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

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

or

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

For the transition period from to

Commission file no. 1-7615

Kirby Corporation

(Exact name of registrant as specified in its charter)

Nevada	**74-1884980**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
55 Waugh Drive, Suite 1000	
Houston, Texas	**77007**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code:
(713) 435-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock — $.10 Par Value Per Share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of common stock held by nonaffiliates of the registrant as of June 30, 2017, based on the closing sales price of such stock on the New York Stock Exchange on June 30, 2017, was $3,511,931,000. For purposes of this computation, all executive officers, directors and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such executive officers, directors and 10% beneficial owners are affiliates.

As of February 23, 2018, 59,674,000 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Company's definitive proxy statement in connection with the Annual Meeting of Stockholders to be held April 24, 2018, to be filed with the Commission pursuant to Regulation 14A, is incorporated by reference into Part III of this report.

KIRBY CORPORATION
2017 FORM 10-K
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PART I

Item 1. *Business*

THE COMPANY

Kirby Corporation (the "Company") is the nation's largest domestic tank barge operator, transporting bulk liquid products throughout the Mississippi River System, on the Gulf Intracoastal Waterway, coastwise along all three United States coasts, and in Alaska and Hawaii. The Company transports petrochemicals, black oil, refined petroleum products and agricultural chemicals by tank barge. The Company also operates five offshore dry-bulk barges, five offshore tugboats and one docking tugboat transporting dry-bulk commodities in the United States coastal trade. Through its distribution and services segment, the Company provides after-market service and parts for engines, transmissions, reduction gears, and related equipment used in oilfield services, marine, mining, power generation, on-highway and other industrial applications. The Company also rents equipment including generators, fork lifts, pumps and compressors for use in a variety of industrial markets, and manufactures and remanufactures oilfield service equipment, including pressure pumping units, for the oilfield service and oil and gas operator and producer markets.

Unless the context otherwise requires, all references herein to the Company include the Company and its subsidiaries.

The Company's principal executive office is located at 55 Waugh Drive, Suite 1000, Houston, Texas 77007, and its telephone number is (713) 435-1000. The Company's mailing address is P.O. Box 1745, Houston, Texas 77251-1745.

Documents and Information Available on Web Site

The Internet address of the Company's web site is http://www.kirbycorp.com. The Company makes available free of charge through its web site, all of its filings with the Securities and Exchange Commission ("SEC"), including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC.

The following documents are available on the Company's web site in the Investor Relations section under Corporate Governance:

- Audit Committee Charter
- Compensation Committee Charter
- Governance Committee Charter
- Business Ethics Guidelines
- Corporate Governance Guidelines

The Company is required to make prompt disclosure of any amendment to or waiver of any provision of its Business Ethics Guidelines that applies to any director or executive officer or to its chief executive officer, chief financial officer, chief accounting officer or controller or persons performing similar functions. The Company will make any such disclosure that may be necessary by posting the disclosure on its web site in the Investor Relations section under Corporate Governance.

BUSINESS AND PROPERTY

The Company, through its subsidiaries, conducts operations in two business segments: marine transportation and distribution and services.

The Company, through its marine transportation segment, is a provider of marine transportation services, operating tank barges and towing vessels transporting bulk liquid products throughout the Mississippi River System, on the Gulf Intracoastal Waterway, coastwise along all three United States coasts, and in Alaska and Hawaii. The Company transports petrochemicals, black oil, refined petroleum products and agricultural chemicals by tank barge. The Company operates offshore dry-bulk barge and tugboat units engaged in the offshore transportation of dry-bulk cargoes in the United States coastal trade. The segment is a provider of transportation services for its customers and, in almost all cases, does not assume ownership of the products that it transports. All of the Company's vessels operate under the United States flag and are qualified for domestic trade under the Jones Act.

The Company, through its distribution and services segment, sells genuine replacement parts, provides service mechanics to overhaul and repair engines, transmissions, reduction gears and related oilfield services equipment, rebuilds component parts or entire diesel engines, transmissions and reduction gears, and related equipment used in oilfield services, marine, mining, power generation, on-highway and other industrial applications. The Company also rents equipment including generators, fork lifts, pumps and compressors for use in a variety of industrial markets, and manufactures and remanufactures oilfield service equipment, including pressure pumping units, for the oilfield service and oil and gas operator and producer markets.

The Company and its marine transportation and distribution and services segments have approximately 5,775 employees, the large majority of whom are in the United States.

