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	1,935	1,885
Purchase of investments	(4,678)	(3,423)
Capital expenditures	(18,480)	(30,150)
Purchase of assets of diesel repair company	--	(14,211)
Proceeds from disposition of assets	2,284	6,091
	-----	-----
Net cash used in investing activities	(18,939)	(39,808)
	-----	-----
Cash flows from financing activities:		
Borrowings (payments) on bank revolving credit agreements, net	(22,400)	8,800
Increase in long-term debt	50,000	--
Payments on long-term debt	(39,249)	(5,593)
Purchase of treasury stock	(10,887)	(26,331)
Proceeds from exercise of stock options	1,423	452
	-----	-----
Net cash used in financing activities	(21,113)	(22,672)
	-----	-----
Increase (decrease) in cash and invested cash	1,561	(331)
Cash and invested cash, beginning of year	1,544	1,457
	-----	-----
Cash and invested cash, end of period	\$ 3,105	1,126
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 7,203	7,194
Income taxes	\$ 8,311	7,448
Noncash investing and financing activity:		
Assumption of liabilities in connection with purchase of assets of diesel repair company	\$ --	2,623

See accompanying notes to condensed financial statements.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS

In the opinion of management, the accompanying unaudited condensed financial statements of Kirby Corporation and consolidated subsidiaries (the "Company") contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 1997 and December 31, 1996, and the results of operations for the three months and nine months ended September 30, 1997 and 1996.

(1) BASIS FOR PREPARATION OF THE CONDENSED FINANCIAL STATEMENTS

The condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including significant accounting policies, normally included in annual financial statements, have been condensed or omitted pursuant to such rules and regulations. In addition, certain reclassifications have been made to reflect current presentation of financial information. It is suggested that these condensed financial statements be read in conjunction with the Company's latest Annual Report on Form 10-K.

(2) ADOPTION OF ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" ("SFAS No. 128"), which establishes standards for computing and presenting earnings per share and requires, among other things, dual

presentation of basic and diluted earnings per share on the face of the statements of earnings. In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"), which establishes standards for reporting and display of comprehensive income and its components in a full set of financial statements. Comprehensive income includes all changes in a company's equity, including, among other things, foreign currency transaction adjustments, notes receivable from employee stock ownership plans and deferred gains (losses) on hedging activities. Also, in June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), which establishes standards for reporting information about operating segments in annual financial statements and requires that enterprises report selected information about operating segments in interim reports issued to shareholders. SFAS No. 128 is effective for financial statements for periods ending after December 15, 1997 and will be adopted by the Company by December 31, 1997. SFAS No. 130 and SFAS No. 131 are effective for financial statements for periods beginning after December 15, 1997. The adoption of SFAS No. 128 is not expected to have a material impact on the Company's calculation of earnings per share, and the adoption of SFAS No. 130 and SFAS No. 131 is not expected to have a material impact on the Company's financial condition or results of operations.

(3) TAXES ON INCOME

Earnings before taxes on income and details of the provision for taxes on income for the three months and nine months ended September 30, 1997 and 1996 were as follows (in thousands):

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS

	Three months ended September 30,		Nine months ended September 30,	
	1997	1996	1997	1996
	-----	-----	-----	-----
Earnings before taxes on income:				
United States	\$ 9,069	10,891	26,293	30,839
Foreign - Puerto Rico	422	404	3,734	1,755
	-----	-----	-----	-----
	\$ 9,491	11,295	30,027	32,594
	=====	=====	=====	=====
Provision for taxes on income:				
United States:				
Current	\$ 3,111	1,961	7,890	6,732
Deferred	157	2,030	1,675	4,805
State and municipal	274	198	744	485
	-----	-----	-----	-----
	3,542	4,189	10,309	12,022
Foreign - Puerto Rico - Current	--	--	925	--
	-----	-----	-----	-----
	\$ 3,542	4,189	11,234	12,022
	=====	=====	=====	=====

(3) LONG-TERM DEBT

On September 19, 1997, the Company agreed to new terms under its \$100,000,000 revolving credit agreement ("Credit Agreement") with Texas Commerce Bank National Association ("TCB"), as agent bank. Under the new terms, the Credit Agreement was extended to September 2002, reduced the margin of interest paid on its borrowings, provided adjusted interest rates based on the Company's senior credit rating and eliminated certain financial covenants.

The Company has on file a shelf registration on Form S-3 with the Securities and Exchange Commission providing for the issue of up to \$250,000,000 of medium term notes ("Medium Term Notes") at fixed or floating interest rates with maturities of nine months or longer. In January 1997, the Company issued \$50,000,000 of the authorized Medium Term Notes at a fixed interest rate of 7.05%, due January 29, 2002. Proceeds from the issuance were used to retire \$34,000,000 of Medium Term Notes due March 10, 1997, with the balance used to reduce the Company's revolving Credit Agreement. As of September 30, 1997, \$121,000,000 was available under the Medium Term Notes program and \$52,000,000 was available for takedown under the Credit Agreement. Both issues are available to provide financing for future business and equipment acquisitions and working capital requirements.

(4) INSURANCE DISCLOSURE

The Company's investment in Universal Insurance Company ("Universal"), a property and casualty insurance company operating exclusively in the Commonwealth of Puerto Rico, is accounted for under the equity method of accounting. Currently, the Company owns 45% of Universal's voting common stock and 55% is owned by Eastern America Financial Group, Inc. In March 1997, Universal redeemed \$2,000,000 of Universal's voting common stock, reducing the Company's voting common stock investment in Universal from 47% to 45%.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Statements contained in this Form 10-Q that are not historical facts, including, but not limited to, any projections contained herein, are forward-looking statements and involve a number of risks and uncertainties. Such statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology. The actual results of the future events described in such forward-looking statements in this Form 10-Q could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are: adverse economic conditions, industry competition and other competitive factors, adverse weather conditions such as high water, low water, fog and ice, marine accidents, construction of new equipment by competitors, including construction with government assisted financing, government and environmental laws and regulations, and the timing, magnitude and number of acquisitions made by the Company.

The Company is a provider of marine transportation services for both the inland and offshore marine markets. The marine transportation segment is divided into two divisions, organized around the markets they serve. The Inland Division serves the inland industrial chemical, petrochemical, agricultural chemical and refined products markets. The Offshore Division serves the offshore refined products, dry-bulk, container and palletized cargo markets. The Offshore Division also serves as managing partner of two offshore marine partnerships, of which the Company owns a 35% and 50% interest, respectively. The partnerships are accounted for under the equity method of accounting.

The Company is engaged through its Diesel Repair Division in the sale, overhaul and repair of large medium-speed diesel engines in marine, power generation and rail applications. The Company's 45% voting common stock investment in Universal is accounted for under the equity method of accounting.

RESULTS OF OPERATIONS

The Company reported net earnings for the 1997 third quarter of \$5,949,000 or \$.24 per share, on revenues of \$99,335,000, compared with net earnings of \$7,106,000, or \$.28 per share, on revenues of \$100,336,000 for the third quarter of 1996. Net earnings for the 1997 first nine months totaled \$18,793,000, or \$.76 per share, on revenues of \$302,968,000. Net earnings for the 1996 first nine months totaled \$20,572,000, or \$.79 per share, on revenues of \$291,140,000.

The following tables set forth the Company's revenues from its principal operating divisions and percentage of such revenues for the three months and nine months ended September 30, 1997 compared with the three months and nine months ended September 30, 1996 (dollars in thousands):

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations

	Three months ended September 30,					
	1997		1996		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Revenues:						
Inland Division	\$59,701	60%	\$58,991	59%	\$ 710	1 %
Offshore Division	20,402	21	21,839	22	(1,437)	(7)
Diesel Repair Division	18,877	19	19,271	19	(394)	(2)
Other income	355	--	235	--	120	51
	-----	-----	-----	-----	-----	-----
	\$99,335	100%	\$100,336	100%	\$ (1,001)	(1)%
	=====	=====	=====	=====	=====	=====

	Nine months ended September 30,					
	1997		1996		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Revenues:						
Inland Division	\$177,460	59%	\$173,857	60%	\$ 3,603	2 %
Offshore Division	64,551	21	65,763	22	(1,212)	(2)
Diesel Repair Division	59,827	20	48,836	17	10,991	23
Other income	1,130	--	2,684	1	(1,554)	(58)
	-----	-----	-----	-----	-----	-----
	\$302,968	100%	\$291,140	100%	\$ 11,828	4 %
	=====	=====	=====	=====	=====	=====

Inland Division revenue for the 1997 third quarter reflected a 1% increase when compared with the 1996 third quarter. During the 1997 third quarter, spot market rates reflected a modest increase and term contracts were generally being renewed at higher rates. Chemical and petrochemical volumes were positive, however, refined product movements softened in September. The movements of liquid fertilizer and anhydrous ammonia by the Inland Division are normally seasonal, coinciding with the spring and fall fertilizer season. The 1997 fall fertilizer season, normally starting in late August or early September, did not strengthen until early October, resulting in an estimated \$1,000,000 reduction in 1997 third quarter and nine months revenue.

The Inland Division's revenue was derived from long-term contracts, short-term contracts and spot movements of products for customers in the chemical, petrochemical, agricultural chemical and refined products markets. As of September 30, 1997 and 1996, approximately 80% of inland movements were under term contracts and 20% were spot movements of products.

The Company's harbor tug operation for the 1997 third quarter and 1997 first nine months were reported within the Offshore Division. For comparative purposes, the 1996 third quarter and 1996 first nine months results for the harbor tug operation have been reclassified from the Inland Division to the Offshore Division. Revenue for the harbor tug operation for the 1997 third quarter and 1997 first nine months were \$2,600,000 and \$7,300,000, respectively, compared with revenue for the 1996 third quarter and 1996 first nine months of

\$2,300,000 and \$6,200,000, respectively.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

Revenue for the Inland Division for the 1997 first nine months increased 2% compared with the first nine months of 1996. Since early 1997, the Inland Division has experienced a modest hike in utilization and spot market rates, and contracts have generally been renewed at higher rates. Within the past year, the Company has removed from service 25 single skin barges and have placed into service six new double skin barges, for a net 3% reduction in inland fleet capacity. Older vessels have historically been removed from service when it is not prudent to continue to maintain or overhaul the vessel. In addition, the 1997 first nine months revenue was negatively impacted by the flooding on the Mississippi River System during the months of February through April. During the majority of the 1997 first quarter, the upper Mississippi River and Ohio River experienced high water and flooding conditions, with river closures in selected areas and mandated regulatory operating restrictions. During the month of March, and extending into April, the lower Mississippi River, the Company's principal area of operation, experienced high water not seen in such severity since 1983. The loss of revenue, estimated at approximately \$3,450,000 for the months of February through April, was the result of delays, diversions and limitations on night passages, horsepower requirements and size of tows. The effects of the flooding throughout the Mississippi River System reduced the Company's revenues and increased its expenses, resulting in a reduction in net earnings by an estimated \$.10 per share for the 1997 first nine months.

The Offshore Division experienced a 7% reduction in revenue during the 1997 third quarter compared with the 1996 third quarter, and a 2% reduction for the 1997 first nine months compared with the first nine months of 1996. Since early April, the Company's Jones Act product tanker fleet have experienced a soft demand for their services, resulting in lower rates and the lay-up of spot market tankers for extended periods of time. The Jones Act tanker market is currently suffering from an overcapacity of vessels. Such additional capacity competing for spot market movements, expanded production by Northeast and West Coast refineries, and the movement of lower volumes of gasoline blending components, have all contributed to the continued soft demand for offshore refined product movements. In addition, two tankers were out of service for part of the 1997 third quarter for scheduled overhauls.

The Company is currently reviewing alternative strategies concerning its Jones Act product tanker fleet. Such strategies range from a direct sale of the fleet, to alternative marketing arrangements designed to better insulate the Company from fluctuations in the market, to continuing to operate the fleet, but at reduced levels.

In October, the last of the Company's three preference food-aid freighters was sold following a food-aid voyage to East Africa. In May and September 1997, the first and second freighters were sold following food-aid trips to North Korea. Each of the freighters were sold for scrap. Lack of available movements and corresponding low rates have negatively impacted this segment of the Offshore Division for several years.

The Diesel Repair Division's revenue for the 1997 third quarter decreased 2% compared with the 1996 third quarter, while the 1997 first nine months revenue increased 23% compared with the first nine months of 1996. During the 1997 third quarter, as well as the 1997 first and second quarters, the Division's Midwest market was negatively impacted by deferred overhauls by inland towing customers due to the spring flooding and by dry cargo customers due to slow grain exports. The Division's Gulf Coast and East Coast markets have remained positive. In addition to the impact on revenue noted above, the 23% increase for the 1997 first nine months over the corresponding period of the prior year was primarily due to the inclusion of MKW Power Systems, Inc. ("MKW"), whose operating assets were acquired on July 31, 1996.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations

The following tables set forth the costs and expenses and percentage of each for the three months and nine months ended September 30, 1997 compared with the three months and nine months ended September 30, 1996 (dollars in thousands):

	Three months ended September 30,					
	1997		1996		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Costs and expenses:						
Cost of sales and operating expenses	\$65,950	75%	\$65,778	75%	\$ 172	--%
Selling, general and administrative	11,188	13	11,073	13	115	1
Taxes, other than on income	2,006	2	1,683	2	323	19
Depreciation and amortization	8,607	10	8,615	10	(8)	--
	\$87,751	100%	\$87,149	100%	\$ 602	1%

	Nine months ended September 30,					
	1997		1996		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Costs and expenses:						
Costs of sales and operating expenses	\$202,807	75%	\$189,805	75%	\$ 13,002	7%
Selling, general and administrative	33,898	13	31,856	13	2,042	6
Taxes, other than on income	5,884	2	5,512	2	372	7
Depreciation and amortization	26,141	10	26,270	10	(129)	--
	\$268,730	100%	\$253,443	100%	\$ 15,287	6%

Costs of sales and operating expenses for the 1997 third quarter remained constant compared with the third quarter of 1996, while costs of sales and operating expenses for the 1997 first nine months increased 7% compared with the first nine months of 1996. The 7% increase was largely due to the additional expenses associated with the Diesel Repair Division's acquisition of MKW. In addition, the Inland Division's operating expenses increased during February through April 1997, reflecting the high costs and equipment utilization associated with the flooding. During 1997, the Inland Division's labor costs have also increased, requiring the use of external tankerman services. The Company competes with the same labor pool as companies participating in the increased drilling activities in the Gulf of Mexico.

Selling, general and administrative expenses increased 1% for the 1997 third quarter and 6% for the first nine months when compared with the corresponding periods of 1996. The 6% increase was primarily due to the additional expenses associated with the Diesel Repair Division's acquisition of MKW, which was partially offset by lower corporate general and administrative expenses, the result of the 1996 reorganization, which reduced administrative costs.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Taxes, other than on income for the 1997 third quarter increased 19% and for the 1997 first nine months increased 7% when compared with the

corresponding 1996 periods. The increases for both periods primarily reflect higher property taxes on new inland tank barges placed into service within the past two years.

The following tables set forth the operating income and operating margin by division for the three months and nine months ended September 30, 1997 compared with the three months and nine months ended September 30, 1996 (dollars in thousands):

	Three months ended September 30,					
	1997		1996		Increase (decrease)	
	Operating income (loss)	Operating margin	Operating income (loss)	Operating margin	Amounts	%
Inland Division	\$ 9,954	16.7%	\$ 10,431	17.7%	\$ (477)	(5)
Offshore Division	1,011	5.0%	2,634	12.1%	(1,623)	(62)
Diesel Repair Division	1,500	7.9%	1,417	7.4%	83	6
Corporate, net	(881)		(1,295)		414	32
	<u>\$ 11,584</u>		<u>\$ 13,187</u>		<u>\$(1,603)</u>	<u>(12)%</u>

	Nine months ended September 30,					
	1997		1996		Increase (decrease)	
	Operating income (loss)	Operating margin	Operating income (loss)	Operating margin	Amounts	%
Inland Division	\$ 26,749	15.1%	\$ 28,272	16.3%	\$(1,523)	(5)
Offshore Division	5,476	8.5%	7,566	11.5%	(2,090)	(28)
Diesel Repair Division	4,714	7.9%	3,913	8.0%	801	20
Corporate, net	(2,701)		(2,054)		(647)	(31)
	<u>\$ 34,238</u>		<u>\$ 37,697</u>		<u>\$(3,459)</u>	<u>(9)%</u>

The following tables set forth the equity in earnings of affiliates and interest expense for the three months and nine months ended September 30, 1997 compared with the three months and nine months ended September 30, 1996 (dollars in thousands):

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

	Three months ended September 30,					
	1997		1996		Increase (decrease)	
	Amount	%	Amount	%	Amount	%
Equity in earnings of insurance affiliate	\$ 422		\$ 404		\$ 18	4 %
Equity in earnings of marine affiliates	778		1,141		(363)	(32)
Interest expense	(3,293)		(3,437)		(144)	(4)

	Nine months ended September 30,					
	1997		1996		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%

	-----	-----	-----	---
Equity in earnings of insurance affiliate	\$ 3,734	\$ 1,755	\$ 1,979	113 %
Equity in earnings of marine affiliates	2,172	3,055	(883)	(29)
Interest expense	(10,117)	(9,913)	204	2

The Company currently has a 45% voting common stock investment in Universal. The amount recorded by the Company as equity in earnings for the Company's investment in Universal is influenced to the extent that anticipated future redemptions by Universal of its common stock exceeds the Company's investment in Universal's stock. The Company also has a 100% investment in Universal's nonvoting preferred stock. Because the preferred stock controls a separate portfolio of U.S. Treasury Securities, the Company accounts for this preferred stock under SFAS 115. Therefore, the interest earned, as well as the realized gains from the sale of U.S. Treasury Securities collateralizing the preferred stock, were included as part of equity in earnings of the insurance affiliate. For the 1997 and 1996 third quarters and first nine months, the Company recorded \$272,000 and \$245,000, and \$784,000 and \$723,000, respectively, of interest earned from its investment in U.S. Treasury Securities, and recognized during the 1996 first quarter \$582,000 of realized gains from the sale of such U.S. Treasury Securities, which were included in equity in earnings of insurance affiliate.

The Company recognized in the 1997 second quarter as equity in earnings of insurance affiliate, \$2,500,000 of cash received from Universal as the result of a resolution of a previously reserved Universal contingency for outstanding litigation. The litigation was fully reserved on Universal's financial records and was set aside as part of the merger in 1992 of Universal with Eastern America.

Equity in earnings of marine affiliates, representing the Company's investment in two offshore marine partnerships, reflected a 32% decrease for the 1997 third quarter compared with the 1996 third quarter, and a 29% decrease for the first nine months of 1997 compared with the first nine months of 1996. Results for the 1997 third quarter and first nine months were negatively impacted by additional scheduled maintenance on the partnerships' vessels and by lower coal volume requirements than the 1996 comparable periods.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

Interest expense reflected a 4% decrease for the 1997 third quarter compared with the third quarter of 1996 and a 2% increase for the 1997 first nine months compared with the first nine months of 1996. Long-term debt was increased to finance the purchase of treasury stock acquired primarily in the 1997 first quarter and to finance the tank barge construction project completed during the 1997 first quarter. Both items are discussed in more detail below. During the 1997 second quarter and third quarter, excess cash flows from operating activities were used to pay-down the long-term debt, resulting in the 4% decrease in interest expense for the 1997 third quarter.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

BALANCE SHEET

Total assets as of September 30, 1997 were \$524,433,000, relatively unchanged compared with \$524,530,000 as of December 31, 1996. The following table sets forth the significant components of the balance sheet as of September 30, 1997 compared with December 31, 1996 (dollars in thousands):

September 30, 1997	December 31, 1996	Increase (decrease)	
		Amount	%

Assets:				
Current assets	\$139,015	\$ 129,885	\$ 9,130	7%
Property and equipment, net	310,643	318,724	(8,081)	(3)
Investments in affiliates	59,706	57,251	2,455	4
Other assets	15,069	18,670	(3,601)	(19)
	-----	-----	-----	---
	\$524,433	\$ 524,530	\$ (97)	-- %
	=====	=====	=====	---
Liabilities and Stockholders' equity:				
Current liabilities	\$ 87,965	\$ 89,691	\$ (1,726)	(2) %
Long-term debt	164,968	176,617	(11,649)	(7)
Deferred taxes	48,624	45,901	2,723	6
Other long-term liabilities	7,418	6,567	851	13
Stockholders' equity	215,458	205,754	9,704	5
	-----	-----	-----	---
	\$524,433	\$ 524,530	\$ (97)	--%
	=====	=====	=====	---

As of September 30, 1997, working capital increased to \$51,050,000, a 27% improvement when compared to \$40,194,000 at December 31, 1996. Cash increased to \$3,105,000 at September 30, 1997 from \$1,544,000 at December 31, 1996, primarily due to positive cash flow from operating activities. Available-for-sale securities increased to \$21,006,000 at September 30, 1997 from \$18,199,000 at December 31, 1996. The increase in securities was the result of positive cash flow from the Company's captive insurance operation. Inventory levels increased to \$17,398,000 from \$16,361,000 during the first nine months of 1997. The increase resulted from higher inventory levels carried at the Company's Gulf Coast diesel repair facilities to service the strong offshore drilling market. Prepaid expenses increased to \$15,803,000 from \$13,315,000 at December

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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31, 1996, primarily due to the number of offshore vessels out of service during 1997 for scheduled maintenance. Such maintenance costs are charged to operating expense over the period between such scheduled maintenance.