The following table sets forth by segment the revenues, operating profits and identifiable assets attributable to the principal activities of the Company for the years indicated (in thousands):

	2017	2016	2015
Revenues from unaffiliated customers:			
Marine transportation	$ 1,324,106	$ 1,471,893	$ 1,663,090
Distribution and services	890,312	298,780	484,442
Consolidated revenues	$ 2,214,418	$ 1,770,673	$ 2,147,532
Operating profits:			
Marine transportation	$ 136,011	$ 257,102	$ 374,842
Distribution and services	86,585	3,186	18,921
General corporate expenses	(18,150)	(14,966)	(14,773)
Impairment of long-lived assets	(105,712)	—	—
Gain (loss) on disposition of assets	(4,487)	(127)	1,672
	94,247	245,195	380,662
Equity in earnings of affiliates	291	532	451
Other expense	(52)	(291)	(663)
Interest expense	(21,472)	(17,690)	(18,738)
Earnings before taxes on income	$ 73,014	$ 227,746	$ 361,712
Identifiable assets:			
Marine transportation	$ 3,485,099	$ 3,613,951	$ 3,444,785
Distribution and services	1,567,085	623,268	632,764
	5,052,184	4,237,219	4,077,549
Investment in affiliates	1,890	2,622	2,090
General corporate assets	73,353	50,054	60,919
Consolidated assets	$ 5,127,427	$ 4,289,895	$ 4,140,558

MARINE TRANSPORTATION

The marine transportation segment is primarily a provider of transportation services by tank barge for the inland and coastal markets. As of February 23, 2018, the equipment owned or operated by the marine transportation segment consisted of 998 inland tank barges with 22.0 million barrels of capacity, 302 inland towboats, 56 coastal tank barges with 5.4 million barrels of capacity, 53 coastal tugboats, five offshore dry-bulk cargo barges, five offshore tugboats and one docking tugboat, and includes 157 inland tank barges and 75 inland towboats added with the acquisition of Higman Marine, Inc. and affiliated companies (“Higman”) on February 14, 2018, with the following specifications and capacities:

Class of equipment	Number in class	Average age (in years)	Barrel capacities
Inland tank barges (owned and leased):			
Regular double hull:			
20,000 barrels and under	348	12.6	4,001,000
Over 20,000 barrels	593	11.2	17,085,000
Specialty double hull	57	39.5	888,000
Total inland tank barges	998	13.3	21,974,000
Inland towboats (owned and chartered):			
800 to 1300 horsepower	64	39.3	
1400 to 1900 horsepower	70	32.2	
2000 to 2400 horsepower	134	10.3	
2500 to 3200 horsepower	16	33.7	
3300 to 4800 horsepower	14	30.8	
Greater than 5000 horsepower	3	42.0	
Spot charters (chartered trip to trip)	1	—	
Total inland towboats	302	24.2	
Coastal tank barges (owned and leased):			
Double hull:			
30,000 barrels and under	3	19.2	65,000
50,000 to 70,000 barrels	11	14.6	560,000
80,000 to 90,000 barrels	20	13.2	1,663,000
100,000 to 110,000 barrels	6	11.5	630,000
120,000 to 150,000 barrels	7	21.9	898,000
Over 150,000 barrels	9	14.3	1,554,000
Total coastal tank barges	56	14.7	5,370,000
Coastal tugboats (owned and chartered):			
1000 to 1900 horsepower	4	29.5	
2000 to 2900 horsepower	2	38.6	
3000 to 3900 horsepower	10	36.8	
4000 to 4900 horsepower	14	20.3	
5000 to 6900 horsepower	13	17.8	
Greater than 7000 horsepower	10	13.3	
Total coastal tugboats	53	22.9	
			Deadweight Tonnage
Offshore dry-bulk cargo barges (owned)	5	23.1	96,000
Offshore tugboats and docking tugboat (owned and chartered)	6	28.6	

The 302 inland towboats, 53 coastal tugboats, five offshore tugboats and one docking tugboat provide the power source and the 998 inland tank barges, 56 coastal tank barges and five offshore dry-bulk cargo barges provide the freight capacity for the marine transportation segment. When the power source and freight capacity are combined, the unit is called a tow. The Company's inland tows generally consist of one towboat and from one to 25 tank barges, depending upon the horsepower of the towboat, the river or canal capacity and conditions, and customer requirements. The Company's coastal and offshore tows primarily consist of one tugboat and one tank barge or dry-bulk cargo barge.

Marine Transportation Industry Fundamentals

The United States inland waterway system, composed of a network of interconnected rivers and canals that serve the nation as water highways, is one of the world's most efficient transportation systems. The nation's inland waterways are vital to the United States distribution system, with over 1.1 billion short tons of cargo moved annually on United States shallow draft waterways. The inland waterway system extends approximately 26,000 miles, 12,000 miles of which are generally considered significant for domestic commerce, through 38 states, with 635 shallow draft ports. These navigable inland waterways link the United States heartland to the world.

The United States coastal waterway system consists of ports along the Atlantic, Gulf and Pacific coasts, as well as ports in Alaska, Hawaii and on the Great Lakes. Like the inland waterways, the coastal trade is vital to the United States distribution system, particularly the regional distribution of refined petroleum products from refineries and storage facilities to a variety of destinations, including other refineries, distribution terminals, power plants and ships. In addition to distribution directly from refineries and storage facilities, coastal tank barges are used frequently to distribute products from pipelines. Many coastal markets receive refined petroleum products principally from coastal tank barges. Smaller volumes of petrochemicals are distributed from Gulf Coast plants to end users and black oil, including crude oil and natural gas condensate, is distributed regionally from refineries and terminals along the United States coast to refineries, power plants and distribution terminals.

Based on cost and safety, barge transportation is often the most efficient and safest means of surface transportation of bulk commodities when compared with railroads and trucks. The cargo capacity of a 27,500 barrel inland tank barge is the equivalent of 46 railroad tank cars or 144 tractor-trailer tank trucks. A typical Company lower Mississippi River linehaul tow of 15 barges has the carrying capacity of approximately 216 railroad tank cars plus six locomotives, or approximately 1,050 tractor-trailer tank trucks. The Company's inland tank barge fleet capacity of 22.0 million barrels equates to approximately 36,800 railroad tank cars or approximately 115,000 tractor-trailer tank trucks. Furthermore, barging is much more energy efficient. One ton of bulk product can be carried 616 miles by inland barge on one gallon of fuel, compared with 478 miles by railcar or 150 miles by truck. In the coastal trade, the carrying capacity of a 100,000 barrel tank barge is the equivalent of approximately 165 railroad tank cars or approximately 525 tractor-trailer tank trucks. The Company's coastal tank barge fleet capacity of 5.4 million barrels equates to approximately 8,900 railroad tank cars or approximately 28,200 tractor-trailer tank trucks. Marine transportation generally involves less urban exposure than railroad or truck transportation and operates on a system with few crossing junctures and in areas relatively remote from population centers. These factors generally reduce both the number and impact of waterway incidents.

Inland Tank Barge Industry

The Company operates within the United States inland tank barge industry, a diverse and independent mixture of approximately 40 large integrated transportation companies and small operators, as well as captive fleets owned by United States refining and petrochemical companies. The inland tank barge industry provides marine transportation of bulk liquid cargoes for customers and, in the case of captives, for their own account, throughout the Mississippi River and its tributaries and on the Gulf Intracoastal Waterway. The most significant markets in this industry include the transportation of petrochemicals, black oil, refined petroleum products and agricultural chemicals. The Company operates in each of these markets. The use of marine transportation by the petroleum and petrochemical industry is a major reason for the location of United States refineries and petrochemical facilities on navigable inland waterways. Texas and Louisiana currently account for approximately 80% of the United States production of petrochemicals. Much of the United States farm belt is likewise situated with access to the inland waterway system, relying on marine transportation of farm products, including agricultural chemicals. The Company's principal distribution system encompasses the Gulf Intracoastal Waterway from Brownsville, Texas, to Port St. Joe, Florida, the Mississippi River System and the Houston Ship Channel. The Mississippi River System includes the Arkansas, Illinois, Missouri, Ohio, Red, Tennessee, Yazoo, Ouachita and Black Warrior Rivers and the Tennessee-Tombigbee Waterway.

The number of tank barges that operate on the inland waterways of the United States declined from an estimated 4,200 in 1982 to 2,900 in 1993, remained relatively constant at 2,900 until 2002, decreased to 2,750 from 2002 through 2006, and then increased over the years to approximately 3,850 by the end of 2016 and an estimated 3,825 at the end of 2017. The Company believes the decrease from 4,200 in 1982 to 2,750 in 2006 primarily resulted from: the increasing age of the domestic tank barge fleet, resulting in scrapping; rates inadequate to justify new construction; a reduction in tax incentives, which previously encouraged speculative construction of new equipment; stringent operating standards to adequately cope with safety and environmental risk; the elimination of government regulations and programs supporting the many new small refineries and a proliferation of oil traders which created a strong demand for tank barge services; an increase in the average capacity per barge; and an increase in environmental regulations that mandate expensive equipment modification, which some owners were unwilling or unable to undertake given capital constraints and the age of their fleets. The cost of tank barge hull work for required periodic United States Coast Guard (“USCG”) certifications, as well as general safety and environmental concerns, force operators to periodically reassess their ability to recover maintenance costs. The increase from 2,750 in 2006 to approximately 3,850 by the end of 2016 primarily resulted from increased barge construction and deferred retirements due to strong demand and resulting capacity shortages. The decrease to 3,825 during 2017 was primarily due to industry overcapacity in the inland tank barge market, the result of reduced crude oil and natural gas condensate volumes to be moved by tank barge due to a decline in oil prices, a decline in domestic drilling and additional pipeline capacity, coupled with the large number of tank barges built during the last several years, many of which were for the movement of crude oil and natural gas condensate. The Company’s 998 inland tank barges represent approximately 26% of the industry’s 3,825 inland tank barges.

For 2015, the Company estimated that industry-wide 260 tank barges were placed in service and 60 tank barges were retired. For 2016, the Company estimated that industry-wide 100 tank barges were placed in service and 100 tank barges were retired. For 2017, the Company estimated that industry-wide 75 tank barges were placed in service and 100 tank barges were retired. During 2015, 2016 and 2017, the decline in industry-wide demand for the movement of crude oil and natural gas condensate, and the subsequent transfer of inland crude oil barges to other tank barge markets, created excess industry-wide tank barge capacity. As a result, the Company estimates that approximately 30 tank barges were ordered during 2017 for delivery throughout 2018 and many older tank barges will be retired, dependent on 2018 market conditions. The risk of a continued oversupply of tank barges may be mitigated by increased petrochemical, black oil and refined petroleum products volumes from increased production from current facilities, plant expansions or the opening of new facilities, and the fact that the inland tank barge industry has a mature fleet, with approximately 500 tank barges over 30 years old and approximately 250 of those over 40 years old, which may lead to retirement of older tank barges.