Accounts payable at September 30, 1997 totaled \$20,477,000, down from \$30,518,000 at December 31, 1996. The depressed Jones Act tanker market, which has resulted in the lay-up of offshore tankers, and the decreased food-aid freighter activity contributed significantly to the decline in accounts payables. Accrued liabilities at September 30, 1997 totaled \$54,430,000, up from \$44,511,000 at December 31, 1996. The majority of the increase was higher accruals for scheduled repair and maintenance for inland vessels, which are charged to operating expense based on estimated annual expenditures and higher accrued interest.

The 3% decrease in property and equipment reflected the depreciation for the 1997 first nine months of approximately \$24,400,000, partially offset by approximately \$18,500,000 of capital additions. Other assets decreased 19% primarily for the amortization of excess costs of consolidated subsidiaries and other intangibles of approximately \$1,700,000.

Long-term debt, more fully described below, decreased 7%, reflecting significant pay-downs on debt from the operating cash flows generated during the 1997 first nine months. Offsetting the pay-downs were additional debt incurred with the repurchase of the Company's common stock and the recently completed barge construction project, both of which are more fully described below. Stockholders' equity increased 5% during the 1997 first nine months, reflecting net earnings of \$18,793,000, which was offset by the purchase of treasury stock of \$10,887,000 during the year, and a minor increase in the unrealized value of available-for-sale securities.

LONG-TERM DEBT

On September 19, 1997, the Company agreed to new terms under its \$100,000,000 revolving credit agreement ("Credit Agreement") with Texas Commerce Bank National Association ("TCB"), as agent bank. Under the new terms, the Credit Agreement was extended to September 2002, reduced the margin of interest paid on its borrowings, provided adjusted interest rates based on the Company's senior credit rating and eliminated certain financial covenants. Proceeds from the Credit Agreement may be used for general corporate purposes, including the purchase of existing or new equipment or for possible business acquisitions.

In January 1997, the Company issued \$50,000,000 of Medium Term Notes at a fixed interest rate of 7.05% due January 29, 2002. Proceeds from the issuance were used to retire the \$34,000,000 of Medium Term Notes due March 10, 1997, with the balance used to reduce the Company's \$100,000,000 revolving Credit Agreement. As of September 30, 1997, \$95,000,000 was outstanding under the Medium Term Notes program and \$48,000,000 was outstanding under the Credit Agreement.

CAPITAL EXPENDITURES

The Company continued to enhance its existing operations through the construction of new equipment. During the 1997 first quarter the final two new inland tank barges were placed in service, completing the order of 24 double-skin 29,000 barrel capacity barges. The construction project cost approximately \$1,500,000 per barge. Funds for the construction project were available through the Company's Credit Agreement and cash provided by operating activities.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

TREASURY STOCK PURCHASES

During the 1997 first quarter, the Company purchased 564,450 shares of its own common stock at a total purchase price of \$10,608,000, for an average price of \$18.80 per share. In the 1997 second quarter, the Company purchased 16,200 shares of its common stock at a total purchase price of \$279,000, for an average price of \$17.20 per share. As of October 30, 1997, the Company had 1,859,000 shares available under the 6,250,000 total repurchase authorization. The treasury stock purchases were financed by borrowings under the Company's Credit Agreement. The Company is authorized to purchase its common stock on the New York Stock Exchange and in privately negotiated transactions. When purchasing its common stock, the Company is subject to price, trading volume and other market considerations. Shares purchased may be used for reissuances upon the exercise of stock options, in future acquisitions for stock or for other appropriate corporate purposes.

LIQUIDITY

During the last three years, inflation has had a relatively minor effect on the financial results of the Company. The marine transportation segment has long-term contracts which generally contain cost escalation clauses whereby certain costs, including fuel, can be passed through to its customers, while the transportation assets acquired and accounted for using the purchase method of accounting were adjusted to a fair market value and, therefore, the cumulative long-term effect on inflation was reduced. The repair portion of the diesel repair segment is based on prevailing current market rates or on negotiated service contracts with its customers. The Company does not presently use financial derivatives, but uses a mix of floating and fixed rate debt. The Company has no foreign exchange risks.

The Company has no present plan to pay dividends on its common stock.

ACCOUNTING STANDARDS

In February 1997, the FASB issued SFAS No. 128, "Earnings per Share" which establishes standards for computing and presenting earnings per share and

requires, among other things, dual presentation of basic and diluted earnings per share on the face of the statements of earnings. In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components in a full set of financial statements. Comprehensive income includes all changes in a company's equity, including, among other things, foreign currency transaction adjustments, notes receivable from employee stock ownership plans and deferred gains (losses) on hedging activities. Also in June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for reporting information about operating segments in annual financial statements and requires that enterprises report selected information about operating segments in interim reports issued to shareholders. SFAS No. 128 is effective for financial statements for periods ending after December 15, 1997 and will be adopted by the Company by December 31, 1997. SFAS No. 130 and SFAS No. 131 are effective for financial statements for periods beginning after December 15, 1997. The adoption of SFAS No. 128 is not expected to have a material impact on the Company's calculation of earnings per share, and the adoption of SFAS No. 130 and SFAS No. 131 is not expected to have a material impact on the Company's financial condition or results of operations.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
PART II - OTHER INFORMATION

- Item 1. Legal Proceedings
- For a detailed explanation of the material pending legal proceedings against the Company, please refer to the Form 10-K for the year ended December 31, 1996.
- Item 6. Exhibits and Reports on Form 8-K.
- (a) Exhibits:
- 10.0 Credit Agreement, dated September 19, 1997, among Kirby Corporation, the Banks named therein, and Texas Commerce Bank National Association as Agent and Funds Administrator.
- 11.0 Computation of Earnings per Common Share.
- 27.0 Financial Data Schedule
- (b) Reports on Form 8-K:
- There were no reports on Form 8-K filed for the nine months ended September 30, 1997.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Kirby Corporation
(Registrant)

By: /s/ G. Stephen Holcomb

G. Stephen Holcomb
Vice President and Controller

Date: November 5, 1997

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EXHIBIT INDEX

- 10.0 Credit Agreement, dated September 19, 1997,
among Kirby Corporation, the Banks named
therein, and Texas Commerce Bank National
Association as Agent and Funds
Administrator.
- 11.0 Computation of Earnings per Common Share.
- 27.0 Financial Data Schedule

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KIRBY CORPORATION

THE BANKS NAMED HEREIN,

and

TEXAS COMMERCE BANK NATIONAL ASSOCIATION,
as Funds Administrator
and Agent

\$100,000,000
Credit Agreement

Dated as of September 19, 1997

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Exhibit B Form of Conversion Notice

Exhibit C Form of Note

Exhibit D Form of Assignment and Acceptance

CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of September 19, 1997 (this "Agreement") is among KIRBY CORPORATION, a Nevada corporation (the "Borrower"), the banks named on the signature pages hereto (together with their respective successors and assigns in such capacity, the "Banks"), and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as funds administrator for the Banks (together with its successors and assigns in such capacity, the "Funds Administrator"), and as administrative agent for the Banks (together with its successors and assigns in such capacity, the "Agent"). Unless otherwise defined herein, all capitalized terms used herein and defined in Article I are used herein as so defined.

The Borrower, the Agent and certain banks named therein (the "Existing Banks") have previously entered into that certain Credit Agreement dated as of March 18, 1996 (the "Existing Credit Agreement"), pursuant to which the Existing Banks provided the Borrower with a \$100,000,000 revolving credit facility.

The Borrower has requested that the Bank Group enter into this Agreement and provide the Borrower with a \$100,000,000 revolving credit facility in replacement of the Existing Credit Agreement and the revolving credit facility provided for therein, and the Bank Group has agreed to do so upon terms and conditions set forth herein.

Accordingly, in consideration of the foregoing and the mutual covenants set forth herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS, ETC.

Section 1.01. Certain Defined Terms. Capitalized terms used in this Agreement and not otherwise defined herein shall have the respective meanings set forth in Annex A hereto (such meanings to be equally applicable to both singular and plural forms of the terms defined).

Section 1.02. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the consolidated financial statements referred to in Section 4.06.

Section 1.03. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, unless otherwise indicated, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding."

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Section 1.04. References, Etc. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All references herein to Sections, Annexes, Exhibits and Schedules shall, unless the context requires a different construction, be deemed to be references to the Sections of this Agreement and the Annexes, Exhibits and Schedules attached hereto and made a part hereof. In this Agreement, unless a clear contrary intention appears, the word "including" (and with correlative meaning "include") means including, without limiting the generality of any description preceding such term. No provision of this Agreement shall be interpreted or construed against any Person solely because that Person or its legal representative drafted such provision.

ARTICLE II
COMMITMENTS AND TERMS OF CREDIT

Section 2.01. Commitments. (a) Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make loans to the Borrower (the "Loans") from time to time on any Business Day during the period from the Effective Date up to, but excluding, the Termination Date in an aggregate amount outstanding for such Bank not to exceed at any time such Bank's Commitment. Subject to the terms and conditions of this Agreement, the Borrower may borrow, repay pursuant to Section 2.05 or prepay pursuant to Section 2.07 and reborrow under this Section 2.01(a).

(b) Each Prime Rate Borrowing shall consist of Prime Rate Loans made on the same day by the Banks ratably according to their respective Commitment Percentages, and Prime Rate Borrowings may be in any amount. Each Fixed Rate Borrowing shall be in an aggregate amount not less than \$1,000,000 or an integral multiple of \$100,000 in excess thereof, and shall consist of Fixed Rate Loans of the same Type made on the same day by the Banks ratably according

to their respective Commitment Percentages. Borrowings of more than one Type may be outstanding at the same time, but the Borrower shall not be entitled to request any Borrowing or to Convert Loans comprising any Borrowing into Loans of another Type, if after giving effect to such Borrowing or Conversion, as the case may be, any Bank would have outstanding at any one time more than four (4) different Types of Loans.

(c) Notwithstanding any other term or provision hereof no Loan shall be made if after giving effect thereto the aggregate principal amount of Loans outstanding would exceed the Total Commitment.

Section 2.02. Borrowing Procedures; Conversions. (a) Each Borrowing shall be made upon the written, telecopied or facsimile transmitted request of the Borrower, given to the Funds Administrator not later than 11:00 a.m. (Houston time) on (i) the third Business Day prior to the proposed Borrowing Date in the case of a Eurodollar Rate Borrowing, (ii) the second Business Day prior to the proposed Borrowing Date in the case of an Adjusted CD Rate Borrowing or (iii) the

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Business Day immediately preceding the proposed Borrowing Date in the case of a Prime Rate Borrowing, and upon receipt the Funds Administrator shall give each other member of the Bank Group prompt notice of such request by telecopier, telex or cable. Each request for a Borrowing (a "Borrowing Request") made by the Borrower shall be in substantially the form of Exhibit A, specifying therein (A) the Borrowing Date for such Borrowing, (B) the Type of Loans comprising such Borrowing, (C) the aggregate amount of such Borrowing, and (D) in the case of a Fixed Rate Borrowing, the Interest Period for the Loans comprising such Borrowing. Each Bank shall, before 11:30 a.m. (Houston time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Funds Administrator at its address referred to in Section 9.03, in same day funds, such Bank's ratable portion of such Borrowing. After the Funds Administrator's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Funds Administrator will make such funds available to the Borrower at the Funds Administrator's aforesaid address. Each Borrowing Request shall be irrevocable and binding on the Borrower.

(b) Unless the Funds Administrator shall have received notice from a Bank prior to any Borrowing Date that such Bank will not make available to the Funds Administrator such Bank's ratable portion of such Borrowing, the Funds Administrator may assume that such Bank has made such portion available to the Funds Administrator on such Borrowing Date in accordance with Section 2.02(a) and the Funds Administrator may, in reliance upon such assumption, make available to the Borrower on such Borrowing Date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Funds Administrator, such Bank and the Borrower severally agree to repay to the Funds Administrator forthwith on demand such corresponding amount, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Funds Administrator at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Funds Administrator such corresponding amount, such amount so repaid shall constitute such Bank's Loan as part of such Borrowing for purposes of this Agreement. The failure of any Bank to make the Loan to be made by it as part of any Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Loan on such Borrowing Date or any subsequent Borrowing Date, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on the date of any Borrowing.

(c) The Borrower may, subject to the terms of this Agreement, on any Business Day, upon written, telecopied or facsimile transmitted notice to the Funds Administrator, given not later than 11:00 a.m. (Houston time) on (i) the third Business Day prior to the proposed Conversion Date in the case of a Conversion of Loans into Eurodollar Rate Loans, (ii) the second Business Day prior to the proposed Conversion Date in the case of a Conversion of Loans into Adjusted CD Rate Loans or (iii) the Business Day immediately preceding the proposed Conversion Date in the case of a Conversion of Loans into Prime Rate

Loans, Convert all Loans comprising one or more Borrowings into Loans of another Type comprising a single Borrowing, and the Funds Administrator shall promptly transmit the contents of such notice to each other member of the Bank Group by telecopier, telex or cable. Each notice of a Conversion (a "Conversion Notice") given by the

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Borrower shall be in substantially the form of Exhibit B, specifying therein (A) the Conversion Date for such Conversion, (B) the Loans to be Converted, (C) the Type of Loans to which such Loans are to be Converted and (D) in the case of a Conversion into Fixed Rate Loans, the Interest Period for such Converted Loans. Notwithstanding any other term or provision hereof, after giving effect to any such Conversion, the size of all Borrowings outstanding hereunder and the number of different Types of Loans outstanding hereunder shall conform to the requirements of Section 2.01. In the event of any Conversion of Fixed Rate Loans on any day other than the last day of the Interest Period applicable thereto, the Borrower shall be obligated to reimburse the Banks in respect thereof pursuant to Section 2.11. If the Borrower shall fail to give a timely Conversion Notice conforming to the requirements of this Agreement with respect to any Fixed Rate Loans prior to the expiration of the Interest Period applicable thereto, such Fixed Rate Loans shall, automatically on the last day of such Interest Period, be Converted into Prime Rate Loans.

Section 2.03. The Notes. The Loans made by each Bank shall be evidenced by a single Note issued to such Bank by the Borrower (a) dated the date of this Agreement (or such other date as may be specified in Section 9.02), (b) payable to the order of such Bank in a principal amount equal to such Bank's Commitment and (c) otherwise duly completed. Each Loan made by a Bank to the Borrower and all payments made on account of the principal amount thereof shall be entered by such Bank in its records or on the schedule (or a continuation thereof) attached to the Note of such Bank, provided, however, that prior to any transfer of any such Note, such Bank shall endorse the amount and maturity of any outstanding Loans on the schedule (or a continuation thereof) attached to such Note.

Section 2.04. Reduction of the Commitments. The Borrower shall have the right, upon at least three Business Days' notice to the Funds Administrator to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Banks, provided, that each partial reduction shall be in the aggregate amount of \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof.

Section 2.05. Repayment of Loans. All outstanding Loans shall be fully due and payable on the Termination Date, together with any unpaid interest accrued thereon.

Section 2.06. Interest Accrual, Payments, Etc. (a) Subject to the provisions of Section 9.13, the Borrower shall pay interest on the unpaid principal amount of each Loan made by each Bank from the date of such Loan until such principal amount shall be paid in full, on the dates and at the rates per annum specified as follows:

(i) if such Loan is a Prime Rate Loan, a rate per annum equal to the lesser of (A) the Highest Lawful Rate and (B) the Prime Rate in effect from time to time plus or minus, as applicable, the Applicable Margin in effect from time to time, and unpaid accrued interest on such Loans shall be payable on each Quarterly Payment Date and on the date such Prime Rate Loan shall be paid in full;

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(ii) if such Loan is an Adjusted CD Rate Loan, a rate per annum equal at all times during the Interest Period for such Loan to the lesser of (A) the Highest Lawful Rate and (B) the sum of the Adjusted CD Rate for such Interest Period plus the Applicable Margin in effect as of the first day of such Interest Period, and unpaid accrued interest on such Loans shall be payable on each Quarterly Payment Date and on the last day of such Interest Period; or

(iii) if such Loan is a Eurodollar Rate Loan, a rate per annum equal at all times during the Interest Period for such Loan to the lesser of (A) the Highest Lawful Rate and (B) the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin in effect as of the first day of such Interest Period, and unpaid accrued interest on such Loans shall be payable on each Quarterly Payment Date and on the last day of such Interest Period.

Any amount of principal or, to the extent permitted by applicable law, interest which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest from the date on which such amount is due until such amount is paid in full, at a rate per annum (the "Default Rate") equal at all times to the lesser of (A) the Highest Lawful Rate and (B) the Prime Rate in effect from time to time during the applicable period plus or minus, as applicable, the Applicable Margin in effect from time to time during such period plus two percent (2%), payable on demand.

(b) The Borrower shall pay to each Bank additional interest on the unpaid principal amount of each Eurodollar Rate Loan of such Bank, from the date of such Loan until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period for such Loan from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Loan. Such additional interest shall be calculated by such Bank and notified to the Borrower (together with a copy of such Bank's calculations) through the Funds Administrator.

(c) (i) The Agent shall give prompt notice to the Borrower and each other member of the Bank Group of the applicable interest rate determined by the Agent hereunder for each Borrowing. Each determination by the Agent (or, in the case of Section 2.06(b), by a Bank) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(ii) If one or more Banks holding aggregate Commitment Percentages of at least fifty percent (50%) shall, at least one Business Day before the date of any requested Eurodollar Rate Borrowing, notify the Agent and the Funds Administrator that the Eurodollar Rate applicable to such Borrowing will not adequately reflect the cost to such Banks of making, funding or maintaining their respective Eurodollar Rate Loans for such Borrowing, the right of the Borrower to select Eurodollar Rate Loans for such Borrowing or any subsequent Borrowing shall be suspended until the Agent shall notify the Borrower and each other member of the Bank Group that the circumstances causing such suspension no

longer exist, and each Loan comprising such Borrowing shall be made as, or Converted into, as applicable, a Prime Rate Loan.

(iii) If the Agent is unable to determine the Adjusted CD Rate in accordance with the definition thereof for any Adjusted CD Rate Borrowing or the Eurodollar Rate in accordance with the definition thereof for any Eurodollar Rate Borrowing, (A) the Agent shall forthwith notify the Borrower and each other member of the Bank Group that the interest rate cannot be determined for such Adjusted CD Rate Borrowing or Eurodollar Rate Borrowing, as the case may be, (B) each Adjusted CD Rate Borrowing or Eurodollar Rate Borrowing, as the case may be, previously requested but not yet funded or Converted, as applicable, will automatically be made as or Converted into, as

applicable, a Prime Rate Borrowing, and (C) the obligation of the Banks to make Adjusted CD Rate Loans or Eurodollar Rate Loans, as the case may be, shall be suspended until the Agent shall notify the Borrower and each other member of the Bank Group that the circumstances causing such suspension no longer exist.