The average age of the nation’s inland tank barge fleet is approximately 16 years. Neither the Company, nor the industry, operates any single hull inland tank barges. Single hull tank barges were required by current federal law to either be retrofitted with double hulls or phased out of domestic service by December 31, 2014.

The Company’s inland marine transportation segment also owns a shifting operation and fleeting facility for dry cargo barges and tank barges on the Houston Ship Channel and in Freeport, Texas, and a shipyard for the building of inland towboats and providing routine maintenance on marine vessels. The Company also owns a two-thirds interest in Osprey Line, L.L.C. (“Osprey”), a transporter of project cargoes and cargo containers by barge on the United States inland waterway system.

Coastal Tank Barge Industry

The Company also operates in the United States coastal tank barge industry, operating tank barges in the 195,000 barrel or less category. This market is composed of approximately 15 large integrated transportation companies and small operators. The 195,000 barrel or less category coastal tank barge industry primarily provides regional marine transportation distribution of bulk liquid cargoes along the United States' Atlantic, Gulf and Pacific coasts, in Alaska and Hawaii and, to a lesser extent, on the Great Lakes. Products transported are primarily refined petroleum products and black oil from refineries and storage facilities to a variety of destinations, including other refineries, distribution terminals, power plants and ships, the regional movement of crude oil and natural gas condensate to Gulf Coast, Northeast and West Coast refineries, and the movement of petrochemicals primarily from Gulf Coast petrochemical facilities to end users.

The number of coastal tank barges that operate in the 195,000 barrel or less category is approximately 290, of which the Company operates 56 or approximately 19%. The average age of the nation's coastal tank barge fleet is approximately 13 years. In the 2015 fourth quarter, the Company placed in service a new 185,000 barrel coastal articulated tank barge and tugboat unit ("ATB") and a second 185,000 barrel ATB was placed in service in the 2016 second quarter. During the 2016 fourth quarter, the Company placed in service a new 155,000 barrel ATB and a second 155,000 barrel ATB was placed in service in the 2017 third quarter. The Company also took delivery in December 2016 of a 35,000 barrel coastal petrochemical tank barge. The Company is aware of seven coastal ATBs under construction by competitors for delivery in 2018 and 2019. The coastal tank barge fleet is also mature, with approximately 20 tank barges over 30 years old. The number of older tank barges, coupled with low industry-wide utilization levels, may lead to the retirement of older tank barges.

Competition in the Tank Barge Industry

The tank barge industry remains very competitive. Competition in this business has historically been based primarily on price; however, most of the industry's customers, through an increased emphasis on safety, the environment, quality and a trend toward a "single source" supply of services, are more frequently requiring that their supplier of tank barge services have the capability to handle a variety of tank barge requirements. These requirements include distribution capability throughout the inland waterway system and coastal markets, with high levels of flexibility, safety, environmental responsibility and financial responsibility, as well as adequate insurance and high quality of service consistent with the customer's own operational standards.

In the inland markets, the Company's direct competitors are primarily noncaptive inland tank barge operators. "Captive" fleets are owned by major oil and petrochemical companies which occasionally compete in the inland tank barge market, but primarily transport cargoes for their own account. The Company is the largest inland tank barge carrier, both in terms of number of barges and total fleet barrel capacity. The Company's inland tank barge fleet has grown from 71 tank barges in 1988 to 998 tank barges as of February 23, 2018, or approximately 26% of the estimated total number of domestic inland tank barges.

In the coastal markets, the Company's direct competitors are the operators of United States tank barges in the 195,000 barrels or less category. Coastal tank barges in the 195,000 barrels or less category have the ability to enter the large majority of coastal ports. Ocean-going tank barges and United States product tankers in the 300,000 barrels plus category, excluding the fleet of large tankers dedicated to Alaska crude oil transportation, primarily move large volumes of refined petroleum products within the Gulf of Mexico with occasional movements from the Gulf Coast to the East Coast, along the West Coast and from Texas and Louisiana to Florida. There are approximately 50 such vessels and, because of their size, their access to ports is limited by terminal size and draft restrictions.

While the Company competes primarily with other tank barge companies, it also competes with companies who operate refined product and petrochemical pipelines, railroad tank cars and tractor-trailer tank trucks. As noted above, the Company believes that both inland and coastal marine transportation of bulk liquid products enjoy a substantial cost advantage over railroad and truck transportation. The Company believes that refined product and crude oil pipelines, although often a less expensive form of transportation than inland and coastal tank barges, are not as adaptable to diverse products and are generally limited to fixed point-to-point distribution of commodities in high volumes over extended periods of time.

Products Transported

The Company transports petrochemicals, black oil, refined petroleum products and agricultural chemicals by tank barge throughout the Mississippi River System, on the Gulf Intracoastal Waterway, coastwise along all three United States coasts and in Alaska and Hawaii. During 2017, the Company's inland marine transportation operation moved over 42 million tons of liquid cargo on the United States inland waterway system.

Petrochemicals. Bulk liquid petrochemicals transported include such products as benzene, styrene, methanol, acrylonitrile, xylene, naphtha and caustic soda, all consumed in the production of paper, fiber and plastics. Pressurized products, including butadiene, isobutane, propylene, butane and propane, all requiring pressurized conditions to remain in stable liquid form, are transported in pressure barges. The transportation of petrochemical products represented 56% of the segment's 2017 revenues. Customers shipping these products are petrochemical and refining companies.

Black Oil. Black oil transported includes such products as residual fuel oil, No. 6 fuel oil, coker feedstock, vacuum gas oil, asphalt, carbon black feedstock, crude oil, natural gas condensate and ship bunkers (engine fuel). Such products represented 23% of the segment's 2017 revenues. Black oil customers are refining companies, marketers and end users that require the transportation of black oil between refineries and storage terminals, to refineries and to power plants. Ship bunker customers are oil companies and oil traders in the bunkering business.

Refined Petroleum Products. Refined petroleum products transported include the various blends of finished gasoline, gasoline blendstocks, jet fuel, No. 2 oil, heating oil and diesel fuel, and represented 17% of the segment's 2017 revenues. The Company also classifies ethanol in the refined petroleum products category. Customers are oil and refining companies, marketers and ethanol producers.

Agricultural Chemicals. Agricultural chemicals transported represented 4% of the segment's 2017 revenues. Agricultural chemicals include anhydrous ammonia and nitrogen-based liquid fertilizer, as well as industrial ammonia. Agricultural chemical customers consist mainly of domestic and foreign producers of such products.

Demand Drivers in the Tank Barge Industry

Demand for tank barge transportation services is driven by the production volumes of the bulk liquid commodities transported by barge. Marine transportation demand for the segment's four primary commodity groups, petrochemicals, black oil, refined petroleum products and agricultural chemicals, is based on differing circumstances. While the demand drivers of each commodity are different, the Company has the flexibility in certain cases of re-allocating inland equipment and coastal equipment among the petrochemical, refined petroleum products and crude oil markets as needed.

Bulk petrochemical volumes have historically tracked the general domestic economy and correlate to the United States Gross Domestic Product. The United States petrochemical industry continues to see strong production levels for both domestic consumption and exports. Low priced domestic natural gas, a basic feedstock for the United States petrochemical industry, has provided the industry with a competitive advantage against foreign petrochemical producers. As a result, United States petrochemical production has remained stable during 2017, 2016 and 2015, thereby producing increased marine transportation volumes of basic petrochemicals to both domestic consumers and terminals for export destinations. Petrochemical products are used primarily in consumer non-durable and durable goods. From late 2010 through 2015, inland petrochemical tank barge utilization remained relatively stable in the 90% to 95% range. During 2016, utilization declined slightly to the high 80% range on average with periods of utilization in the low 80% range. During 2017, utilization ranged from the mid-80% to the low 90% range, reaching the mid-90% range in the late third quarter from the impact of Hurricanes Harvey and Irma, and in the low to mid-90% range during the fourth quarter as a result of a favorable pricing environment for customers' products, new petrochemical industry capacity that led to increased movements of petrochemicals, and the continued retirement of older barges from the segment's fleet. Coastal tank barge utilization for the transportation of petrochemicals during 2016 was in the low 90% range and for 2017 utilization ranged from the low 60% to low 80%.

The demand for black oil, including ship bunkers, varies by type of product transported. Demand for transportation of residual oil, a heavy by-product of refining operations, varies with refinery utilization and usage of feedstocks. During the majority of 2015, inland black oil tank barge utilization remained strong, in the 90% to 95% range, due to strong demand driven by steady refinery production levels from major customers, and the export of diesel fuel and heavy fuel oil. With the decline in the price of crude oil in late 2014 and the low price throughout 2015 and 2016, movements by tank barge of crude oil and natural gas condensate were at reduced levels industry-wide. During 2015 and 2016, the Company and the industry were generally successful in moving barges from that trade to other markets. During 2016 and 2017, the Company continued to transport crude oil and natural gas condensate produced from the Eagle Ford and Permian Basin shale formations in Texas both along the Gulf Intracoastal Waterway with inland vessels and in the Gulf of Mexico with coastal equipment, and continued to transport Utica crude oil and natural gas condensate downriver from the Mid-Atlantic to the Gulf Coast, however, at reduced levels as certain of the product was transported by newly constructed pipelines. The decline in demand for crude oil and natural gas condensate movements and an industry-wide oversupply of inland tank barges resulted in a decline in inland black oil tank barge utilization in 2016 to the low-to-mid 80% range and in 2017 to the mid-80% to low 90% range for the first three quarters and low to mid-90% range for the fourth quarter. Coastal black oil tank barge utilization declined from the 90% to 95% range for the majority of 2015 to the low 80% range by the end of 2016, and the low 60% to low 80% range during 2017, partly attributable to the decrease in the movements of crude oil and natural gas condensate and to the continued industry-wide oversupply of tank barges in the coastal industry. Inland and coastal asphalt shipments are generally seasonal, with higher volumes shipped during April through November, months when weather allows for efficient road construction. The Company saw seasonally normal cessation of most operations in Alaska in the 2016 and 2017 first and fourth quarters.