(d) As used in this Agreement and the other Loan Documents, "Applicable Margin" means, as to Loans consisting of a single Borrowing, a rate per annum determined pursuant to the table set forth below by reference to the two (2) highest of the Borrower's S&P Rating, Moody's Rating or Duff & Phelps Rating (individually, a "Rating" and collectively, the "Ratings") and the Type of Loans comprising such Borrowing, whereby (i) if the two highest Ratings are the same, such Ratings are used, (ii) if the two highest Ratings differ by only one step, the higher of either the S&P Rating or the Moody's Rating is used, or (iii) if the two highest Ratings differ by more than one step, the Rating one step above the lower Rating is used.

S&P Rating or Duff & Phelps Rating/ Moody's Rating	Equal to or Greater than A- / A3	Equal to or Greater than BBB+/Baa1	Equal to or Greater than BBB/Baa2	Equal to or Greater than BBB-/Baa3	Equal to or Greater than BB+/Ba1	Less than BB+/Ba1 or If unrated
Eurodollar Rate	0.25%	0.30%	0.35%	0.45%	0.75%	1.00%
Adjusted CD Rate	0.50%	0.55%	0.60%	0.70%	1.00%	1.25%
Prime Rate	-0.50%	-0.50%	-0.50%	-0.25%	0.00%	0.00%

Section 2.07. Prepayments. (a) The Borrower may, from time to time on any Business Day, upon at least one Business Day's notice to the Funds Administrator stating the proposed date and aggregate principal amount thereof, and if such notice is given, the Borrower shall, prepay the outstanding principal amount of the Prime Rate Loans comprising part of the same Borrowing in whole or ratably in part; provided, that any partial prepayment of such Prime Rate Loans shall be in an aggregate principal amount of not less than \$100,000. The Borrower may from time to time upon at least three Business Days' notice to the Funds Administrator stating the proposed date and the aggregate principal amount thereof, and if such notice is given, the Borrower

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shall, prepay the outstanding principal amount of the Fixed Rate Loans comprising part of the same Borrowing in whole or ratably in part; provided, that any partial prepayment of such Fixed Rate Loans shall be in an aggregate principal amount of not less than \$2,000,000 or an integral multiple of \$1,000,000 in excess thereof. The Borrower may apply any optional prepayment of the Loans to such portions of the Loans as the Borrower may elect.

(b) The Borrower shall from time to time prepay the Loans comprising part of the same Borrowing in such amounts as shall be necessary so that at all times the aggregate amount of Loans outstanding shall not be in excess of the Total Commitment. Any prepayment required by this Section 2.07(b) shall be due on the date such prepayment accrues pursuant to the preceding sentence.

(c) Each prepayment of Fixed Rate Loans shall be accompanied by a prepayment of accrued interest to the date of such prepayment on the principal amount prepaid. In the event of any prepayment of a Fixed Rate Loan, the Borrower shall be obligated to reimburse the Banks in respect thereof pursuant to Section 2.11. Unless otherwise specified by the Borrower, all mandatory prepayments of the Loans shall first be applied to Prime Rate Borrowings, and second to such Fixed Rate Borrowings as the Funds Administrator may select.

Section 2.08. Payments and Computations. (a) All payments of principal, interest, commitment fees and other amounts payable to the Banks under the Loan Documents shall be made in Dollars to the Funds Administrator at its address specified in Section 9.03 for the account of each of the Banks, in

immediately available funds not later than 12:00 Noon (Houston time) on the date when due. Upon receipt of such payments, the Funds Administrator will promptly cause to be distributed like funds relating to the payment of principal or interest or commitment fees ratably (other than amounts payable pursuant to Section 2.06(b), Section 2.10, Section 2.11, Section 2.12 or Section 2.13) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. In the event the Funds Administrator receives any such payment in immediately available funds not later than 12:00 Noon (Houston time) on any Business Day, but fails to distribute to any Bank entitled thereto like funds relating to such payment by the close of business on such Business Day, then the Funds Administrator shall pay such Bank interest thereon at the Federal Funds Rate for each day from the date such amount is received by the Funds Administrator until the date distributed to such Bank.

(b) Unless the Funds Administrator shall have received notice from the Borrower prior to the date on which any payment is due to the Banks under the Loan Documents that the Borrower will not make such payment in full, the Funds Administrator may assume that the Borrower has made such payment in full to the Funds Administrator on such date and the Funds Administrator may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Borrower shall not have made such payment in full to the Funds Administrator each Bank shall repay to the Funds

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Administrator forthwith on demand such amount distributed to such Bank, together with interest thereon for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Funds Administrator at the Federal Funds Rate.

(c) All payments by the Borrower of the fees payable to the Agent pursuant to the Agent's Side Letter shall be made in Dollars directly to the Agent at its address specified in Section 9.03 in immediately available funds not later than 12:00 Noon (Houston time) on the date when due.

(d) All computations of interest based on the Prime Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Adjusted CD Rate, the Eurodollar Rate, the Federal Funds Rate, or Section 2.06(b), as well as commitment fees, shall be made on the basis of a year of 360 days (unless use of a 360 day year would cause the interest contracted for, charged or received hereunder to exceed the Highest Lawful Rate, in which case such computations shall be made on the basis of a year of 365 or 366 days, as the case may be), in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or commitment fees are payable.

(e) Whenever any payment under the Loan Documents shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be; provided, however, if such extension would cause payment of interest on or principal of Eurodollar Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(f) If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Loans made by it (other than pursuant to Section 2.06(b), Section 2.10, Section 2.11, Section 2.12 or Section 2.13) in excess of its ratable share of payments on account of the Loans obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Loans made by such other Banks as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.08(f) may, to the fullest extent permitted by law and this Agreement, exercise all its

rights of payment (including the right of setoff) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

Section 2.09. Fees. (a) Subject to the provisions of Section 9.13, the Borrower shall pay each Bank a commitment fee equal to one-eighth of one percent (1/8%) per annum on the average unused portion of the Commitment of such Bank as in effect from time to time for the period from the date hereof to, but excluding, the Termination Date. Accrued commitment fees shall be due and payable in arrears on each Quarterly Payment Date in each year, on the date of any reduction or termination of the Commitment of such Bank and on the Termination Date, and shall be computed for the period commencing with the day to which such fee was last paid (or, in the case of the first

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commitment fee payment date, for the period commencing with and including the date hereof) to the date such fee is due and payable.

(b) Subject to the provisions of Section 9.13, the Borrower shall pay the Agent the arrangement and administrative fees specified in that certain letter agreement dated August 29, 1997 between the Agent and the Borrower concerning the same (the "Agent's Side Letter").

Section 2.10. Setoff, Counterclaims and Taxes. (a) All payments of principal, interest, expenses, reimbursements, compensation, commitment fees, letter of credit fees, arrangement fees or administration fees and any other amount from time to time due under any Loan Document shall be made by the Borrower without setoff or counterclaim and shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each member of the Bank Group, taxes imposed on its income (or a taxable base in the nature of net income, or, in lieu of taxes so imposed or measured, on overall gross receipts and capital), and franchise taxes imposed on it, by the jurisdiction under the laws of which such member of the Bank Group is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable under any Loan Document to any member of the Bank Group, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.10) such member of the Bank Group receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law; provided that the Borrower shall not be required to pay any increased amount on account of Taxes to the extent that any such Bank shall not have furnished the Borrower with such forms, or shall not have taken such other action, as reasonably may be available to it under applicable tax laws and any applicable tax treaty to obtain an exemption from, or reduction of, such Taxes.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each member of the Bank Group for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.10) paid by such member of the Bank Group (whether paid on its own behalf or on behalf of any other member of the Bank Group) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification

shall be made within 30 days from the date such member of the Bank Group makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Agent, at its address referred to in Section 9.03, the original or a certified copy of a receipt evidencing payment thereof. If no Taxes are payable in respect of any payment made under any Loan Document, upon the request of the Agent, the Borrower will furnish to the Agent and the Funds Administrator, at its address referred to in Section 9.03, a certificate from each appropriate taxing authority, or an opinion of counsel acceptable to the Agent, in either case stating that such payment is exempt from or not subject to Taxes.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.10 shall survive the payment in full of the Loans and all other amounts owing under the other Loan Documents. The provisions of this Section 2.10 are in all respects subject to Section 9.13 hereof.

(f) Each Bank represents and warrants to the Agent, the Funds Administrator and the Borrower that such Bank is either (i) a corporation organized under the laws of the United States, a state thereof or the District of Columbia, or (ii) entitled to complete exemption from United States withholding tax imposed on or with respect to any payments, including fees, to be made to it pursuant to this Agreement and the other Loan Documents (x) under an applicable provision of a tax convention or treaty to which the United States is a party or (y) because it is acting through a branch, agency or office in the United States and any payment to be received by it hereunder is effectively connected with a trade or business in the United States. Upon becoming a party to this Agreement (whether by assignment or as an original signatory hereto), and in any event, from time to time upon the request of the Agent, the Funds Administrator or the Borrower, each Bank which is not a corporation organized under the laws of the United States or any state thereof or the District of Columbia shall deliver to the Agent, the Funds Administrator and the Borrower such forms, certificates or other instruments as may be required by the Agent and the Funds Administrator in order to establish that such Bank is entitled to complete exemption from United States withholding taxes imposed on or with respect to any payments, including fees, to be made to such Bank under this Agreement and the other Loan Documents. Each Bank also agrees to deliver to the Borrower, the Agent and the Funds Administrator such other supplemental forms as may at any time be required as a result of the passage of time or changes in applicable law or regulation in order to confirm or maintain in effect its entitlement to exemption from U.S. withholding tax on any payments hereunder; provided, that the circumstances of the Bank at the relevant time and applicable laws permit it to do so. If a Bank determines, as a result of any change in either (1) applicable law, regulation or treaty, or in any official application thereof or (2) its circumstances, that it is unable to submit any form or certificate that it is obligated to submit pursuant to this Section 2.10(f), or that it is required to withdraw or cancel any such form or certificate previously submitted, it shall promptly notify the Borrower, the Agent and the Funds Administrator of such fact. If a Bank is organized under the laws of a jurisdiction outside the United States, and the Borrower, the Funds Administrator and the Agent have not received forms, certificates or other instruments indicating to

their satisfaction that all payments to be made to such Bank hereunder are not subject to United States withholding tax or the Agent otherwise has reason to believe that such Bank is subject to U.S. withholding tax, the Borrower shall

withhold taxes from such payments at the applicable statutory rate. Each Bank shall indemnify and hold the Borrower, the Funds Administrator and the Agent harmless from any United States taxes, penalties, interest and other expenses, costs and losses incurred or payable by them as a result of either (A) such Bank's failure to submit any form or certificate that it is required to provide pursuant to this Section 2.10(f) or (B) reliance by the Borrower, the Funds Administrator or the Agent on any such form or certificate which such Bank has provided to them pursuant to this Section 2.10(f).

(g) Any Bank claiming any additional amounts payable pursuant to this Section 2.10 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Borrower or to change the jurisdiction of its Applicable Lending Office if such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the sole determination of such Bank, be otherwise disadvantageous to such Bank.

Section 2.11. Funding Losses. The Borrower shall indemnify each member of the Bank Group against any loss or reasonable expense (including, but not limited to, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or reemploying deposits from third parties acquired to effect or maintain such Loan or any part thereof as a Fixed Rate Loan) which such Person may sustain or incur as a consequence of (a) any failure by the Borrower to fulfill on the date of any Borrowing hereunder the applicable conditions set forth in Article III, (b) any failure by the Borrower to borrow hereunder or to Convert Loans hereunder after a Borrowing Request or Conversion Notice, respectively, has been given, (c) any payment, prepayment or Conversion of a Fixed Rate Loan required or permitted by any other provisions of this Agreement, including, without limitation, payments made due to the acceleration of the maturity of the Loans pursuant to Section 7.01, or otherwise made on a date other than the last day of the applicable Interest Period, (d) any default in the payment or prepayment of the principal amount of any Loan or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, by notice of prepayment or otherwise) or (e) the occurrence of an Event of Default. Such loss or reasonable expense shall include, without limitation, an amount equal to the excess, if any, as determined by each Bank of (i) its cost of obtaining the funds for the Loan being paid, prepaid or Converted or not borrowed or Converted (based on the Fixed Rate applicable thereto) for the period from the date of such payment, prepayment or Conversion or failure to borrow or Convert to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow or Convert, the Interest Period for the Loan which would have commenced on the date of such failure to borrow or Convert) over (ii) the amount of interest (as estimated by such Bank) that would be realized by such Bank in reemploying the funds so paid, prepaid or Converted or not borrowed or Converted for such period or Interest Period, as the case may be. A certificate of each member of the Bank Group setting forth any amount or amounts which such Person is entitled to receive pursuant to this Section 2.11 shall be delivered to the Borrower (with a copy to the Agent and the Funds Administrator) and shall be conclusive, if made in good faith, absent manifest error. The Borrower

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shall pay to the Funds Administrator for the account of each such Person the amount shown as due on any certificate within 30 days after its receipt of the same. Notwithstanding the foregoing, in no event shall any Bank be permitted to receive any compensation hereunder constituting interest in excess of the Highest Lawful Rate. Without prejudice to the survival of any other obligations of the Borrower hereunder, the obligations of the Borrower under this Section 2.11 shall survive the termination of this Agreement and/or the payment or assignment of any of the Notes.

Section 2.12. Change of Law. (a) If at any time any Bank determines in good faith (which determination shall be conclusive) that any change in any applicable law, rule or regulation or in the interpretation, application or administration thereof makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Bank or its foreign branch or branches to fund or maintain any Eurodollar Rate Loan (any of the foregoing determinations being a "Eurodollar Event"), then, such Bank, at

its option, may: (i) declare that Eurodollar Rate Loans will no longer be made or maintained by such Bank, whereupon the right of the Borrower to select Eurodollar Rate Loans for any Borrowing shall be suspended until such Bank shall notify the Funds Administrator and the Agent that the circumstances causing such Eurodollar Event no longer exist; (ii) with respect to any Eurodollar Rate Loans of such Bank then outstanding, require that all such Eurodollar Rate Loans be Converted to Prime Rate Loans, in which event all such Eurodollar Rate Loans shall automatically be Converted into Prime Rate Loans on the effective date of notice of such Eurodollar Event and all payments or prepayments of principal that would have otherwise been applied to repay such Converted Eurodollar Rate Loans shall instead be applied to repay the Prime Rate Loans resulting from such Conversion; and/or (iii) with respect to any Eurodollar Rate Loans requested of such Bank but not yet made as or Converted into such, require that such Eurodollar Rate Loans be made as or Converted into, as applicable, Prime Rate Loans.

(b) Upon the occurrence of any Eurodollar Event, and at any time thereafter so long as such Eurodollar Event shall continue, such Bank may exercise its aforesaid option by giving written notice thereof to the Funds Administrator, the Agent and the Borrower, such notice to be effective upon receipt thereof by the Borrower. Any Conversion of any Eurodollar Rate Loan which is required under this Section 2.12 shall be made, together with accrued and unpaid interest and all other amounts payable to such Bank under this Agreement with respect to such Converted Loan (including, without limitation, amounts payable pursuant to Section 2.11 hereof), on the date stated in the notice to the Borrower referred to above.

Section 2.13. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline issued or request made after the Effective Date by any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to any Bank of agreeing to make or making, funding or maintaining Adjusted CD Rate Loans or Eurodollar Rate Loans, then the Borrower shall from time to time, subject to the provisions of Section 9.13, pay to the Funds Administrator for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost upon demand by such Bank.

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(b) If any Bank shall have determined in good faith that any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards" and becoming applicable to such Bank after the Effective Date, or that the adoption after the Effective Date of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or administration thereof by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or compliance by such Bank (or any lending office of such Bank) with any request or directive regarding capital adequacy (whether or not having the force of law) issued after the Effective Date by any such Governmental Authority or comparable agency, affects or would affect the amount of capital required or expected to be maintained by such Bank or any corporation controlling such Bank and that the amount of such capital is increased by or based upon the existence of such Bank's Commitment hereunder and other commitments of this type, then the Borrower shall from time to time, subject to the provisions of Section 9.13, pay to such Bank upon demand additional amounts sufficient to compensate such Bank or such corporation in the light of such circumstances, to the extent that such Bank reasonably determines such increase in capital to be allocable to the existence of such Bank's Commitment hereunder and similar amounts are being charged generally to other borrowers with similar commitments from such Bank.

(c) Each Bank will notify the Borrower of any event occurring after the date of this Agreement which will entitle such Bank to compensation pursuant to this Section 2.13 as promptly as practicable after such Bank obtains knowledge of the occurrence of such event. In no event will the Borrower be

obligated to compensate any Bank pursuant to this Section 2.13 for any amounts described in paragraphs (a) or (b) above that accrued more than one hundred eighty (180) days prior to the date the notice described in the preceding sentence is given by the party requesting such compensation, but the foregoing shall in no way limit the right of such Bank to request compensation for amounts accrued during such one hundred eighty (180) day period or any future period. A certificate of such Bank setting forth in reasonable detail (i) such amount or amounts as shall be necessary to compensate such Bank (or participating banks or other entities pursuant to Section 9.02) as specified above and (ii) the calculation of such amount or amounts shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay to such Bank the amount shown as due on any such certificate within thirty (30) days after its receipt of the same. The failure of any Bank to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of the right of such Bank or any other Bank, to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital. The protection of this Section 2.13 shall be available to the Banks regardless of any possible contention of invalidity or inapplicability of law, regulation or condition which shall have been imposed.

Section 2.14. Substitution of Banks. If one or more Banks requests compensation pursuant to Section 2.13 or declares a Eurodollar Event pursuant to Section 2.12 or the Borrower is required to deduct United States withholding taxes pursuant to Section 2.10(f) from amounts payable to one or more Banks under the Loan Documents (any such request, declaration or withholding is

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herein called a "Substitution Event" and any such Bank is herein called an "Affected Bank") the Borrower may give notice to such Affected Bank (with a copy to the Agent and the Funds Administrator) that it wishes to seek one or more Eligible Assignees (which may be one or more of the other Banks) to assume the Commitment of such Affected Bank and to purchase the Loans of such Affected Bank and the other interests of such Affected Bank in the Loan Documents (collectively, the "Affected Interests"). Each Affected Bank agrees to sell all of its Affected Interests pursuant to Section 9.02 to any such Eligible Assignee for an amount equal to the sum of the outstanding unpaid principal of and accrued interest on the Loans of such Affected Bank and all commitment fees and other fees and amounts due such Affected Bank under the Loan Documents, calculated, in each case, to the date such Affected Interests are purchased, whereupon such Affected Bank shall have no further Commitment or other obligation to the Borrower under the Loan Documents. Notwithstanding the foregoing, the Borrower may not replace any Affected Bank if (a) the Bank or Banks involved in such Substitution Event have aggregate Commitment Percentages in excess of thirty five percent (35%) or (b) the Borrower does not seek to replace each Bank involved in such Substitution Event.

ARTICLE III CONDITIONS OF CREDIT

Section 3.01. Conditions Precedent to the Initial Borrowing. The obligation of each Bank to make its initial Loan on the occasion of the initial Borrowing hereunder is subject to the conditions precedent that the Agent shall have received on or before the date of such initial Borrowing all of the following, each dated (unless otherwise indicated) the date hereof, in form and substance reasonably satisfactory to the Bank Group and in such number of counterparts as may be reasonably requested by the Agent:

(a) The following Loan Documents duly executed by the Persons indicated below:

(i) this Agreement executed by the Borrower and each member of the Bank Group,

(ii) the Notes executed by the Borrower, and

(iii) the Agent's Side Letter executed by the Borrower and the Agent.

(b) A certificate of a Responsible Officer and of the secretary or an assistant secretary of the Borrower certifying, inter alia, (i) true and correct copies of resolutions adopted by the Board of Directors of the Borrower (A) authorizing the execution, delivery and performance by the Borrower of the Loan Documents to which it is or will be a party and the Borrowings to be made hereunder and the consummation of the transactions contemplated thereby, (B) approving the forms of the Loan Documents to which it is a party and which will be delivered at or prior to the date of

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the initial Borrowing and (C) authorizing officers of the Borrower to execute and deliver the Loan Documents to which it is or will be a party and any related documents, (ii) true and correct copies of the articles of incorporation and bylaws (or other similar charter documents) of the Borrower and (iii) the incumbency and specimen signatures of the officers of the Borrower executing any documents on behalf of it.

(c) Evidence that the commitments under the Existing Credit Agreement have been terminated and that all principal, interest, fees and other amounts owing thereunder by the Borrower, respectively, have been paid (or will be terminated contemporaneously with, and will be paid with the proceeds of, the initial Borrowing).