Refined petroleum product volumes are driven by United States gasoline and diesel fuel consumption, principally vehicle usage, air travel and weather conditions. Volumes can also relate to gasoline inventory imbalances within the United States. Generally, gasoline and No. 2 oil are exported from the Gulf Coast where refining capacity exceeds demand. The Midwest is a net importer of such products. Volumes were also driven by diesel fuel transported to terminals along the Gulf Coast for export to South America. Ethanol, produced in the Midwest, is moved from the Midwest to Gulf Coast customers. In the coastal trade, tank barges are frequently used regionally to transport refined petroleum products from a coastal refinery or terminals served by pipelines to the end markets. Many coastal areas have access to refined petroleum products only by using marine transportation as the last link in the distribution chain. Coastal refined petroleum products tank barge utilization declined from the 90% to 95% range for the majority of 2015 to the low-to-mid 80% range for the majority of 2016, and declined throughout 2017 from a low 80% range in first quarter to the low 60% range in the fourth quarter, all predominately from the industry-wide oversupply of coastal tank barge capacity.

Demand for marine transportation of domestic and imported agricultural fertilizer is seasonal and directly related to domestic nitrogen-based liquid fertilizer consumption, driven by the production of corn, cotton and wheat. During periods of high natural gas prices, the manufacturing of nitrogen-based liquid fertilizer in the United States is curtailed. During these periods, imported products, which normally involve longer barge trips, replace the domestic products to meet Midwest and south Texas demands. Such products are delivered to the numerous small terminals and distributors throughout the United States farm belt.

Marine Transportation Operations

The marine transportation segment operates a fleet of 998 inland tank barges and 302 inland towboats, as well as 56 coastal tank barges and 53 coastal tugboats. The segment also operates five offshore dry-bulk cargo barges, five offshore tugboats and one docking tugboat transporting dry-bulk commodities in United States coastal trade.

Inland Operations. The segment's inland operations are conducted through a wholly owned subsidiary, Kirby Inland Marine, LP ("Kirby Inland Marine"). Kirby Inland Marine's operations consist of the Canal, Linehaul and River fleets, as well as barge fleeting services.

The Canal fleet transports petrochemical feedstocks, processed chemicals, pressurized products, black oil, and refined petroleum products along the Gulf Intracoastal Waterway, the Mississippi River below Baton Rouge, Louisiana, and the Houston Ship Channel. Petrochemical feedstocks and certain pressurized products are transported from one plant to another plant for further processing. Processed chemicals and certain pressurized products are moved to waterfront terminals and chemical plants. Black oil is transported to waterfront terminals and products such as No. 6 fuel oil are transported directly to the end users. Refined petroleum products are transported to waterfront terminals along the Gulf Intracoastal Waterway for distribution.

The Linehaul fleet transports petrochemical feedstocks, chemicals, agricultural chemicals and lube oils along the Gulf Intracoastal Waterway, Mississippi River and the Illinois and Ohio Rivers. Loaded tank barges are staged in the Baton Rouge area from Gulf Coast refineries and petrochemical plants, and are transported from Baton Rouge to waterfront terminals and plants on the Mississippi, Illinois and Ohio Rivers, and along the Gulf Intracoastal Waterway, on regularly scheduled linehaul tows. Barges are dropped off and picked up going up and down river.

The River fleet transports petrochemical feedstocks, chemicals, refined petroleum products, agricultural chemicals and black oil along the Mississippi River System above Baton Rouge. The River fleet operates unit tows, where a towboat and generally a dedicated group of barges operate on consecutive voyages between loading and discharge points. Petrochemical feedstocks and processed chemicals are transported to waterfront petrochemical and chemical plants, while black oil, refined petroleum products and agricultural chemicals are transported to waterfront terminals.

The inland transportation of petrochemical feedstocks, chemicals and pressurized products is generally consistent throughout the year. Transportation of refined petroleum products, certain black oil and agricultural chemicals is generally more seasonal. Movements of black oil, such as asphalt, generally increase in the spring through fall months. Movements of refined petroleum products, such as gasoline blends, generally increase during the summer driving season, while heating oil movements generally increase during the winter months. Movements of agricultural chemicals generally increase during the spring and fall planting seasons.

The marine transportation inland operation moves and handles a broad range of sophisticated cargoes. To meet the specific requirements of the cargoes transported, the inland tank barges may be equipped with self-contained heating systems, high-capacity pumps, pressurized tanks, refrigeration units, stainless steel tanks, aluminum tanks or specialty coated tanks. Of the 998 inland tank barges currently operated, 783 are petrochemical and refined petroleum products barges, 139 are black oil barges, 61 are pressure barges, 10 are refrigerated anhydrous ammonia barges and five are specialty barges. Of the 998 inland tank barges, 967 are owned by the Company and 31 are leased.