(d) A certificate of a Responsible Officer of the Borrower certifying as to the satisfaction of the conditions specified in this Article III.

(e) The favorable, signed opinion of Haynes and Boone, L.L.P., special counsel to the Borrower, addressed to the Bank Group, in form and substance reasonably satisfactory to the Bank Group.

(f) The favorable, signed opinion of Andrews & Kurth, L.L.P., special counsel to the agent, addressed to the Bank Group, in form and substance reasonably satisfactory to the Bank Group.

(f) Certificates of appropriate public officials as to the existence and good standing of the Borrower in the States of Nevada and Texas.

(g) The payment to the Bank Group of the fees due to them as of such date under the Loan Documents, the payment to the Agent of the fees due to it as of such date under the Agent's Side Letter, and the payment of all legal fees and expenses of Andrews & Kurth L.L.P., special counsel to the Agent, in connection with the preparation of this Agreement and the other Loan Documents and the closing of this transaction.

(h) Such other documents, certificates and opinions as the Agent may reasonably request relating to this Agreement and the other Loan Documents.

Section 3.02. Conditions Precedent to All Borrowings. The obligation of each Bank to make any Loan shall be subject to the further conditions precedent that (a) on the Borrowing Date of such Loan the following statements shall be true, and the Borrower, by virtue of its delivery of a Borrowing Request shall be deemed to have certified to the Bank Group as of such Borrowing Date that (i) the representations and warranties contained in Article IV are true and correct on and as of such Borrowing Date, both before and after giving effect to such Loan, and as though made on and as of such Borrowing Date and (ii) no Default has occurred and is continuing, or would result from such Loan and (b) the Agent shall have received on or before such Borrowing Date such other

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documents, certificates and opinions as the Agent may reasonably request relating to this Agreement and the other Loan Documents, each in form and substance reasonably satisfactory to the Agent.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

In order to induce the Bank Group to enter into this Agreement, the Borrower hereby represents and warrants to the Bank Group as follows:

Section 4.01. Corporate Existence; Etc. Each of the Borrower and each of its Material Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified or licensed to transact business as a foreign corporation and is in good standing under the laws of each jurisdiction in which the conduct of its operations or the ownership or leasing of its properties requires such qualification or licensing, except where the failure to be so qualified or licensed will not have a Material Adverse Effect on either the Borrower individually or the Borrower and its Subsidiaries taken as a whole. Schedule 4.01 sets forth a complete list (including the Borrower's percentage equity interest therein) as of the date hereof of (a) all Consolidated Subsidiaries (Part A), and (b) all Excluded Affiliates (Part B).

Section 4.02. Corporate Authority; Binding Obligations. Each of the Borrower and each of its Material Subsidiaries has all requisite power and authority, corporate or otherwise, to conduct its business and own, operate and encumber its property. Each of the Borrower and each of its Subsidiaries has all requisite power and authority, corporate or otherwise, to execute, deliver and perform all of its obligations under the Loan Documents executed by, or to be executed by, such Person. The execution, delivery and performance of each of the Loan Documents to which the Borrower or any of its Subsidiaries is a party and the consummation of the transactions contemplated thereby, have been duly authorized by all necessary corporate and shareholder action. Each of the Loan Documents to which the Borrower or any of its Subsidiaries is a party has been duly executed and delivered by such Person, is in full force and effect and constitutes the legal, valid and binding obligation of such Person, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditor's rights generally and general principles of equity.

Section 4.03. No Conflict. The execution, delivery and performance by the Borrower or any of its Subsidiaries of each Loan Document to which such Person is a party and the consummation of each of the transactions contemplated thereby do not and shall not, by the lapse of time, the giving of notice or otherwise: (a) constitute a violation of any Requirement of Law or a breach of any provision contained in the articles or certificate of incorporation or bylaws of such Person, or any shareholder agreement pertaining to such Person, or contained in any material agreement, instrument or document to which it is now a party or by which it or its properties is bound, except for such violations or breaches that will not have a Material Adverse Effect on either

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the Borrower individually or the Borrower and its Subsidiaries taken as a whole; or (b) result in or require the creation or imposition of any Lien whatsoever upon any of the properties or assets of the Borrower or any of its Subsidiaries.

Section 4.04. No Consent. No authorization, consent, approval, license, or exemption of or filing or registration with, any Governmental Authority or any other Person, was, is or will be necessary for the valid execution, delivery or performance by the Borrower or any of its Subsidiaries of

any of the Loan Documents to which it is a party and the consummation of each of the transactions contemplated thereby other than those that the failure to obtain, file or make will not have a Material Adverse Effect on either the Borrower individually or the Borrower and its Subsidiaries taken as a whole.

Section 4.05. No Defaults or Violations of Law. No Default has occurred and is continuing. No default (or event or circumstance occurred which, but for the passage of time or the giving of notice, or both, would constitute a default) has occurred and is continuing with respect to any note, indenture, loan agreement, mortgage, lease, deed or other agreement to which the Borrower or any of its Subsidiaries is a party or by which any of them or their properties is bound, except for such defaults that will not have a Material Adverse Effect on either the Borrower individually or the Borrower and its Subsidiaries taken as a whole. Neither the Borrower nor any of its Subsidiaries is in violation of any applicable Requirement of Law except for such violations that will not have a Material Adverse Effect on either the Borrower individually or the Borrower and its Subsidiaries taken as a whole.

Section 4.06. Financial Position. (a) The consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 1996, and the related consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, audited by KPMG Peat Marwick, independent public accountants, copies of which have been furnished to the Bank Group, fairly present the consolidated financial condition of the Borrower and its Subsidiaries at such date and the consolidated results of their operations and the consolidated cash flows of the Borrower and its Subsidiaries for the fiscal period ended on such date, all in accordance with generally accepted accounting principles applied on a consistent basis.

(b) The unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at June 30, 1997, and the related unaudited consolidated statements of income, retained earnings and cash flows for the nine month period then ended, copies of which have been furnished to the Bank Group, fairly present the consolidated financial condition of the Borrower and its Subsidiaries at such date and the consolidated results of their operations and the consolidated cash flows of the Borrower and its Subsidiaries for the nine month period ended on such date, all in accordance with generally accepted accounting principles applied on a consistent basis, subject to normal year-end adjustments.

(c) Since June 30, 1997, there has been no material adverse change in the consolidated financial condition or operations of the Borrower and its Subsidiaries.

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(d) Except as fully reflected in financial statements referred to in paragraphs (a) and (b) of this Section 4.06, as of the date hereof, there are no liabilities or obligations of the Borrower or any of its Subsidiaries of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in aggregate, would be material to either the Borrower individually or the Borrower and its Subsidiaries taken as a whole.

Section 4.07. Litigation. There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries, or the properties of any such Person, before or by any Governmental Authority or other Person, which could reasonably be expected to have a Material Adverse Effect on either the Borrower individually or the Borrower and its Subsidiaries taken as a whole.

Section 4.08. Use of Proceeds. (a) The Borrower's uses of the proceeds of the Loans are, and will continue to be, legal and proper corporate uses (duly authorized by the Borrower's board of directors), and such uses are permitted by the terms of the Loan Documents, including, without limitation, Section 5.09, and all Requirements of Law.

(b) Neither the Borrower nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or

carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Loan will be used, directly or indirectly, (i) to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or (ii) for the purpose of purchasing, carrying or trading in any securities, in either case under such circumstances as to involve any member of the Bank Group in a violation of Regulation U or the Borrower or any of its Subsidiaries in a violation of Regulation X. Following the application of the proceeds of each Loan, not more than 25% of the value of the assets of the Borrower, or of the Borrower and its Subsidiaries, which are subject to any arrangement with any member of the Bank Group (herein or otherwise) whereby the right or ability of the Borrower or its Subsidiaries to sell, pledge or otherwise dispose of such assets is in any way restricted, will be such margin stock.

Section 4.09. Governmental Regulation. Neither the Borrower nor any of its Subsidiaries is subject to regulation under the Interstate Commerce Act, as amended, the Investment Company Act of 1940, as amended, or any other Requirement of Law such that the ability of any such Person to incur indebtedness is limited or its ability to consummate the transactions contemplated by this Agreement, the other Loan Documents or any document executed in connection therewith is impaired.

Section 4.10. Disclosure. The schedules, documents, exhibits, reports, certificates and other written statements and information furnished by or on behalf of the Borrower or any of its Subsidiaries to the Bank Group do not contain any material misstatement of fact, or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading. Neither the Borrower nor any of its Subsidiaries has intentionally withheld any fact known to it which has or is reasonably likely to have

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a Material Adverse Effect on either the Borrower individually or the Borrower and its Subsidiaries taken as a whole.

Section 4.11. ERISA. The Borrower and its ERISA Affiliates are in compliance in all material respects with ERISA and all Requirements of Law related thereto. No Reportable Event has occurred and is continuing with respect to any Plan. Neither the Borrower nor any of its ERISA Affiliates has any accumulated funding deficiency (as defined in Section 302(a)(2) of ERISA) under any Plan.

Section 4.12. Payment of Taxes. The Borrower has filed, and has caused each of its Material Subsidiaries to file, all federal, state and local tax returns and other reports that the Borrower and each such Material Subsidiary are required by law to file and have paid all taxes and other similar charges that are due and payable pursuant to such returns and reports, except to the extent any of the same may be contested in good faith by appropriate proceedings promptly initiated and diligently conducted, and with respect to which adequate reserves have been set aside on the books of such Person in accordance with generally accepted accounting principles.

Section 4.13. Title and Liens. Each of the Borrower and its Material Subsidiaries has good and marketable title to each of the material properties and assets of such Person. All properties of the Borrower and its Material Subsidiaries and such Person's use thereof comply with applicable zoning and use restrictions, except where the failure to so comply will not have a Material Adverse Effect upon any such Person.

Section 4.14. Pari Passu Ranking. The obligations of the Borrower to pay the principal of and interest on the Loans and all other amounts payable under the Loan Documents will rank at least pari passu as to payment with all other Debt of the Borrower now existing or hereafter incurred.

Section 4.15. Environmental Matters. The Borrower and each of its Subsidiaries possess all environmental, health and safety licenses, permits, authorizations, registrations, approvals and similar rights necessary under law or otherwise for such Person to conduct its operations as now being conducted,

each of such licenses, permits, authorizations, registrations, approvals and similar rights is valid and subsisting, in full force and effect and enforceable by such Person, and such Person is in compliance with all terms, conditions or other provisions of such permits, authorizations, registrations, approvals and similar rights except for such noncompliance that will not have a Material Adverse Effect on either the Borrower individually or the Borrower and its Subsidiaries taken as a whole. Neither the Borrower nor any of its Subsidiaries has received any notices of any violation of, noncompliance with, or remedial obligation under, Requirements of Environmental Laws, and there are no writs, injunctions, decrees, orders or judgments outstanding, or lawsuits, claims, proceedings, investigations or inquiries pending or, to the knowledge of the Borrower, threatened, relating to the ownership, use, condition, maintenance, or operation of, or conduct of business related to, any property owned, leased or operated by the Borrower or any of its Subsidiaries, or other assets of the Borrower or any of its Subsidiaries, other than those violations,

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instances of noncompliance, obligations, writs, injunctions, decrees, orders, judgments, lawsuits, claims, proceedings, investigations or inquiries that will not have a Material Adverse Effect on either the Borrower individually or the Borrower and its Subsidiaries taken as a whole. There are no material obligations, undertakings or liabilities arising out of or relating to Environmental Laws to which the Borrower or any of its Material Subsidiaries has agreed to, assumed or retained, or by which the Borrower or any of its Material Subsidiaries is adversely affected, by contract or otherwise. Neither the Borrower nor any of its Material Subsidiaries has received a written notice or claim to the effect that such Person is or may be liable to any Person as the result of a Release or threatened Release of a Hazardous Material.

ARTICLE V AFFIRMATIVE COVENANTS

So long as any principal amount of any Loan, any amount of interest accrued under any Loan Document, or any commitment, facility or other fee, expense, compensation or any other amount payable to any member of the Bank Group under the Loan Documents shall remain unpaid or outstanding or any Bank shall have any Commitment hereunder:

Section 5.01. Reporting Requirements. The Borrower shall deliver or cause to be delivered to the Agent (with sufficient copies for the Agent to distribute the same to the other members of the Bank Group):

(a) As soon as available and in any event within forty five (45) days after the end of each calendar quarter (other than the fourth quarter):

(i) copies of the consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such period, and consolidated and consolidating statements of income and retained earnings and a statement of cash flows of the Borrower and its Subsidiaries for that fiscal period and for the portion of the fiscal year ending with such period, in each case setting forth in comparative form (on a consolidated, but not a consolidating basis) the figures for the corresponding period of the preceding fiscal year, all in reasonable detail; and

(ii) a certificate of a Responsible Officer of the Borrower (A) stating that such financial statements fairly present the consolidated financial position and results of operations of the Borrower and its Subsidiaries in accordance with generally accepted accounting principles consistently applied, subject to normal year-end adjustments, (B) stating that no Default has occurred and is continuing or, if any Default has occurred and is continuing, the action the Borrower is taking or proposes to take with respect thereto, (C) setting forth calculations demonstrating compliance by the Borrower with Section 6.01 and Section 6.08, accompanied by a summary (on an entity-by-entity basis) of Investments in Excluded Affiliates and

as well as any Funded Debt or Fixed Charges resulting from a Guaranty of Debt of an Excluded Affiliate, and (D) identifying any changes in the Consolidated Subsidiaries and Excluded Affiliates since the date of the most recent certificate delivered pursuant to Section 5.01(a)(ii) or Section 5.01(b)(ii) (or in the case of the initial certificate, any changes from those specified in Schedule 4.01).

(b) As soon as available and in any event within ninety (90) days after the end of each calendar year:

(i) copies of the consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as of the close of such calendar year and consolidated and consolidating statements of income and retained earnings and a statement of cash flows of the Borrower and its Subsidiaries for such calendar year, in each case setting forth in comparative form (on a consolidated basis) the figures for the preceding calendar year, all in reasonable detail and accompanied by an opinion thereon (which shall not be qualified by reason of any limitation imposed by the Borrower) of independent accountants of recognized national standing selected by the Borrower and reasonably satisfactory to the Majority Banks, to the effect that such consolidated financial statements have been prepared in accordance with generally accepted accounting principles consistently applied (except for changes in which such accountants concur) and that the examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards; and

(ii) a certificate of a Responsible Officer of the Borrower (A) stating that no Default has occurred and is continuing or, if any Default has occurred and is continuing, the action the Borrower is taking or proposes to take with respect thereto, (B) setting forth calculations demonstrating compliance by the Borrower with Section 6.01 and Section 6.08, accompanied by a summary (on an entity-by-entity basis) of Investments in Excluded Affiliates and Funded Debt of the Borrower and its Consolidated Subsidiaries, as well as any Funded Debt or Fixed Charges resulting from a Guaranty of Debt of an Excluded Affiliate, and (C) identifying any changes in the Consolidated Subsidiaries and Excluded Affiliates since the date of the most recent certificate delivered pursuant to Section 5.01(a)(ii) or Section 5.01(b)(ii).

(c) Promptly after the sending or filing thereof, copies of all proxy statements and reports which the Borrower or any of its Subsidiaries sends to any holders of its respective securities, and copies of all regular, periodic and special reports and all registration statements which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange.

(d) Promptly after the receipt thereof, copies of any reports or notices that the Borrower may receive from the PBGC or the U. S. Department of Labor indicating that a Reportable Event has occurred or an accumulated funding deficiency (as defined in Section 302(a)(2) of ERISA)

exists under any Plan or that any such Person or its ERISA Affiliates has failed to comply in all material respects with ERISA and all Requirements of Law related thereto.

(e) As soon as possible and in any event within ten (10) days after a Responsible Officer of the Borrower becomes aware of the occurrence of a Default, a certificate of a Responsible Officer of the Borrower setting forth details of such Default and the action which has been taken or is to be taken with respect thereto.

(f) As soon as possible and in any event within ten (10) days after a Responsible Officer of the Borrower becomes aware thereof, written notice from a Responsible Officer of the Borrower of (i) the institution of or threat of, any action, suit, proceeding, governmental investigation or arbitration by any Governmental Authority or other Person against or affecting the Borrower or any of its Subsidiaries that could have a Material Adverse Effect on the Borrower or any of its Material Subsidiaries and that has not previously disclosed in writing to the Bank Group pursuant to this Section 5.01(f) or (ii) any material development in any action, suit, proceeding, governmental investigation or arbitration already disclosed to the Bank Group pursuant to this Section 5.01(f).

(g) Promptly upon a Responsible Officer of the Borrower obtaining knowledge thereof, notice of (i) any violation of, noncompliance with, or remedial obligations under, Requirements of Environmental Laws that could have a Material Adverse Effect on the Borrower or any of its Material Subsidiaries, (ii) any Release or threatened Release affecting any property owned, leased or operated by the Borrower or any of its Subsidiaries that could have a Material Adverse Effect on the Borrower or any of its Material Subsidiaries, (iii) the amendment or revocation of any permit, authorization, registration, approval or similar right that could have a Material Adverse Effect on the Borrower or any of its Material Subsidiaries or (iv) new or proposed changes to Requirements of Environmental Laws that could have a Material Adverse Effect on the Borrower or any of its Material Subsidiaries.

(h) Such other information as any member of the Bank Group may from time to time reasonably request respecting the business, properties, operations or condition, financial or otherwise, of the Borrower or any of its Subsidiaries.

Section 5.02. Taxes; Claims. The Borrower will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon such Person or upon its income or profits, or upon any properties belonging to such Person, prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a Lien upon any properties of the Borrower or any of its Material Subsidiaries, other than any such tax, assessment, charge, levy or claim which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted, and with respect to which adequate reserves are set aside on the books of such Person in accordance with generally accepted accounting principles.

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Section 5.03. Compliance with Laws. The Borrower will comply, and will cause each of its Subsidiaries to comply, with all applicable Requirements of Law imposed by, any Governmental Authority, noncompliance with which might have a Material Adverse Effect on the Borrower or any of its Material Subsidiaries. Without limitation of the foregoing, the Borrower shall, and shall cause each of its Subsidiaries to, comply with all Requirements of Environmental Laws, operate its properties and conduct its business in accordance with good environmental practices, and handle, treat, store and dispose of Hazardous Materials in accordance with such practices, except where the failure to do so will not have a Material Adverse Effect on the Borrower or any of its Material Subsidiaries.

Section 5.04. Insurance. The Borrower will maintain, and will cause each of its Subsidiaries to maintain, with financially sound, responsible and reputable insurance companies or associations, insurance, or self-insure against such risks, and in such amounts (and with co-insurance and deductibles), as are usually insured against by Persons of established reputation engaged in the same or similar businesses and similarly situated.

Section 5.05. Corporate Existence; Etc. The Borrower will preserve and maintain, and (except as otherwise permitted by Section 6.05) will cause each of its Material Subsidiaries to preserve and maintain, its existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified, and cause each of its Material Subsidiaries to qualify and remain qualified, as a foreign corporation in each jurisdiction in which such qualification is material to the business and operations of such Person or the ownership or leasing of the properties of such Person.

Section 5.06. Inspections; Etc. From time to time during regular business hours upon reasonable prior notice, the Borrower will permit, and will cause each of its Subsidiaries to permit, any agents or representatives of any member of the Bank Group to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and its Subsidiaries and to discuss the affairs, finances and accounts of any such Person with any of their respective independent public accountants, officers or directors, all at the expense of the Borrower.

Section 5.07. Maintenance of Properties. The Borrower will maintain and preserve, and will cause each of its Material Subsidiaries to maintain and preserve, all of its material properties necessary for the proper conduct of its business in good working order and condition, ordinary wear and tear excepted.

Section 5.08. Accounting Systems; Etc. The Borrower will keep, and will cause each of its Subsidiaries to keep, adequate records and books of account in which complete entries will be made in accordance with generally accepted accounting principles consistently applied (subject to year end adjustments), reflecting all financial transactions of such Person. The Borrower shall maintain or cause to be maintained a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements in conformity

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with generally accepted accounting principles, and each of the financial statements described herein shall be prepared from such system and records.

Section 5.09. Use of Loan Proceeds. The Borrower will use the proceeds of all Loans hereunder for the following purposes: (a) for general corporate purposes of the Borrower and its Consolidated Subsidiaries, (b) payment of all amounts owing by the Borrower under the Existing Credit Agreement, (c) to fund any cash consideration payable by the Borrower or any of its Consolidated Subsidiaries in connection with a merger or acquisition which is not prohibited by Section 6.07 or Section 6.08, or (d) to fund Investments in Excluded Affiliates permitted by Section 6.08; provided that such uses are, at the time made, otherwise consistent with the terms of this Agreement and all Requirements of Law and no Default would result therefrom.

Section 5.10. Further Assurances in General. The Borrower at its expense shall, and shall cause each of its Subsidiaries to, promptly execute and deliver all such other and further documents, agreements and instruments in compliance with or accomplishment of the covenants and agreements of the Borrower or any of its Subsidiaries in the Loan Documents, including, without limitation, the accomplishment of any condition precedent that may have been waived by the Banks prior to the initial Borrowing or any subsequent Borrowings.

ARTICLE VI NEGATIVE COVENANTS

So long as any principal amount of any Loan, any amount of interest accrued under any Loan Document, or any commitment, facility or other fee, expense, compensation or any other amount payable to any member of the Bank Group under the Loan Documents shall remain unpaid or outstanding or any Bank shall have any Commitment hereunder:

Section 6.01. Financial Covenants. The Borrower will not:

(a) Fixed Charge Coverage Ratio. Permit the ratio of (i) Net Cash Flow to (ii) Fixed Charges, measured as of the last day of any calendar quarter for the twelve month period then ended, to be less than 1.25 to 1.0.

(b) Debt Coverage Ratio. Permit the ratio of (i) Funded Debt as of the last day of any calendar quarter to (ii) Modified Net Cash Flow for the twelve month period then ended, to equal or exceed 3.5 to 1.0.

(c) Minimum Net Worth. Permit Net Worth, measured as of the last day of any calendar quarter, to be less than the sum of (i) \$175,000,000, plus (ii) the lesser of (A) fifty percent (50%), if positive, zero percent (0%), if negative, of Net Income for any fiscal year ending after the date hereof and (B) \$75,000,000.

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Section 6.02. Restrictions on Debt. (a) The Borrower will not, and will not permit any of its Consolidated Subsidiaries to, create, incur, assume or suffer to exist, any Debt other than:

(i) Debt of the Borrower under the Loan Documents, and, prior to the initial Borrowing hereunder, the loans outstanding under the Existing Credit Agreement;

(ii) Debt in respect of reimbursement obligations under letters of credit or similar instruments not exceeding \$5,000,000;

(iii) unsecured Debt owing by the Borrower to any Consolidated Subsidiary;

(iv) unsecured Debt owing by any Consolidated Subsidiary to the Borrower or any other Consolidated Subsidiary so long as such Debt ranks pari passu with all other Debt of such Consolidated Subsidiary (except as contemplated by Section 6.02(d));

(v) Debt (other than Derivative Obligations) of Consolidated Subsidiaries, so long as (A) no Default or Event of Default exists on the date such Debt is incurred or would result from the incurrence of such Debt, and (B) the aggregate amount of such Debt does not exceed twenty percent (20%) of Net Worth;

(vi) Debt (other than Derivative Obligations) of the Borrower, so long as (A) such Debt is not Guaranteed by any Subsidiary of the Borrower and (B) no Default or Event of Default exists on the date such Debt is incurred or would result from the incurrence of such Debt; and

(vii) Derivative Obligations of the Borrower and its Consolidated Subsidiaries, so long as (A) no Default or Event of Default exists on the date such Derivative Obligations are incurred or would result from the incurrence thereof and (B) the aggregate amount of such Derivative Obligations do not exceed ten percent (10%) of Net Worth.

(b) The Borrower will not, and will not permit any of its Consolidated Subsidiaries to, create, incur, assume or suffer to exist, any Guaranties or other contingent liabilities other than (i) Guaranties by Consolidated Subsidiaries that constitute Debt permitted by Section 6.02(a)(v), (ii) Guaranties by the Borrower that constitute Debt permitted by Section 6.02(a)(vi), (iii) other contingent liabilities (including undrawn letters of credit) in an amount not exceeding \$5,000,000 at any time, and (iv) contingent liabilities arising under guaranties by the Borrower or its Subsidiaries of the obligations of the Borrower's Subsidiaries under Environmental Laws, including the Comprehensive Environmental Response, Compensation and Liability Act, as amended, and the Oil Pollution Act of 1990, as amended.

(c) The Borrower will not permit any Excluded Affiliate to create, incur, assume or suffer to exist any Debt unless the agreements

evidencing or providing for such Debt contain a provision to the effect that the holders of such Debt shall have no recourse against the Borrower or

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any of its Consolidated Subsidiaries, or any of their respective assets, for the payment of such Debt; provided, however, that the foregoing shall not apply to any such Debt of an Excluded Affiliate that is covered by a Guaranty from the Borrower or a Consolidated Subsidiary permitted by Section 6.02(b).

(d) The Borrower shall not permit Dixie to create, incur, assume or suffer to exist any Debt or other obligation that would constitute "Senior Obligations" (as such term is defined in that certain Revolving Credit Loan Agreement dated as of July 31, 1990, as amended, between Dixie, as borrower, and the Borrower, as lender) other than Debt arising under the Dixie Note Purchase Agreement.

Section 6.03. Restriction on Liens. The Borrower will not, and will not permit any of its Consolidated Subsidiaries to, create, incur, assume or suffer to be created, assumed or incurred or to exist, any Lien upon any of their property or assets, whether now owned or hereafter acquired other than:

(a) Liens arising after the date hereof pursuant to Section 6.9 of the Dixie Note Purchase Agreement;

(b) Liens against assets of the Borrower or a Consolidated Subsidiary securing Debt of such Person, so long as (i) the aggregate amount of all such secured Debt does not exceed \$5,000,000, and (ii) such secured Debt is otherwise permitted by Section 6.02(a)(vi), in the case of the Borrower, or Section 6.02(a)(v), in the case of a Consolidated Subsidiary;

(c) Liens imputed to Capital Leases under which a Consolidated Subsidiary is the lessee, so long as the Debt of such Consolidated Subsidiary in respect of such Capital Lease is permitted by Section 6.02(a)(v);

(d) Liens on property of any Consolidated Subsidiary that attach concurrently with such Consolidated Subsidiary's purchase thereof, and securing only Debt of such Consolidated Subsidiary permitted by Section 6.02(a)(v) and incurred to finance all or part of the purchase price of such property, and any extensions and renewals of such Liens so long as the Debt secured thereby is not greater than the Debt secured immediately prior to such extension and renewal and such Debt is permitted by Section 6.02(a)(v) at the time of such extension and renewal;

(e) Liens for taxes, assessments or governmental charges or levies if the same shall at the time not be delinquent or thereafter may be paid without penalty, or the validity of which are being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and as to which adequate reserves shall have been set aside on the books of the Borrower in accordance with generally accepted accounting principles;

(f) carriers', warehousemen's and mechanics' liens and other similar Liens which arise in the ordinary course of business, do not materially impair the use or value of its properties

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or assets or the conduct of its business, and secure obligations that are not yet due and payable or are being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and as to which adequate reserves shall have been set aside on the books of the Borrower in accordance with generally accepted accounting principles or as to which adequate bonds shall have been obtained;

(g) pledges or deposits to secure obligations under workmen's compensation laws or similar legislation or to secure public or statutory obligations of the Borrower;

(h) Liens created in favor of a Governmental Authority to secure partial, progress, advance or other contractual payments pursuant to any agreement or statute;

(i) attachment, judgment and other similar Liens arising in connection with court proceedings, provided the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings in such manner as not to have the property subject to such Liens forfeitable; and

(j) easements, rights-of-way, reservations, exceptions, minor encroachments, restrictions and similar charges created or incurred in the ordinary course of business which in the aggregate do not materially interfere with the business operations of the Borrower and its Subsidiaries taken as a whole, and which were not incurred in connection with the borrowing of money.

Section 6.04. Restrictions on Negative Pledge. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any agreement prohibiting or having the effect of prohibiting the Borrower and its Subsidiaries from granting a Lien against or otherwise disposing of the capital stock, promissory notes or other equity or debt interests of any Consolidated Subsidiary, other than (i) this Agreement, and, prior to the initial Borrowing hereunder, the Existing Credit Agreement, and (ii) in the case of Dixie, the provisions of Section 7.4 of the Dixie Note Purchase Agreement as in effect on April 23, 1993 and as thereafter amended to lessen or eliminate the restrictions contained therein.

Section 6.05. Consolidated Subsidiary Dispositions. The Borrower will not, and will not permit any of its Subsidiaries to, sell, transfer or otherwise dispose of (i) any capital stock or other equity interests of any Consolidated Subsidiary or (ii) all or substantially all of the assets of any Consolidated Subsidiary (whether in a single transaction or series of transactions), other than (A) any such disposition made to the Borrower or a wholly-owned Consolidated Subsidiary, (B) any disposition of capital stock or other equity interests in Dixie so long as after giving effect to such disposition the Borrower owns (either directly or indirectly through a wholly-owned Consolidated Subsidiary) at least 90% of the capital stock or other equity interests of Dixie and (C) the disposition of the capital stock of Mariner Reinsurance Company, a company organized under the laws of Bermuda and a Consolidated Subsidiary, arising out of the liquidation and dissolution of such entity.

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Section 6.06. Restrictions on Consolidated Subsidiary Distributions. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any agreement restricting the ability of any Consolidated Subsidiary to (a) pay dividends or make other distributions on the capital stock or other equity interests of such Consolidated Subsidiary or (b) make loans or advances to the Borrower or any Subsidiary of the Borrower, other than (i) this Agreement, and (ii) in the case of Dixie, the provisions of Section 7.4 of the Dixie Note Purchase Agreement as in effect on April 23, 1993 and as thereafter amended to lessen or eliminate the restrictions contained therein.

Section 6.07. Mergers and Acquisitions. The Borrower will not, and will not permit any of its Consolidated Subsidiaries to, acquire (whether in one transaction or a series of transactions) all or substantially all of the assets of any Person or the capital stock or securities of any Person, or consolidate with or merge into any Person or permit any Person to consolidate or merge into it, unless: (a) in the case of an acquisition, such acquisition is not a Hostile Acquisition; (b) any business acquired in such transaction is similar or related to the businesses engaged in by the Borrower and its

Consolidated Subsidiaries on the date hereof; (c) in the case of a merger (i) if the Borrower is a party to such merger, the Borrower is the surviving entity and the management of the Borrower shall be substantially unchanged and (ii) if a Consolidated Subsidiary is a party to such merger, either the Borrower or a Consolidated Subsidiary is the surviving entity; (d) immediately after giving effect and pro forma effect thereto, no Default shall exist; and (e) if the Borrower incurs Funded Debt in excess of \$25,000,000 to finance, or otherwise in connection with, any acquisition or merger otherwise permitted by this Agreement, then (i) the ratio of (A) the total consideration given by the Borrower and its Subsidiaries in connection therewith to (B) the projected net cash flow from the assets acquired pursuant to such transaction for the twelve-month period immediately following the closing of such transaction, must not be greater than 8.00 to 1.00 (for purposes of this clause (a), "projected net cash flow" shall mean the Borrower's estimate of the operating earnings from the assets acquired pursuant to such transaction for the twelve (12) month period immediately following the closing of such transaction, before tax, plus any depreciation and amortization included in such estimated operating earnings, all determined in accordance with generally accepted accounting principles and based upon such assumptions as are reasonably acceptable to the Majority Banks) and (ii) the Agent shall have received (A) a certificate of a Responsible Officer of the Borrower showing satisfaction of the condition set forth in Section 6.07(e) (i), and (B) such other documents, opinions and information that the Agent or the Majority Banks may reasonably request in order to substantiate the same.

Section 6.08. Restricted Investments. (a) The Borrower will not, and will not permit any Consolidated Subsidiary to, make, or enter into any commitment to make, any Restricted Investment if a Default exists either before or after giving effect thereto.

(b) The Borrower will not, and will not permit any Consolidated Subsidiary to, make, or enter into any commitment to make, or permit to exist any Restricted Investment other than (i) the Existing Universal Investment and (ii) other Restricted Investments that do not in the aggregate exceed twenty percent (20%) of Net Worth.

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(c) The Borrower will not permit the sum (without duplication) of (i) all Restricted Investments, made by the Borrower and its Consolidated Subsidiaries (excluding the Existing Universal Investment), plus (ii) all commitments by the Borrower and its Consolidated Subsidiaries to make Restricted Investments, plus (iii) all Debt (other than Derivative Obligations) of Consolidated Subsidiaries, to at any time exceed thirty-five percent (35%) of Net Worth.

Section 6.09. Lines of Business. The Borrower will not, and will not permit any of its Consolidated Subsidiaries to, directly or indirectly engage to a material extent in any business other than those in which it is presently engaged or that are directly related thereto, or discontinue any of its existing lines of business or substantially alter its method of doing business.

Section 6.10. Transactions with Affiliates. Neither the Borrower, nor any of its Consolidated Subsidiaries, will enter into any transaction with an Affiliate other than (a) transactions entered into in the ordinary course of business and upon terms no less favorable than those that the Borrower or its Consolidated Subsidiary, as applicable, could obtain in an arms length transaction with a Person that is not an Affiliate and (b) transactions between the Borrower and any of its Consolidated Subsidiaries, or between such Consolidated Subsidiaries, that do not and will not, either directly or indirectly, cause a Default.

Section 6.11. Universal Stockholders Agreement. The Borrower will not agree to, or otherwise permit, any amendment or other modification to the Universal Stockholders Agreement.

ARTICLE VII
DEFAULT

Section 7.01. Events of Default. If any of the following events (each an "Event of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay when due any installment of principal of the Loans; or

(b) the Borrower shall fail to pay any interest on any Loan or any arrangement fee, commitment fee, administration fee, commission, expense, compensation, reimbursement or other amount when due, or any Person (other than a member of the Bank Group) shall fail to pay any amount payable by such Person hereunder or under any other Loan Document or other agreement or security document contemplated by or delivered pursuant to or in connection with this Agreement when due, and, in either event, such failure shall continue for five (5) Business Days; or

(c) the Borrower shall fail to perform any term, covenant or agreement contained in Article VI or Section 5.01(e) of this Agreement; or

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(d) the Borrower shall fail to perform any term, covenant or agreement contained in this Agreement (other than those referenced in subsections (a), (b) and (c) of this Section 7.01) and such failure shall not have been remedied within ten (10) days after the earlier of (i) notice thereof from the Agent to the Borrower or (ii) discovery thereof by the Borrower; or

(e) any Person (other than a member of the Bank Group) shall fail to perform any term, covenant or agreement contained in any Loan Document (other than those referenced in subsections (a), (b), (c) and (d) of this Section 7.01) to which it is a party and such failure shall not have been remedied within thirty (30) days after the earlier of (i) notice thereof from the Agent to the Borrower or (ii) discovery thereof by the Borrower; or

(f) any representation or warranty made by any Person (other than a member of the Bank Group), or any such Person's officers, in any Loan Document to which it is a party or in any certificate, agreement, instrument or statement contemplated by or delivered pursuant to, or in connection with, any Loan Document shall prove to have been incorrect in any material respect when made; or

(g) the Borrower or any of its Subsidiaries shall (i) default in the payment of any Debt (other than the amounts referred to in subsections (a) and (b) of this Section 7.01) owing by such Person that constitutes Material Debt as of the date of such default, or any interest or premium thereon, when due (or, if permitted by the terms of the relevant document, within any applicable grace period), whether such Debt shall become due by scheduled maturity, by required prepayment, by acceleration, by demand or otherwise; or (ii) fail to perform any term, covenant or condition on its part to be performed under any agreement or instrument evidencing, securing or relating to any such Debt, when required to be performed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such failure is to accelerate, or to permit the holder or holders of such Debt to accelerate, the maturity of such Debt; or

(h) any Loan Document shall (other than with the consent of the Majority Banks), at any time after its execution and delivery and for any reason, cease to be in full force and effect (except for such provisions that the Majority Banks determine are not material either individually or in the aggregate), or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by any Person party to the Loan Documents or any such Person shall deny that it has any or further liability or obligation under any Loan Document; or

(i) any Reportable Event that might constitute grounds for the termination of any Plan, or for the appointment by an appropriate United States

district court of a trustee to administer any Plan, shall have occurred and be continuing for at least thirty (30) days, or any Plan shall be terminated, or a trustee shall be appointed by an appropriate United States district court to administer any Plan, or the PBGC shall institute proceedings to terminate any Plan or to appoint a trustee to administer any Plan, and, in any such event, the then-current value of such Plan's benefits guaranteed under Title IV of ERISA at the time shall exceed by more than \$5,000,000 the then-current value of such Plan's assets allocable to such benefits at such time; or

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(j) the Borrower or any of its Subsidiaries shall be adjudicated insolvent, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by any such Person seeking to adjudicate it insolvent, seeking liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property, or the Borrower or any of its Subsidiaries shall take any action in furtherance of any of the actions set forth above in this Section 7.01(j); or

(k) any proceeding of the type referred to in Section 7.01(j) is filed, or any such proceeding is commenced against the Borrower or any of its Subsidiaries or any such Person by any act indicates its approval thereof, consent thereto or acquiescence therein, or an order for relief is entered in an involuntary case under the bankruptcy law of the United States, or an order, judgment or decree is entered appointing a trustee, receiver, custodian, liquidator or similar official or adjudicating any such Person insolvent, or approving the petition in any such proceedings, and such order, judgment or decree remains in effect for sixty (60) days; or

(l) a final judgment or order for the payment of money in excess of \$5,000,000 (net of acknowledged, uncontested insurance coverage from a financially sound, responsible and reputable insurance company or association) shall be rendered against the Borrower or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) a stay of enforcement of such judgment or order by reason of a pending appeal or otherwise, shall not be in effect for any period of thirty (30) consecutive days; or

(m) a Change of Control occurs with respect to the Borrower;

then, (i) upon the occurrence of any Event of Default described in Section 7.01(j) or Section 7.01(k), (A) the Commitments shall automatically terminate and (B) the entire unpaid principal amount of all Loans, all interest accrued and unpaid thereon, and all other amounts payable by the Borrower or any other Person under this Agreement, the Notes and the other Loan Documents shall automatically become immediately due and payable, without presentment for payment, demand, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are hereby expressly waived by the Borrower and each other Person, and (ii) upon the occurrence of any Event of Default, the Agent may, and upon the direction of the Majority Banks shall, by notice to the Borrower (A) declare the Commitments to be terminated, whereupon the same shall forthwith terminate and (B) declare the entire unpaid principal amount of all Loans, all interest accrued and unpaid thereon, and all other amounts payable by the Borrower or any other Person under this Agreement, the Notes and the other Loan Documents, to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable, without presentment for payment, demand, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are hereby expressly waived by the Borrower and each other Person.

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Section 7.02. Setoff in Event of Default. Upon the occurrence and during the continuance of any Event of Default, each member of the Bank Group is hereby authorized, at any time and from time to time, without notice to the Borrower (any such notice being expressly waived by the Borrower) and to the fullest extent permitted by applicable law, to setoff and apply any and all deposits at any time held and other indebtedness at any time owing by such member of the Bank Group (or any branch, subsidiary or affiliate of such member of the Bank Group) to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower or any other Person, now or hereafter existing under this Agreement, the Notes or the other Loan Documents, irrespective of whether or not such member of the Bank Group shall have made any demand for satisfaction of such obligations and although such obligations may be unmatured. Any member of the Bank Group exercising such right agrees to notify the Borrower promptly after any such setoff and application made by such Person; provided, that the failure to give such notice shall not affect the validity of such setoff and application. The rights of the Bank Group under this Section 7.02 are in addition to other rights and remedies (including, without limitation, other rights of setoff) which the Bank Group may have hereunder or under any applicable law.

Section 7.03. No Waiver; Remedies. No failure on the part of any member of the Bank Group to exercise, or any delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided in any of the other Loan Documents or by applicable law.