The fleet of 302 inland towboats ranges from 800 to 5200 horsepower. Of the 302 inland towboats, 229 are owned by the Company and 73 are chartered. Towboats in the 800 to 2100 horsepower classes provide power for barges used by the Canal and Linehaul fleets on the Gulf Intracoastal Waterway and the Houston Ship Channel. Towboats in the 1400 to 3200 horsepower classes provide power for both the River and Linehaul fleets on the Gulf Intracoastal Waterway and the Mississippi River System. Towboats above 3600 horsepower are typically used on the Mississippi River System to move River fleet unit tows and provide Linehaul fleet towing. Based on the capabilities of the individual towboats used in the Mississippi River System, the tows range in size from 10,000 to 30,000 tons.

Marine transportation services for inland movements are conducted under long-term contracts, typically ranging from one to five years, some of which have renewal options, with customers with whom the Company has traditionally had long-standing relationships, as well as under spot contracts. During the first nine months of 2016 and all of 2015, approximately 80% of the inland marine transportation revenues were under term contracts and 20% were spot contract revenues. During the 2016 fourth quarter and all of 2017, approximately 75% of inland marine transportation revenues were under term contracts and 25% were spot contract revenues.

All of the Company's inland tank barges used in the transportation of bulk liquid products are of double hull construction and, where applicable, are capable of controlling vapor emissions during loading and discharging operations in compliance with occupational health and safety regulations and air quality regulations.

The Company is one of the few inland tank barge operators with the ability to offer to its customers' distribution capabilities throughout the Mississippi River System and the Gulf Intracoastal Waterway. Such capabilities offer economies of scale resulting from the ability to match tank barges, towboats, products and destinations more efficiently.

Through the Company's proprietary vessel management computer system, the fleet of barges and towboats is dispatched from a centralized dispatch at the corporate office. The towboats are equipped with satellite positioning and communication systems that automatically transmit the location of the towboat to the Company's customer service department located in its corporate office. Electronic orders are communicated to the vessel personnel with reports of towing activities communicated electronically back to the customer service department. The electronic interface between the customer service department and the vessel personnel enables more effective matching of customer needs to barge capabilities, thereby maximizing utilization of the tank barge and towboat fleet. The Company's customers are able to access information concerning the movement of their cargoes, including barge locations, through the Company's web site.

Kirby Inland Marine operates the largest commercial tank barge fleeting service (temporary barge storage facilities) in numerous ports, including Houston, Corpus Christi, Freeport and Orange, Texas, Baton Rouge, Covington and New Orleans, Louisiana, Mobile, Alabama and Greenville, Mississippi. Included in the fleeting service is a shifting operation and fleeting service for dry cargo barges and tank barges on the Houston Ship Channel and in Freeport, Texas. Kirby Inland Marine provides service for its own barges, as well as outside customers, transferring barges within the areas noted, as well as fleeting barges.

Kirby Inland Marine also provides shore-based barge tankermen to the Company and third parties. Services to the Company and third parties cover the Gulf Coast, mid-Mississippi Valley, and the Ohio River Valley.

San Jac Marine, Inc. ("San Jac"), a subsidiary of Kirby Inland Marine, owns and operates a shipyard in Channelview, Texas used to build marine vessels for both inland and coastal applications, and provide maintenance and repair services. Kirby Inland Marine is building inland towboats and performing routine maintenance and repairs at the shipyard.

The Company owns a two-thirds interest in Osprey, which transports project cargoes and cargo containers by barge on the United States inland waterway system.

Coastal Operations. The segment's coastal operations are conducted through wholly owned subsidiaries, Kirby Offshore Marine, LLC ("Kirby Offshore Marine") and Kirby Ocean Transport Company ("Kirby Ocean Transport").

Kirby Offshore Marine provides marine transportation of refined petroleum products, petrochemicals and black oil in coastal regions of the United States. The coastal operations consist of the Atlantic and Pacific Divisions.

The Atlantic Division primarily operates along the eastern seaboard of the United States and along the Gulf Coast. The Atlantic Division vessels call on coastal states from Maine to Texas, servicing refineries, storage terminals and power plants. The Atlantic Division also operates equipment, to a lesser extent, in the Eastern Canadian provinces. The tank barges operating in the Atlantic Division are in the 10,000 to 194,000 barrel capacity range and coastal tugboats in the 2400 to 10000 horsepower range, transporting primarily refined petroleum products, petrochemicals and black oil.

The Pacific Division primarily operates along the Pacific Coast of the United States, servicing refineries and storage terminals from Southern California to Washington State, throughout Alaska, including Dutch Harbor, Cook Inlet and the Alaska River Systems, and from California to Hawaii. The Pacific Division's fleet consists of tank barges in the 52,000 to 194,000 barrel capacity range and tugboats in the 1000 to 11000 horsepower range, transporting primarily refined petroleum products.