ARTICLE VIII
THE AGENT AND THE FUNDS ADMINISTRATOR

Section 8.01. Authorization and Action. Each Bank hereby appoints and authorizes the Agent and the Funds Administrator to take such action in such capacity on such Bank's behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent and the Funds Administrator, as the case may be, by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes or of amounts owing under the other Loan Documents), the Agent and the Funds Administrator shall not be required to exercise any discretion or take any action, but such Person shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks, and such instructions shall be binding upon all Banks and any other holders of Notes; provided, however, that the Agent and the Funds Administrator shall not be required to take any action which exposes such Person to personal liability or which is contrary to the Loan Documents or applicable law. Each of the Agent and the Funds Administrator is hereby expressly authorized on behalf of the other members of the Bank Group, (a) to receive on behalf of each of the other members of the Bank Group any payment of principal of or interest on the Loans outstanding hereunder and all other amounts accrued hereunder

paid to such Persons, and promptly to distribute to each other member of the Bank Group its proper share of all payments so received; (b) in the case of the Agent only, to give notice within a reasonable time on behalf of each other member of the Bank Group to the Borrower of any Default of which the Agent has actual knowledge as provided in Section 8.09; (c) to distribute to the other members of the Bank Group copies of all notices, agreements and other material as provided for in this Agreement as received by such Person; and (d) to distribute to the Borrower any and all requests, demands and approvals received by such Person from any other member of the Bank Group. Nothing herein contained shall be construed to constitute either the Agent or the Funds Administrator as

a trustee for any holder of the Notes or of a participation therein, nor to impose on any such Person any duties or obligations other than those expressly provided for in the Loan Documents.

Section 8.02. Reliance, Etc. The Agent, the Funds Administrator and their respective directors, officers, agents or employees shall not be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for such acts or omissions of such Person constituting gross negligence or willful misconduct on the part of such Person (IT BEING THE EXPRESS INTENTION OF THE PARTIES THAT THE AGENT, THE FUNDS ADMINISTRATOR AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS SHALL HAVE NO LIABILITY FOR ACTIONS AND OMISSIONS HEREUNDER RESULTING THAT CONSTITUTE ORDINARY NEGLIGENCE, WHETHER SOLE OR CONTRIBUTORY) OR RESULT IN STRICT LIABILITY. Without limitation of the generality of the foregoing, each of the Agent and the Funds Administrator: (a) may treat the payee of any Note as the holder thereof until the Agent receives and accepts an Assignment and Acceptance entered into by the Bank which is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.02, and the Agent notifies such Person thereof; (b) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of the Borrower or any other Person or to inspect the property (including the books and records) of the Borrower or any other Person; (e) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document, any collateral provided for therein, or any other instrument or document furnished pursuant thereto; and (f) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties. The Agent, the Funds Administrator and their respective directors, officers, employees or agents shall not have any responsibility to the Borrower on account of the failure or delay in performance or breach by any Bank of any of its obligations hereunder or to any Bank on account of the failure of or delay in performance or breach

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by any other Bank or the Borrower of any of their respective obligations hereunder or in connection herewith.

Section 8.03. TCB and Affiliates. Without limiting the right of any other Bank to engage in any business transactions with the Borrower or any of its Affiliates, with respect to its Commitment, the Loans made by it, the Note issued to it, and its interest in the Loan Documents, TCB shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Funds Administrator or the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include TCB in its individual capacity. TCB, or any of its Affiliates, may be engaged in, or may hereafter engage in, one or more loan, letter of credit, leasing or other financing activities not the subject of the Loan Documents (such financing activities of TCB being, collectively, the "Other Financings") with the Borrower or any of its Affiliates, or may act as trustee on behalf of, or depository for, or otherwise engage in other business transactions with the Borrower or any of its Affiliates (all Other Financings and other such business transactions of TCB being, collectively, the "Other Activities") with no responsibility to account therefor to the Banks. Without limiting the rights and remedies of the Banks specifically set forth in the Loan Documents, no other Bank shall have any interest in (a) any Other Activities, (b) any present or future guarantee by or for the account of the Borrower not contemplated or included in the Loan Documents, (c) any present or future offset exercised by the Agent or the Funds Administrator in respect of any such Other Activities, (d) any present or future property taken as security for any such Other Activities or (e) any property now

or hereafter in the possession or control of the Agent or the Funds Administrator which may be or become security for the obligations of the Borrower under the Loan Documents by reason of the general description of indebtedness secured, or of property, contained in any other agreements, documents or instruments related to such Other Activities; provided, however, that if any payment in respect of such guarantees or such property or the proceeds thereof shall be applied to reduction of the obligations evidenced hereunder and by the Notes, then each Bank shall be entitled to share in such application according to its pro rata portion of such obligations.

Section 8.04. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon any other member of the Bank Group and based on the financial statements referred to in Section 4.06 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon any other member of the Bank Group and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

Section 8.05. Indemnification. The Banks agree to indemnify each of the Agent and the Funds Administrator (to the extent not reimbursed by the Borrower), ratably according to their respective Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent or the Funds Administrator, as the case may be, in any way relating to or arising out of this Agreement or the

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other Loan Documents or any action taken or omitted by the Agent or the Funds Administrator under this Agreement or the other Loan Documents, provided, that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Person's gross negligence or willful misconduct. IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO THAT THE AGENT AND THE FUNDS ADMINISTRATOR SHALL BE INDEMNIFIED AND HELD HARMLESS AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS OF ANY KIND ARISING OUT OF OR RESULTING FROM THE ORDINARY NEGLIGENCE (WHETHER SOLE OR CONTRIBUTORY) OR STRICT LIABILITY OF SUCH PERSON. The Agent and the Funds Administrator shall not be required to do any act hereunder or under any other document or instrument delivered hereunder or in connection herewith or take any action toward the execution or enforcement of the agencies hereby created, or to prosecute or defend any suit in respect of this Agreement or the Loan Documents or any collateral security, unless indemnified to its satisfaction by the holders of the Notes against loss, cost, liability, and expense. If any indemnity furnished to the Agent or the Funds Administrator for any purpose is, in the opinion of such Person insufficient or becomes impaired, such Person may call for additional indemnity and not commence or cease to do the acts indemnified against until such additional indemnity is furnished. Without limitation of the foregoing, each Bank agrees to reimburse the Agent and the Funds Administrator promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by such Person in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and the other Loan Documents, to the extent that the Agent and the Funds Administrator are not reimbursed for such expenses by the Borrower.

Section 8.06. Employees of the Agent, Etc. Each of the Agent and the Funds Administrator may execute any of their respective duties under this Agreement, the other Loan Documents and any instrument, agreement or document executed, issued or delivered pursuant hereto or thereto or in connection herewith or therewith, by or through employees, agents and attorneys-in-fact, and shall not be answerable for the default or misconduct of any such employee, agent or attorney-in-fact selected by it with reasonable care. Each of the Agent and the Funds Administrator may, and upon the written

instruction of the Majority Banks shall, enforce on behalf of the Banks any claims which the Agent, the Funds Administrator and/or the Banks may have against any such employee, agent or attorney-in-fact, and any recovery therefrom shall be applied for the pro rata benefit of the Banks.

Section 8.07. Successor Agent. The Agent may resign at any time by giving written notice thereof to the other members of the Bank Group and the Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within thirty (30) days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal

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of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement, subject to the requirement that such retiring Agent will execute such documents and take such actions as may be necessary or desirable to cause the successor Agent to be vested with all such rights, powers, privileges and duties. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. All costs and expenses incurred by the Bank Group in connection with any amendments or other documentation required by this Section 8.07 shall be paid by the Borrower pursuant to Section 9.04 hereof.

Section 8.08. Successor Funds Administrator. The Funds Administrator may resign at any time by giving written notice thereof to the other members of the Bank Group and the Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Funds Administrator. If no successor Funds Administrator shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within thirty (30) days after the retiring Funds Administrator's giving of notice of resignation or the Majority Banks' removal of the retiring Funds Administrator, then the retiring Funds Administrator may, on behalf of the Banks, appoint a successor Funds Administrator, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Funds Administrator hereunder by a successor Funds Administrator, such successor Funds Administrator shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Funds Administrator, and the retiring Funds Administrator shall be discharged from its duties and obligations under this Agreement, subject to the requirement that such retiring Funds Administrator will execute such documents and take such actions as may be necessary or desirable to cause the successor Funds Administrator to be vested with all such rights, powers, privileges and duties. After any retiring Funds Administrator's resignation or removal hereunder as Funds Administrator, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Funds Administrator under this Agreement. All costs and expenses incurred by the Bank Group in connection with any amendments or other documentation required by this Section 8.08 shall be paid by the Borrower pursuant to Section 9.04 hereof.

Section 8.09. Notice of Default. Neither the Agent nor the Funds Administrator shall be deemed to have knowledge or notice of the occurrence of any Default unless such Person shall have received notice from a Bank or the Borrower referring to this Agreement, describing such Default and stating that such notice is a "notice of default" or "notice of event of default," as applicable. If the Agent receives such a notice from the Borrower, the Agent shall give notice thereof to the other members of the Bank Group and,

if such notice is received from a Bank, the

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Agent shall give notice thereof to the other members of the Bank Group and the Borrower. The Agent shall be entitled to take action or refrain from taking action with respect to such Default as provided in this Article VIII.

Section 8.10. Execution of Loan Documents. Each member of the Bank Group hereby authorizes and directs the Agent and the Funds Administrator to execute and deliver each Loan Document (including, without limitation, those specified in Section 3.01) to be executed by the Agent or the Funds Administrator on or about the Effective Date pursuant to the terms of this Agreement and the other Loan Documents.

ARTICLE IX MISCELLANEOUS

Section 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement, any Note or any other Loan Document, or consent to any departure by any Person herefrom or therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive or amend any of the conditions specified in Article III, (b) increase the Commitments of the Banks or subject the Banks to any additional obligations, (c) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (e) release the Borrower or any other Person from its payment obligations to the Bank Group, regardless of whether such obligations are those of a primary obligor, a guarantor or surety, or otherwise, (f) take action which expressly requires the signing of all the Banks pursuant to the terms of this Agreement, (g) change the Commitment Percentages or the aggregate unpaid principal amount of the Notes, or the number of Banks, as the case may be, required for the Agent, the Funds Administrator or the Banks or any of them to take any action under this Agreement or amend the definition of Majority Banks or (h) amend Article II or this Section 9.01; provided, further, that no amendment, waiver or consent shall (1) unless in writing and signed by the Agent in addition to the Banks required above to take such action, affect the rights or duties of the Agent under this Agreement or any other Loan Document, and (2) unless in writing and signed by the Funds Administrator in addition to the Banks required above to take such action, affect the rights or duties of the Funds Administrator under this Agreement or any other Loan Document. No notice to or demand on Borrower or any other Person in any case shall entitle them to any other or further notice or demand in similar or other circumstances.

Section 9.02. Participation Agreements and Assignments. (a) (i) Subject to Section 9.02(a)(ii), each Bank may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Loans owing to it and the Note held by it) and the other Loan Documents;

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provided, however, that (A) no such assignment shall be made unless such assignment and assignee have been approved by the Agent and, so long as no Default exists, the Borrower, such approvals not to be unreasonably withheld, provided that such approvals shall not be required if the assignee is an Affiliate of the assignor Bank, (B) each such assignment shall be of a constant,

and not a varying, percentage of all rights and obligations of the assignor under this Agreement and the other Loan Documents, and no assignment shall be made unless it covers a pro rata share of all rights and obligations of such assignor under this Agreement and the other Loan Documents, (C) the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall, unless otherwise agreed to by the Agent, in no event be less than \$5,000,000 and shall be an integral multiple of \$1,000,000, (D) each such assignment shall be to an Eligible Assignee and (E) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register (defined below), an Assignment and Acceptance, together with any Note subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (1) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations under the Loan Documents have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank under the Loan Documents and (2) the assigning Bank thereunder shall, to the extent that rights and obligations under the Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(ii) In the event any Bank desires to transfer all or any portion of its rights and obligations under the Loan Documents to any Person other than an Affiliate of such Bank, it shall give the Borrower and the Agent prior written notice of the identity of such transferee and the terms and conditions of such transfer (a "Transfer Notice"). So long as no Default has occurred and is continuing, the Borrower may, no later than ten (10) days following receipt of such Transfer Notice, designate an alternative transferee and such Bank shall thereupon be obligated to sell the interests specified in such Transfer Notice to such alternative transferee, subject to the following: (A) such transfer shall be made on the same terms and conditions outlined in such Transfer Notice, (B) such transfer shall otherwise comply with the terms and conditions of the Loan Documents (including Section 9.02(a)(i)), and (C) such alternative transferee must be an Eligible Assignee approved by the Agent. If the Borrower shall fail to designate an alternative transferee within such ten (10) day period, such Bank shall, subject to compliance with the other terms and provisions hereof, be free to consummate the transfer described in such Transfer Notice.

(b) By executing and delivering an Assignment and Acceptance, the assigning Bank thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Documents or

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the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement and the other Loan Documents, together with copies of the financial statements referred to in Section 4.06 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon any member of the Bank Group (including such assigning Bank) and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent and the Funds Administrator to take such action on its behalf and to exercise such powers

under this Agreement and the other Loan Documents as are delegated to such Person by the terms thereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement and the other Loan Documents are required to be performed by it as a Bank.

(c) The Agent shall maintain at its address referred to in Section 9.03 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Loans owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower and each member of the Bank Group may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any member of the Bank Group at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, together with any Note subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit D and satisfies all other requirements set forth in this Section 9.02, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower and the other members of the Bank Group. Within five (5) Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent, in exchange for the surrendered Notes, new Notes to the order of such Eligible Assignee in an amount corresponding to the Commitment assumed by such Eligible Assignee pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment hereunder, new Notes to the order of the assigning Bank in an amount corresponding to the Commitment retained by it hereunder. Such new Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Notes, shall be dated

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the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form prescribed by Section 2.03 hereto.

(e) Each Bank may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including, without limitation, all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) and the other Loan Documents shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, and the participating banks or other entities shall not be considered a "Bank" for purposes of the Loan Documents, (iii) the participating banks or other entities shall be entitled to the cost protection provisions contained in Section 2.10 through Section 2.13 and the rights of setoff contained in Section 7.02, in each case to the same extent that the Bank from which such participating bank or other entity acquired its participation would be entitled to the benefit of such cost protection provisions and rights of setoff and (iv) the Borrower and the other members of the Bank Group shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and the other Loan Documents, and such Bank shall retain the sole right to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers with respect to the amounts of any fees payable hereunder or the amount of principal of or the rate at which interest is payable on the Loans, or the dates fixed for payments of principal or interest on the Loans).

(f) Anything in this Section 9.02 to the contrary notwithstanding, any Bank may at any time, without the consent of the Borrower

or the Agent, assign and pledge all or any portion of its Commitment and the Loans owing to it to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Federal Reserve Board and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Bank from its obligations hereunder.

(g) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.02, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Bank by or on behalf of the Borrower; provided that prior to any such disclosure, each such assignee or participant or proposed assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of any confidential information relating to the Borrower received from such Bank.

Section 9.03. Notices. All correspondence, statements, notices, requests and demands (collectively "Communications") shall be in writing (including telegraphic Communications) and mailed, telegraphed, telecopied, facsimile transmitted or delivered as follows:

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if to the Borrower --

Kirby Corporation
1775 St. James Place, Suite 200
Houston, Texas 77056
Attention: Chief Financial Officer
Telecopier: (713) 435-1010

if to the Funds Administrator or the Agent--

Texas Commerce Bank National Association
712 Main Street
Houston, Texas 77002
Attention: Houston Diversified Industries
Telecopier: (713) 216-6004

with a copy to --

Texas Commerce Bank National Association
1111 Fannin, 9th Floor M.S. 46
Houston, Texas 77002
Attention: Syndications Department
Telecopier: (713) 750-3810

if to any Bank, at its Domestic Lending Office, or as to each such party, at such other address as such party shall designate in a written Communication to each of the other parties hereto. All such Communications shall be effective, in the case of written or telegraphed Communications, when deposited in the mails or delivered to the telegraph company, respectively, and, in the case of a Communication by telecopy or facsimile transmission, when telecopied or transmitted against receipt of a confirmation, in each case addressed as aforesaid, except that Communications to any member of the Bank Group pursuant to Article II and Article VIII shall not be effective until received by such Persons.

Section 9.04. Costs and Expenses. The Borrower agrees to pay on demand (a) all reasonable costs and expenses of the Agent and the Funds Administrator incurred in connection with the preparation, execution, delivery, filing, administration and recording of the Loan Documents and any other agreements or security documents delivered in connection with or pursuant to any of the Loan Documents and the syndication of this Agreement both before and after the date hereof, including, without limitation, the reasonable fees and out-of-pocket expenses of Andrews & Kurth L.L.P., special counsel to the Agent, and local counsel who may be retained by such special counsel, with respect thereto, and (b) all reasonable costs and expenses of the Agent and the Funds Administrator, and during the existence of an Event of Default any Bank,

incurred in connection with the enforcement of the Loan Documents and any other agreements or security documents

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executed in connection with or pursuant to any of the Loan Documents, including, but not limited to, the reasonable fees and out-of-pocket expenses of counsel to the Agent, and local counsel who may be retained by such counsel, with respect thereto, and the costs and expenses in connection with the custody, preservation, use or operation of, or the sale of, or collection from, or other realization upon the sale of, or collection from, or other realization upon any collateral covered by any of the Loan Documents or any other documents executed in connection with or pursuant to any of the Loan Documents. The agreements of Borrower contained in this Section 9.04 shall survive the termination of the Commitments and the payment of all other amounts owing hereunder or under any of the other Loan Documents.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Agent, the Funds Administrator, the Banks and their respective successors and assigns, except that the Borrower may not assign or transfer its rights hereunder without the prior written consent of the Banks.

Section 9.06. Independence of Covenants. All covenants contained in the Loan Documents shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that such action or condition would be permitted by an exception to, or otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

Section 9.07. Survival of Representations and Warranties. All representations and warranties contained in this Agreement and the other Loan Documents or made in writing by the Borrower in connection herewith or therewith, shall survive the execution and delivery of this Agreement, the Notes and the other Loan Documents and the repayment of the Loans. Any investigation by any member of the Bank Group shall not diminish in any respect whatsoever its right to rely on such representations and warranties.

Section 9.08. Separability. Should any clause, sentence, paragraph, subsection, Section or Article of this Agreement be judicially declared to be invalid, unenforceable or void, such decision will not have the effect of invalidating or voiding the remainder of this Agreement, and the parties hereto agree that the part or parts of this Agreement so held to be invalid, unenforceable or void will be deemed to have been stricken herefrom by the parties hereto, and the remainder will have the same force and effectiveness as if such stricken part or parts had never been included herein.

Section 9.09. Captions. The captions in this Agreement have been inserted for convenience only and shall be given no substantive meaning or significance whatsoever in construing the terms and provisions of this Agreement.

Section 9.10. Limitation by Law. All provisions of this Agreement and the other Loan Documents are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Agreement

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or any other Loan Document invalid or unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

Section 9.11. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, and all of which taken together shall constitute one and the same agreement.

Section 9.12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas and applicable federal law; provided, however, notwithstanding the foregoing or any other provision of this Agreement, nothing in this Agreement, the Notes or the other Loan Documents shall be deemed to constitute a waiver of any rights which any Bank may have under federal legislation relating to the rate of interest which such Bank may contract for, take, reserve, receive or charge in respect of any Debt owing to such Bank hereunder. Chapter 15, Subtitle 3, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended (relating to revolving loan and revolving triparty accounts), shall not apply to this Agreement or the Notes or the transactions contemplated hereby.

Section 9.13. Limitation on Interest. Each provision in this Agreement and each other Loan Document is expressly limited so that in no event whatsoever shall the amount paid, or otherwise agreed to be paid, by the Borrower for the use, forbearance or detention of the money to be loaned under this Agreement or any other Loan Document or otherwise (including any sums paid as required by any covenant or obligation contained herein or in any other Loan Document which is for the use, forbearance or detention of such money), exceed that amount of money which would cause the effective rate of interest thereon to exceed the Highest Lawful Rate, and all amounts owed under this Agreement and each other Loan Document shall be held to be subject to reduction to the effect that such amounts so paid or agreed to be paid which are for the use, forbearance or detention of money under this Agreement or such Loan Document shall in no event exceed that amount of money which would cause the effective rate of interest thereon to exceed the Highest Lawful Rate. To the extent that the Highest Lawful Rate applicable to a Bank is at any time determined by Texas law, such rate shall be the "indicated rate ceiling" described in Section (a)(1) of Article 1.04 of Chapter 1, Subtitle 1, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended; provided, however, to the extent permitted by such Article, the Banks from time to time by notice from the Agent to Borrower may revise the aforesaid election of such interest rate ceiling as such ceiling affects the then-current or future balances of the Loans outstanding under the Notes. Notwithstanding any provision in this Agreement or any other Loan Document to the contrary, if the maturity of the Notes or the obligations in respect of the other Loan Documents are accelerated for any reason, or in the event of prepayment of all or any portion of the Notes or the obligations in respect of the other Loan Documents by the Borrower or in any other event, earned interest on the Loans and such other obligations of the Borrower may never exceed the maximum amount permitted by applicable law, and any unearned interest otherwise payable under the Notes or the obligations in respect of the other Loan Documents that is in excess of the maximum amount permitted by applicable law shall be cancelled automatically as of the date of such acceleration or prepayment or

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other such event and, if theretofore paid, shall be credited on the principal of the Notes or, if the principal of the Notes has been paid in full, refunded to the Borrower. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Highest Lawful Rate, the Borrower and the Banks shall, to the maximum extent permitted by applicable law, amortize, prorate, allocate and spread, in equal parts during the period of the actual term of this Agreement, all interest at any time contracted for, charged, received or reserved in connection with the Loan Documents.

Section 9.14. Indemnification. The Borrower agrees to indemnify, defend and hold each member of the Bank Group, as well as their respective officers, employees, agents, Affiliates, directors and shareholders (collectively, "Indemnified Persons") harmless from and against any and all loss, liability, damage, judgment, claim, deficiency or reasonable expense (including interest, penalties, reasonable attorneys' fees and amounts paid in settlement) incurred by or asserted against any Indemnified Person arising out

of, in any way connected with, or as a result of (i) the execution and delivery of this Agreement and the other documents contemplated hereby, the performance by the parties hereto and thereto of their respective obligations hereunder and thereunder (including but not limited to the making of the Loans by each Bank) and consummation of the transactions contemplated hereby and thereby, (ii) the actual or proposed use of the proceeds of the Loans, (iii) any violation by the Borrower or any of its Subsidiaries of any Requirement of Law, including but not limited to Environmental Laws, (iv) any member of the Bank Group being deemed an operator of any real or personal property of the Borrower or any of its Subsidiaries in circumstances in which no member of the Bank Group is generally operating or generally exercising control over such property, to the extent such losses, liabilities, damages, judgments, claims, deficiencies or expenses arise out of or result from any Hazardous Materials located in, on or under such property or (v) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnified Person is a party thereto; provided that such indemnity shall not apply to any such losses, claims, damages, liabilities or related expenses that are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of, or willful violation of the Loan Documents by, such Indemnified Person. WITHOUT LIMITING ANY PROVISION OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, IT IS THE EXPRESS INTENTION OF THE BORROWER THAT EACH INDEMNIFIED PERSON SHALL BE INDEMNIFIED AND HELD HARMLESS AGAINST ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DEFICIENCIES, JUDGMENTS OR REASONABLE EXPENSES ARISING OUT OF OR RESULTING FROM THE ORDINARY NEGLIGENCE (WHETHER SOLE OR CONTRIBUTORY) OR STRICT LIABILITY OF SUCH INDEMNIFIED PERSON. Each Indemnified Person will attempt to consult with the Borrower prior to entering into any settlement of any lawsuit or proceeding that could give rise to a claim for indemnity under this Section 9.14, although nothing herein shall give the Borrower the right to direct or control any such settlement negotiations or any related lawsuit or proceeding on behalf of such Indemnified Party. The obligations of the Borrower under this Section 9.14 shall survive the termination of this Agreement.

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Section 9.15 Submission to Jurisdiction. The Borrower hereby irrevocably submits to the jurisdiction of any Texas state or federal court sitting in Houston, Texas over any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents, and the Borrower irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Texas state or federal court; provided, however, nothing in this Section 9.15 is intended to waive the right of any member of the Bank Group to remove any such action or proceeding commenced in any such Texas state court to an appropriate Texas federal court to the extent the basis for such removal exists under applicable law. The Borrower irrevocably consents to the service of any and all process in any such action or proceeding by the mailing by certified mail of copies of such process to it at its address specified herein. The Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section 9.15 shall affect the right of any member of the Bank Group to serve legal process in any other manner permitted by law or affect the right of any member of the Bank Group to bring any action or proceeding against any of the Borrower, or such person's properties, in the courts of any other jurisdiction.

Section 9.16. WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER AND THE BANK GROUP HEREBY IRREVOCABLY AND EXPRESSLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES, OR ANY OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY OR THE ACTIONS OF THE BANK GROUP IN THE NEGOTIATION, ADMINISTRATION, OR ENFORCEMENT THEREOF.

Section 9.17. FINAL AGREEMENT OF THE PARTIES. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS CONSTITUTE A LOAN AGREEMENT FOR PURPOSES OF SECTION 26.02(a) OF THE TEXAS BUSINESS AND COMMERCE CODE, AND REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

KIRBY CORPORATION

By: /s/ Brian K. Harrington

Brian K. Harrington
Senior Vice President

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as Funds Administrator, as Agent, and individually as one of the Banks

By: /s/ Michael Ondruch

Michael Ondruch
Vice President

ABN AMRO BANK N.V.

By: _____
Name:
Title:

By: _____
Name:
Title:

CITIBANK, N.A.

By: /s/ Illegible

Name:
Title:

CORESTATES BANK, N.A.

By: /s/ S. Scott Gates

Name: S. Scott Gates
Title: Vice President

DEPOSIT GUARANTY NATIONAL BANK

By: /s/ Davvid L. Castilaw

Name: David L. Castilaw
Title: Senior Vice President

WELLS FARGO BANK

By: /s/ Nipul Patel

Name: Nipul Patel
Title: Relationship Manager

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ANNEX A
DEFINITIONS

"Adjusted CD Rate" means, for any Interest Period for each Adjusted CD Rate Loan comprising part of the same Borrowing, an interest rate per annum equal to the sum of: (a) the rate per annum obtained by dividing (i) the rate of interest determined by the Agent to be the arithmetic average (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such average is not such a multiple) of the consensus bid rate determined by the Agent for the bid rates per annum, on or about 9:00 A.M. (Houston time) (or as soon thereafter as practicable) one Business Day before the first day of such Interest Period, of certificate of deposit dealers of recognized standing selected by the Agent for the purchase at face value of certificates of deposit of the Agent in an amount approximately equal to the Adjusted CD Rate Loan to be made by the Agent in its capacity as a Bank and comprising part of such Borrowing and with a maturity equal to such Interest Period, by (ii) a percentage equal to 100% minus the Adjusted CD Rate Reserve Percentage for such Interest Period, plus (b) the Assessment Rate in effect from time to time during such Interest Period.

"Adjusted CD Rate Borrowing" means a Borrowing consisting of Adjusted CD Rate Loans.

"Adjusted CD Rate Loan" means a Loan that the Borrower has designated, or is deemed to have designated, as such in accordance with Article II.

"Adjusted CD Rate Reserve Percentage" means, for the Interest Period for each Adjusted CD Rate Loan comprising part of the same Borrowing, the reserve percentage applicable one Business Day before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in Houston, Texas with deposits exceeding one billion dollars with respect to liabilities consisting of or including (among other liabilities) U.S. dollar nonpersonal time deposits in the United States with a maturity equal to such Interest Period.

"Adjusted Net Income" means, for any period, Net Income for such period; less, to the extent otherwise included in such Net Income (a) any gain or loss arising from the sale of capital assets of the Borrower and its Consolidated Subsidiaries; (b) any gain arising from any write-up of assets of the Borrower and its Consolidated Subsidiaries; (c) earnings of any other Person, substantially all of the assets of which have been acquired by the

Borrower or any of its Consolidated Subsidiaries in any manner, to the extent that such earnings were realized by such other Person prior to the date of such acquisition; (d) net earnings of any Person (other than a Consolidated Subsidiary) in which the Borrower or any of its Consolidated Subsidiaries has an ownership interest, except for the portion of such net earnings that have been distributed to the Borrower or a Consolidated Subsidiary; (e) the earnings of any Person to which assets of the Borrower or any of its Consolidated Subsidiaries shall have been sold, transferred or disposed of, to the extent that such earnings arise

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after the date of such transaction; (f) the earnings of any Person into which the Borrower or any of its Consolidated Subsidiaries shall have merged, to the extent that such earnings arise prior to the date of such merger; (g) any gain arising from the acquisition of any securities of the Borrower or any of its Consolidated Subsidiaries; and (h) the taxes, if any, included in the calculation of the consolidated net earnings, if any, described in clauses (a) through (g); plus, to the extent not otherwise included in such Net Income, all distributions, other than returns of capital, which have been made to the Borrower or a Consolidated Subsidiary by any Person, other than a Consolidated Subsidiary, in which Borrower or any of its Consolidated Subsidiaries has an ownership interest.

"Affected Bank" has the meaning specified in Section 2.14.

"Affected Interests" has the meaning specified in Section 2.14.

"Affiliate" means, when used with respect to any Person, (a) any other Person (including any member of the immediate family of any such natural person) who directly or indirectly beneficially owns or controls five percent (5%) or more of the total voting power of shares of capital stock of such Person having the right to vote for directors (or other individuals performing similar functions) under ordinary circumstances, (b) any Person controlling, controlled by or under common control with any such Person (within the meaning of Rule 405 under the Securities Act of 1933) and (c) any director or executive officer of such Person.

"Agent" has the meaning specified in the introduction to this Agreement.

"Agent's Side Letter" has the meaning specified in Section 2.09.

"Agreement" means this Credit Agreement, as the same may from time to time be amended, supplemented or modified and in effect.

"Applicable Lending Office" means, with respect to each Bank, such Bank's Domestic Lending Office in the case of a Prime Rate Loan, such Bank's CD Lending Office in the case of an Adjusted CD Rate Loan and such Bank's Eurodollar Lending Office in the case of a Eurodollar Rate Loan.

"Applicable Margin" has the meaning specified in Section 2.06(d).

"Assessment Rate" means, for any day, the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund classified as well capitalized and within supervisory subgroup "B" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. ss.327.4 (or any successor provision) to the Federal Deposit Insurance Corporation (or any successor thereto) for such Corporation's (or such successor's) insuring time deposits at offices of such institution in the United States. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Assessment Rate.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Bank and an Eligible Assignee and accepted by the Agent, in substantially the form of Exhibit D.

"Bank Group" means, collectively, the Agent, the Funds Administrator and the Banks.

"Banks" has the meaning specified in the introduction to this Agreement.

"Borrower" has the meaning specified in the introduction to this Agreement.

"Borrowing" means a group of Loans of a single Type made by the Banks, or Converted into such, as applicable, on a single date and as to which a single Interest Period is in effect.

"Borrowing Date" means, with respect to the initial funding of any Borrowing, the date on which the proceeds of such Borrowing are to be made available to the Borrower.

"Borrowing Request" has the meaning specified in Section 2.02.

"Business Day" means a day of the year on which banks are not required or authorized to close in Houston, Texas and, if the applicable Business Day relates to any Eurodollar Rate Loans, on which dealings are carried on in the applicable eurodollar interbank market.

"Capital Expenditures" means, for any period, the expenditures and costs made by the Borrower and its Consolidated Subsidiaries (on a consolidated basis) during such period (whether paid in cash or accrued as liabilities during that period and including that portion of Capital Leases that is capitalized on the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries) that, in accordance with generally accepted accounting principles consistently applied, are required to be included in or reflected by the property, plant or equipment or similar fixed asset accounts reflected in the consolidated balance sheet of the Borrower.

"Capital Lease" means, as to any Person, any lease or rental agreement in respect of which such Person's obligations as lessee under such lease or rental agreement, constitute obligations which shall have been or should be, in accordance with generally accepted accounting principles consistently applied, capitalized on the balance sheet of such Person.

"CD Lending Office" means, with respect to any Bank, the office of such Bank specified as its "CD Lending Office" on Schedule 2.01 (or, if no such office is specified, its Domestic Lending Office), or such other office of such Bank as such Bank may from time to time specify to the Borrower, the Agent and the Funds Administrator.

"Change of Control" means any of (a) the acquisition by any Person or two or more Persons (excluding underwriters in the course of their distribution of voting stock in an underwritten

public offering) acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission) of 25% or more of the outstanding shares of voting stock of the Borrower, (b) 30% or more of the members of the Board of Directors of the Borrower on any date shall not have been (i) members of the Board of Directors of the Borrower on the date 12 months prior to such date or (ii) approved by Persons who constitute at least a majority of the members of the Board of Directors of the Borrower as constituted on the date 12 months prior to such date, (c) all or substantially all of the assets of the Borrower are sold in a single transaction or series or related transactions to any Person or (d) the Borrower merges or consolidates with or

into any other Person, with the effect that immediately after such transaction the stockholders of the Borrower immediately prior to such transaction hold less than 75% of the total voting power entitled to vote in the election of directors, managers or trustees of the Person surviving such transaction.

"Commitment" means, as to any Bank, the amount of such Bank's Commitment set forth on Schedule 2.01, as such Commitment may be reduced or terminated pursuant to Section 2.04 or Section 7.01.

"Commitment Percentage" means, as to any Bank, a percentage determined pursuant to the following formula: $(C / T) \times 100 = CP$; where C is such Bank's Commitment (without giving effect to any termination of the Commitments pursuant to Section 7.01), T is the Total Commitment (without giving effect to any termination of the Commitments pursuant to Section 7.01) and CP is such percentage.

"Communications" has the meaning specified in Section 9.03.

"Consolidated Subsidiary" means, as of any date, any Subsidiary of the Borrower that, in accordance with generally accepted accounting principles, would be included in the consolidated financial statements of the Borrower prepared as of such date.

"Conversion Date" means, when used with respect to the Conversion of any group of Loans, the date such Loans are to be Converted into Loans of another Type pursuant to Section 2.02 or otherwise in accordance with Article II.

"Conversion Notice" has the meaning specified in Section 2.02.

"Convert," "Conversion" and "Converted" each refers to a conversion of Loans of one Type into Loans of another Type pursuant to Section 2.02 or otherwise in accordance with Article II.

"Current Liabilities" means, as of any date, all liabilities (including, without limitation, accounts payable incurred for services rendered and property purchased in the ordinary course of business) which would be reflected as current liabilities on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared as of such date in accordance with

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generally accepted accounting principles consistently applied, but excluding current maturities of Funded Debt of the Borrower and its Consolidated Subsidiaries as of such date.

"Debt" of any Person shall mean, without duplication: (a) any obligation of such Person for borrowed money, (b) any obligation of such Person evidenced by bonds, debentures, notes or other similar debt instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person, (d) any obligation of such Person for the deferred purchase price of any property or services, except accounts payable arising in the ordinary course of such Person's business that have been outstanding less than ninety (90) days since the date of the related invoice, (e) the present value (discounted at the implicit rate, if known, or ten percent (10%) per annum otherwise) of all Capital Leases of such Person, (f) any Derivative Obligations of such Person, (g) any reimbursement obligations of such Person in respect of drawings under a letter of credit or similar instrument, and (h) any indebtedness or obligations of others of the type described in clauses (a) through (g) that is Guaranteed by such Person or secured by a Lien on any asset of such Person.

"Default" means an Event of Default or an event which with the giving of notice or the lapse of time or both could, unless cured or waived, become an Event of Default.

"Default Rate" has the meaning specified in Section 2.06.

"Derivative Obligations" means, with respect to any Person, payment obligations with respect to foreign exchange transactions and interest

rate, currency and commodity swaps, caps, floors, collars, forward sale contracts, other similar obligations and combinations of the foregoing (collectively, "swaps"). For the purposes of this Agreement, the amount of any Derivative Obligations shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that all swaps had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to any such swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"Dixie" means Dixie Carriers, Inc., a Delaware corporation.

"Dixie Note Purchase Agreement" shall mean the Note Purchase Agreement dated as of August 12, 1992 among Dixie and the note purchasers named therein, relating to Dixie's \$50,000,000 8.22% Senior Notes due June 30, 2002, as amended, supplemented or otherwise modified from time to time.

"Dollars" and "\$" each means lawful money of the United States.

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"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" on Schedule 2.01, or such other office of such Bank as such Bank may from time to time specify to the Borrower, the Agent and the Funds Administrator.

"Duff & Phelps Rating" means the rating classification of the Borrower's senior debt, classified according to risk, issued by Duff & Phelps Credit Rating Co.

"Effective Date" means the date on which the conditions to effectiveness set forth in Article III to this Agreement are first satisfied.

"Eligible Assignee" means (a) any Bank or any Affiliate of any Bank; (b) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of \$1,000,000,000 and having deposits rated in either of the two highest generic letter rating categories (without regard to subcategories) from either Standard & Poor's Rating Group or Moody's Investors Service, Inc.; (c) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development ("OECD"), or a political subdivision of any such country, and having total assets in excess of \$1,000,000,000, provided that such bank is acting through a branch or agency located in the country in which it is organized or another country which is also a member of the OECD; (d) the central bank of any country which is a member of the OECD; and (e) any other financial institution approved by the Agent.

"Environmental Laws" means federal, state or local laws, rules or regulations, and any judicial, arbitral or administrative interpretations thereof, including, without limitation, any judicial, arbitral or administrative order, judgment, permit, approval, decision or determination pertaining to health, safety or the environment in effect at the time in question, including, without limitation, the Clean Air Act, as amended, the Oil Pollution Act of 1990, as amended, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act, as amended, the Resource Conservation and Recovery Act, as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendment and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, comparable state and local laws, and other environmental conservation and protection laws.

"ERISA" means the Employee Retirement Income Security Act of 1974, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

"ERISA Affiliate" means any (i) corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as the Borrower, (ii) partnership or other trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with the

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Borrower, (iii) member of the same affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) as the Borrower, any corporation described in clause (i) above or any partnership or trade or business described in clause (ii) above or (iv) other Person required to be aggregated with the Borrower or an ERISA Affiliate thereof, as defined above, pursuant to Section 414(o) of the Internal Revenue Code.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Event" has the meaning specified in Section 2.12.

"Eurodollar Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" on Schedule 2.01 (or, if no such office is specified, its Domestic Lending Office), or such other office of such Bank as such Bank may from time to time specify to the Borrower, the Agent and the Funds Administrator.

"Eurodollar Rate" means, for the Interest Period for each Eurodollar Rate Loan comprising part of the same Borrowing, an interest rate per annum equal to the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rates per annum at which deposits in U.S. dollars are offered to the Agent by prime banks in whatever eurodollar interbank market may be selected by the Agent in its sole discretion, acting in good faith, on or about 9:00 a.m. (Houston time) (or as soon thereafter as practicable) two Business Days before the first day of such Interest Period, and in accordance with the then existing practice in such eurodollar interbank market for delivery of such deposits on the first day of such Interest Period in immediately available funds, in an amount substantially equal to the Eurodollar Rate Loan to be made by the Agent in its capacity as a Bank and comprising part of such Borrowing and for a period equal to such Interest Period.

"Eurodollar Rate Borrowing" means a Borrowing consisting of Eurodollar Rate Loans.

"Eurodollar Rate Loan" means a Loan that the Borrower has designated, or is deemed to have designated, as such in accordance with Article II.

"Eurodollar Rate Reserve Percentage" means, as to any Bank for the Interest Period for any Eurodollar Rate Loan, the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

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"Events of Default" has the meaning specified in Section 7.01.

"Excluded Affiliate" means (a) any Subsidiary of the Borrower other than a Consolidated Subsidiary, and (b) all Persons, other than Subsidiaries, in which the Borrower, directly or indirectly, owns or controls five percent (5%) or more of the equity interests of such Person.

"Existing Credit Agreement" has the meaning specified in the preliminary statement to this Agreement.

"Existing Universal Investment" means the aggregate Investment of the Borrower in Universal as of June 30, 1997, less the aggregate amount of such Investment returned to the Borrower after the date hereof (whether by way of redemption, repurchase, liquidation or otherwise, but excluding any non-liquidating dividends paid on such Investment).

"Fair Market Value" shall mean (a) with respect to any asset (other than Dollars) the price at which a willing buyer would buy and a willing seller would sell such asset in an arms' length transaction and (b) with respect to Dollars, the amount of such Dollars.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of Dallas, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fixed Charges" means, for any period, (without duplication) the sum of (a) all Interest Expense for such period, plus (b) the aggregate rentals paid by the Borrower and its Consolidated Subsidiaries (on a consolidated basis) under Capital Leases during such period, plus (c) all Capital Expenditures made by the Borrower and its Consolidated Subsidiaries during such period (excluding any Capital Expenditures made after the Effective Date for the expansion of such Person's fleet of marine barges, boats and other operating equipment, as opposed to the mere replacement of such Person's existing fleet of marine barges, boats and other operating equipment), plus (d) the aggregate amount of (i) all scheduled principal payments required or made during such period on account of Funded Debt that provides for scheduled principal payments prior to final maturity, (ii) in the case of any Funded Debt (other than Debt under revolving credit facilities) that has an original term in excess of three years and does not provide for scheduled principal payments prior to its final maturity, an amount equal to one-sixtieth (1/60th) per calendar quarter of the average outstanding principal balance thereof, and (iii) in the case of any Funded Debt under revolving credit facilities (such as this Agreement) that does not have any scheduled principal payments during such period, an amount equal to one-twentieth (1/20th) per calendar quarter of the average outstanding principal balance thereof, provided, however, that to the extent such Funded Debt is attributable to a Guaranty by the Borrower or a Consolidated Subsidiary of a limited portion of any Debt of an

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Excluded Affiliate, the amount included in Fixed Charges pursuant to this clause (d) shall be limited to the Borrower's proportionate share of such Debt (based upon the amount so Guaranteed relative to the total amount of such Debt).

"Fixed Rate" means the Adjusted CD Rate or the Eurodollar Rate.

"Fixed Rate Borrowing" means an Adjusted CD Rate Borrowing or a Eurodollar Rate Borrowing.

"Fixed Rate Loan" means an Adjusted CD Rate Loan or a Eurodollar Rate Loan.

"Funded Debt" means, as of any date, the sum of the following:
(a) all Debt of the Borrower and its Consolidated Subsidiaries on a consolidated

basis as of such date, less (b) to the extent included in the amount described in clause (a), the sum of the following (without duplication): (i) all Current Liabilities (other than Current Liabilities that represent Debt for borrowed money or Capital Leases) on a consolidated basis as of such date, (ii) any Debt of any Consolidated Subsidiary in excess of the Borrower's proportionate share thereof (based on its direct or indirect equity interest therein), (iii) all other deferred long term liabilities that do not represent Debt for borrowed money or Capital Leases, including deferred compensation, deferred revenue and other deferred items classified as other liabilities of the Borrower and its Consolidated Subsidiaries on a consolidated basis as of such date, and (iv) all Derivative Obligations of the Borrower and its Consolidated Subsidiaries as of such date; plus (c) to the extent not otherwise included in the amount described in clause (a), the sum of the following (without duplication): (i) all Debt of the Borrower and its Consolidated Subsidiaries outstanding under a revolving credit or similar agreement, (ii) the present value (discounted at the implicit rate, if known, or ten percent (10%) per annum otherwise) of all obligations in respect of Capital Leases of the Borrower and its Consolidated Subsidiaries, and (iii) all obligations of the Borrower and its Consolidated Subsidiaries under Guaranties of Debt.

"Funds Administrator" has the meaning specified in the introduction to this Agreement.

"Governmental Authority" means any nation or government, any federal, state, province, city, town, municipality, county, local or other political subdivision thereof or thereto and any court, tribunal, department, commission, board, bureau, instrumentality, agency or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guaranties" means, as to any Person, all obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or, in effect, guaranteeing any Debt of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including all obligations incurred through an agreement, contingent or otherwise, by such Person: (a) to purchase such Debt or any property or assets constituting security therefor, (b) to advance or supply funds (i) for the purchase or payment of such

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Debt or (ii) to maintain working capital or other balance sheet conditions or otherwise to advance or make available funds for the purchase or payment of such Debt, (c) to lease property or to purchase securities or other property or services primarily for the purpose of assuring the owner of such Debt of the ability of the primary obligor to make payment of the Debt or (d) otherwise to assure the owner of the Debt of the primary obligor against loss in respect thereof.

"Hazardous Materials" means any pollutant, contaminant, solid waste, asbestos, petroleum product, crude oil or a fraction thereof, any toxic or hazardous substance, material or waste, any flammable, explosive or radioactive material, any chemical which causes cancer or reproductive effects, or any other material or substance not mentioned above which is regulated under any Environmental Law.

"Highest Lawful Rate" means, as to any Bank, at the particular time in question, the maximum nonusurious rate of interest which, under applicable law, such Bank is then permitted to charge the Borrower on the Loans or the other obligations of the Borrower under the Loan Documents, and as to any other Person, at the particular time in question, the maximum nonusurious rate of interest which, under applicable law, such Person is then permitted to charge with respect to the obligation in question. If the maximum rate of interest which, under applicable law, the Banks are permitted to charge the Borrower on the Loans or the other obligations of the Borrower under the Loan Documents shall change after the date hereof, the Highest Lawful Rate shall be automatically increased or decreased, as the case may be, as of the effective time of such change without notice to the Borrower or any other Person.

"Hostile Acquisition" shall mean any transaction or series of transactions in which the Borrower or any of its Subsidiaries, directly or indirectly, purchases or acquires, or offers to purchase or acquire, an

aggregate of five percent (5%) or more of the equity securities or controlling interest of any Person, for any type of consideration, without the prior written consent of such Person's Board of Directors or other controlling body.

"Interest Expense" means, for any period, the aggregate of all interest expense deducted in the calculation of the Net Income of the Borrower for such period, determined in accordance with generally accepted accounting principles.

"Interest Period" means, for each Loan comprising part of the same Borrowing, the period commencing on the date of such Loan or the date of the Conversion of such Loan, as applicable, and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be (a) in the case of an Adjusted CD Rate Loan, 30, 60, 90 or 180 days, (b) in the case of a Prime Rate Loan, a period ending on the Termination Date, and (c) in the case of a Eurodollar Rate Loan, 1, 2, 3 or 6 months; provided, however, that:

(i) the Borrower may not select any Interest Period for a Loan that ends after the Termination Date;

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(ii) Interest Periods commencing on the same date for Loans comprising part of the same Borrowing shall be of the same duration; and

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, in the case of any Interest Period for a Eurodollar Rate Loan, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time (or any successor statute), and the regulations promulgated thereunder.

"Investment" means any direct or indirect investment by one Person (the "investor") in another Person (the "investee"), including, without limitation, (a) any loan or advance, whether initially funded by the investor or acquired by the investor from a third party, (b) any acquisition of equity interests by the investor, whether directly from the investee or from a third party by way of share purchase, merger or otherwise, (c) any capital or other contribution to the investee, whether made in cash or other assets, or by contributing a promissory note payable by the investor to the investee, (d) any Guarantee by the investor of Debt of the investee, and (e) the Fair Market Value of any assets or services transferred to the investee less the Fair Market Value of any consideration received by the investor in exchange therefor; provided, however, that the term "Investment" shall not include undistributed earnings on an Investment; and the amount of an "Investment," for purposes of Section 6.08 hereof, shall be reduced by the amount of capital returned to the investor by the investee. The amount of any Investment that is made by transferring property other than Dollars shall be the Fair Market Value of the property so transferred.

"Lien" means, when used with respect to any Person, any mortgage, lien, charge, pledge, security interest or encumbrance of any kind (whether voluntary or involuntary, and whether imposed or created by operation of law or otherwise) upon, or pledge of, any of its property or assets, whether now owned or hereafter acquired, or any conditional sale agreement, Capital Lease or other title retention agreement.

"Loan" has the meaning specified in Section 2.01.

"Loan Documents" shall mean this Agreement, the Notes, the Agent's Side Letter and all other agreements, instruments and documents,

including, without limitation, security agreements, notes, warrants, guaranties, mortgages, deeds of trust, subordination agreements, pledges, powers of attorney, consents, assignments, collateral assignments, letter agreements, contracts, notices, leases, amendments, financing statements, letter of credit applications and reimbursement agreements, and all other writings heretofore, now, or hereafter executed by or on behalf of the Borrower, any of its Affiliates or any other Person in connection with or relating to this

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Agreement, together with all agreements, instruments and documents referred to therein or contemplated thereby.

"Majority Banks" means at any time Banks holding at least sixty six and two-thirds percent (66 $\frac{2}{3}$ %) of the then aggregate unpaid principal amount of the Loans or, if no Loans are outstanding, Banks having Commitment Percentages in the aggregate equal to at least sixty six and two-thirds percent (66 $\frac{2}{3}$ %).

"Material Adverse Effect" means, as to any Person, a material adverse effect on the business, property, assets, operations or condition, financial or otherwise, of such Person or on the ability of such Person to perform its obligations under the Loan Documents to which it is a party or to consummate the transactions contemplated thereby.

"Material Debt" means, as at any date, an amount equal to five percent (5%) of the Borrower's Funded Debt as of such date.

"Material Subsidiaries" means, collectively, each Consolidated Subsidiary of the Borrower that meets any of the following conditions: (a) the aggregate Investment of the Borrower and its other Consolidated Subsidiaries in such Consolidated Subsidiary exceeds five percent (5%) of the total assets of the Borrower and its Consolidated Subsidiaries as of the end of the most recently completed calendar year; or (b) the Borrower and its other Consolidated Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Consolidated Subsidiary exceeds five percent (5%) of the total assets of the Borrower and its Consolidated Subsidiaries as of the end of the most recently completed calendar year; or (c) the Borrower and its other Consolidated Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Consolidated Subsidiary exceeds five percent (5%) of Net Income for the most recently completed calendar year.

"Modified Net Cash Flow" means, for any period, (without duplication) the sum of (a) Net Cash Flow for such period plus (b) the amount of any current tax expense deducted from gross income in determining Net Cash Flow for such period, plus (c) to the extent not included in Net Cash Flow for such period by reason of clause (c) of the definition Adjusted Net Income, Net Cash Flow, adjusted in the manner described in clause (b) of this definition, for such period of any Person acquired by the Borrower or any of its Consolidated Subsidiaries during such period.

"Moody's Rating" means the rating classification of the Borrower's senior debt, classified according to risk, issued by Moody's Investors Service.

"Net Cash Flow" means, for any period, the sum of the following: (a) Adjusted Net Income for such period, plus (b) all non-cash charges (such as deferred taxes, depreciation expense and amortization of intangibles) which were deducted from gross income in determining Adjusted

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Net Income for such period, plus (c) the amount of Interest Expense which was deducted in the calculation of Adjusted Net Income for such period.

"Net Income" means, for any period, the consolidated net earnings of the Borrower and its Consolidated Subsidiaries for such period,

determined in accordance with generally accepted accounting principles.

"Net Worth" means, as of any date, the total shareholder's equity (including capital stock, additional paid-in capital and retained earnings after deducting treasury stock) which would appear on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared as of such date in accordance with generally accepted accounting principles.

"Note" means a promissory note of the Borrower payable to the order of a Bank, in substantially the form of Exhibit C, evidencing the aggregate indebtedness of the Borrower to such Bank resulting from the Loans made by such Bank, together with all modifications, extensions, renewals and rearrangements thereof from time to time in effect.

"Other Taxes" has the meaning specified in Section 2.10.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereto.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other entity, or Governmental Authority.

"Plan" means any employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code, and in respect of which the Borrower, or any ERISA Affiliate is an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means, as of any particular date, a rate per annum equal to the higher of (a) the Federal Funds Rate plus one-half of one percent (1/2%), and (b) the prime rate per annum most recently announced by the Agent as its prime rate of interest per annum and thereafter entered in the minutes of the Agent's loan and discount committee, automatically fluctuating upward or downward, as the case may be, on the day of each announcement without special notice to the Borrower or any other Person. The Borrower acknowledges that the prime rate referred to in clause (b) of the preceding sentence may not be the Agent's best or lowest rate, or favored rate, and any statement, representation or warranty in that regard or to that effect is hereby expressly disclaimed by the Agent.

"Prime Rate Borrowing" means a Borrowing consisting of Prime Rate Loans.

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"Prime Rate Loan" means a Loan that the Borrower has designated, or is deemed to have designated, as such in accordance with Article II.

"Quarterly Payment Date" means each of September 30, December 31, March 31 and June 30 of each year.

"Register" has the meaning specified in Section 9.02.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System (respecting margin credit extended by banks), as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System (respecting borrowers who obtain margin credit) as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment (including the abandonment or discarding of barrels, containers and other closed receptacles).

"Reportable Event" means any of the events set forth in

Section 4043(b) of ERISA or the regulations thereunder.

"Requirements of Environmental Laws" means the requirements of any applicable Environmental Law relating to or affecting the Borrower or any of its Subsidiaries or the condition or operation of such Person's business or its properties, both real and personal.

"Requirements of Law" shall mean any federal, state or local law, rule or regulation, permit or other binding determination of any Governmental Authority.

"Responsible Officer" means, as to any Person, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer of such Person, or any employee of such Person designated in writing as a Responsible Officer by the Chief Executive Officer of such Person.

"Restricted Investment" means (a) any Investment by the Borrower or a Consolidated Subsidiary in an Excluded Affiliate and (b) any payment by the Company or any Consolidated Subsidiary of Debt of any Excluded Affiliate to the extent the Company or such Consolidated Subsidiary is not legally obligated to make such payment under the terms of such Debt.

"S&P Rating" means the rating classification of the Borrower's senior debt, classified according to risk, issued by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

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"Subsidiary" means, with respect to any Person, each other Person of which or in which such Person and its other Subsidiaries own, hold or control, directly or indirectly, securities or other ownership interests having ordinary voting power, in the absence of contingencies, to elect a majority of the board of directors of such other Person, or other persons performing similar functions for such Person, or, if there are no such directors or persons, having general voting power with respect to the activities of such Person, it being understood that the power to elect exactly 50% of the board of directors or such other persons does not constitute a "majority" as used herein. Unless the context otherwise requires, all references to a Subsidiary shall be considered to be references to Subsidiaries of the Borrower.

"Substitution Event" has the meaning specified in Section 2.14.

"Taxes" has the meaning specified in Section 2.10.

"TCB" means Texas Commerce Bank National Association.

"Termination Date" means September 19, 2002 or the earlier termination in whole of the Commitments pursuant to Section 2.04 or Section 7.01.

"Total Commitment" means an amount equal to the sum of the Banks' Commitments.

"Transfer Notice" has the meaning specified in Section 9.02.

"Type" means, with respect to any Loan, the type of interest rate applicable to such Loan pursuant to this Agreement, and refers to an Adjusted CD Rate Loan, a Prime Rate Loan or a Eurodollar Rate Loan, each of which shall be a "Type" of Loan. Loans having different Interest Periods, regardless of whether they commence on the same date or have the same type of interest rate, shall be considered different Types of Loans.

"Universal" means Universal Insurance Company, a corporation organized under the laws of the Commonwealth of Puerto Rico.

"Universal Stockholders Agreement" means that certain Stockholders Agreement dated September 25, 1992 among Universal, the Borrower and Eastern America Financial Group, Inc., as amended and in effect on the date hereof.

COMMITMENTS AND LENDING OFFICES

1. Texas Commerce Bank National Association

Commitment:\$30,000,000.00

Domestic Lending Office,
CD Lending Office and
Eurodollar Lending Office:

Texas Commerce Bank National Association
712 Main Street
Houston, Texas 77002
Attention: Houston Commercial Lending Group

Telecopier: (713) 236-6004
Telex: 166-350 (Answerback TCB-HOU)

with a copy to:

Texas Commerce Bank National Association
1111 Fannin, 9th Floor M.S. 46
Houston, Texas 77002
Attention: Syndications Department

Telecopier: (713) 750-3810
Telex: 166-350 (Answerback TCB-HOU)

2. ABN AMRO Bank N.V.

Commitment:\$30,000,000.00

Domestic Lending Office,
CD Lending Office and
Eurodollar Lending Office:

ABN AMRO Bank N.V.
135 South LaSalle Street
Suite 625
Chicago, Illinois 60603
Attention: Loan Administration

Telephone: (312) 904-8865
Telecopier: (312) 904-6893

3. CoreStates Bank, N.A.

Commitment:\$15,000,000.00

Domestic Lending Office,
CD Lending Office and
Eurodollar Lending Office:

CoreStates Bank, N.A.
1500 Market Street West Tower
Philadelphia, Pennsylvania 19101-7558

Telecopier: (215) 786-7704

4. Citibank, N.A.

Commitment:\$15,000,000.00

Domestic Lending Office,

CD Lending Office and
Eurodollar Lending Office:

Citibank, N.A.
399 Park Avenue
New York, New York 10043
Attention: Paul B. Griffith

Telecopier: (212) 793-3588

5. Deposit Guaranty National Bank

Commitment:\$10,000,000.00

Domestic Lending Office
CD Lending Office and
Eurodollar Lending Office:

Deposit Guaranty National Bank
201 East Capitol Street
Jackson, Mississippi 39215-1200
Attention: Greg Moore

Telecopier: (601) 354-8412

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6. Wells Fargo Bank

Commitment:\$15,000,000.00

Domestic Lending Office,
CD Lending Office and
Eurodollar Lending Office:

Wells Fargo Bank
1000 Louisiana, 3rd Floor
Houston, Texas 77002
Attention: David Anderson

Telecopier: (713) 250-7029

Total Commitment:\$100,000,000.00

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Schedule 4.01

KIRBY CORPORATION
CONSOLIDATED SUBSIDIARIES AND EXCLUDED AFFILIATES

Part A - Consolidated Subsidiaries

Entity -----	Number of Shares Owned -----	Percentage Shares Owned -----
AFRAM Carriers, Inc.	10,000	100%
Americas Marine Express, Inc.	1,000	100%
Brent Transportation Corporation	1,000	100%

Chotin Carriers, Inc.	1,000	100%
Dixie Bulk Transport, Inc.	10	100%
Dixie Carriers, Inc.	44,950	100%
Dixie Marine, Inc.	100	100%
Dixie Offshore Transportation Company	1,000	100%
Dixie Security Corporation	1,000	100%
Engine Systems, Inc.	1,000	100%
General Energy Corporation	1,000	100%
Kirby Exploration Company of Texas	1,000	100%
Kirby Marine Transportation Corporati	10,000	100%
Kirby Pioneer, Inc.	1,000	100%
Kirby Tankships, Inc.	10,000	100%
Kirby Terminals, Inc.	1,000	100%
Marine Systems, Inc.	1,000	100%
Mariner Reinsurance Company Limited	1,000,000	100%
Oceanic Insurance Limited	120,000	100%
OMR Transportation Company	10,000	100%
Rail Systems, Inc.	1,000	100%
Sabine Marine Transportation Company	1,000	100%
Sabine Transportation Company	10,000	100%
TPT Transportation Company	11,000	100%
Western Towing Company	10,000	100%

Part B - Excluded Affiliates

Entity -----	Equity Interest Owned -----	Percent Equity Interest Owned -----
Bolivar Terminal Co., Inc.	120 Shares Common Stock	50%
Dixie Fuels II, Limited	Partnership Interest	50%
Dixie Fuels Limited	Partnership Interest	35%
Universal Insurance Company	111,658 Shares Common Stock	45%

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EXHIBIT A

FORM OF BORROWING REQUEST

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EXHIBIT B

FORM OF CONVERSION NOTICE

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EXHIBIT C

NOTE

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EXHIBIT D

ASSIGNMENT AND ACCEPTANCE

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SCHEDULE 1
TO
ASSIGNMENT AND ACCEPTANCE
DATED _____, 19__

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE

	Three months ended September 30,		Nine months ended September 30,	
	1997	1996	1997	1996

	1997	1996	1997	1996
	-----	-----	-----	-----
	(\$ and shares in thousands, except per share amount)			
Net earnings	\$ 5,949	7,106	18,793	20,572
	=====	=====	=====	=====
Shares:				
Weighted average number of common shares outstanding	24,313	24,941	24,405	25,827
Common equivalent shares for dilutive effect of assumed exercise of stock options	336	301	304	315
	-----	-----	-----	-----
	24,649	25,242	24,709	26,142
	=====	=====	=====	=====
Net earnings per share of common stock	\$.24	.28	.76	.79
	=====	=====	=====	=====

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<DISCONTINUED>		0
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