The Pacific Division also services local petroleum retailers and oil companies distributing refined petroleum products and black oil between the Hawaiian Islands and provides other services to the local maritime community. The Hawaii fleet consists of tank barges in the 53,000 to 86,000 barrel capacity range and tugboats in the 1000 to 5000 horsepower range, transporting refined petroleum products for local and regional customers, black oil to power generation customers and delivering bunker fuel to ships. The Hawaii fleet also provides service docking, standby tug assistance and line handling to vessels using the Single Point Mooring installation at Barbers Point, Oahu, a facility for large tankers to safely load and discharge their cargos through an offshore buoy and submerged pipeline without entering the port.

The coastal transportation of refined petroleum products and black oil is impacted by seasonality, partially dependent on the area of operations. Operations along the West Coast and in Alaska have been subject to more seasonal variations in demand than the operations along the East Coast and Gulf Coast regions. Seasonality generally does not impact the Hawaiian market. Movements of refined petroleum products such as various blends of gasoline are strongest during the summer driving season while heating oil generally increases during the winter months.

The coastal fleet consists of 56 tank barges with 5.4 million barrels of capacity, primarily transporting refined petroleum products, black oil and petrochemicals. The Company owns 49 of the coastal tank barges and seven are leased. Of the 56 coastal tank barges currently operating, 37 are refined petroleum products and petrochemical barges and 19 are black oil barges. The Company operates 53 coastal tugboats ranging from 1000 to 11000 horsepower, of which 48 are owned by the Company and five are chartered.

Coastal marine transportation services are conducted under long-term contracts, primarily one year or longer, some of which have renewal options, for customers with which the Company has traditionally had long-standing relationships, as well as under spot contracts. During the 2015 second half, 2016 and 2017, approximately 80% of the coastal marine transportation revenues were under term contracts and 20% were spot contract revenues. For the 2015 first half, approximately 85% of coastal marine transportation revenues were under term contract and 15% were spot contract revenues.

Kirby Offshore Marine also operates a fleet of two offshore dry-bulk barge and tugboat units involved in the transportation of sugar and other dry products between Florida and East Coast ports. These vessels primarily operate under contracts of affreightment that are typically one year or less in length.

Kirby Ocean Transport owns and operates a fleet of three offshore dry-bulk barges, three offshore tugboats and one docking tugboat. Kirby Ocean Transport operates primarily under term contracts of affreightment, including a contract that expires in 2020 with Duke Energy Florida ("DEF") to transport coal across the Gulf of Mexico to DEF's power generation facility at Crystal River, Florida.

Kirby Ocean Transport is also engaged in the transportation of coal, fertilizer, sugar and other bulk cargoes on a short-term basis between domestic ports and occasionally the transportation of grain from domestic ports to ports primarily in the Caribbean Basin.

Contracts and Customers

Marine transportation inland and coastal services are conducted under term contracts, typically ranging from one to five years, some of which have renewal options, for customers with whom the Company has traditionally had long-standing relationships, as well as under spot contracts. The majority of the marine transportation contracts with its customers are for terms of one year. Most have been customers of the Company's marine transportation segment for many years and management anticipates continued relationships; however, there is no assurance that any individual contract will be renewed.

A term contract is an agreement with a specific customer to transport cargo from a designated origin to a designated destination at a set rate (affreightment) or at a daily rate (time charter). The rate may or may not include escalation provisions to recover changes in specific costs such as fuel. Time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented approximately 49% of the marine transportation's inland revenues under term contracts during 2017, 52% of revenue under term contracts during 2016 and 55% of the revenue under term contracts during 2015. A spot contract is an agreement with a customer to move cargo from a specific origin to a designated destination for a rate negotiated at the time the cargo movement takes place. Spot contract rates are at the current "market" rate and are subject to market volatility. The Company typically maintains a higher mix of term contracts to spot contracts to provide the Company with a more predictable revenue stream while maintaining spot market exposure to take advantage of new business opportunities and existing customers' peak demands. During the first nine months of 2016 and all of 2015, approximately 80% of the inland marine transportation revenues were under term contracts and 20% were spot contract revenues. During the 2016 fourth quarter and all of 2017, approximately 75% of inland marine transportation revenues were under term contracts and 25% were spot contract revenues. Coastal time charters represented approximately 85% of the marine transportation coastal revenues under term contracts in 2017 and 2016, as compared to 90% in 2015.

No single customer of the marine transportation segment accounted for 10% of the Company's revenues in 2017, 2016 and 2015.

Employees

The Company's marine transportation segment has approximately 3,225 employees, of which approximately 2,500 are vessel crew members. None of the segment's inland operations are subject to collective bargaining agreements. The segment's coastal operations include approximately 750 vessel employees some of which are subject to collective bargaining agreements in certain geographic areas. Approximately 300 Kirby Offshore Marine vessel crew members employed in the Atlantic Division are subject to a collective bargaining agreement with the Richmond Terrace Bargaining Unit that expired on December 31, 2016. This collective bargaining agreement was extended to August 31, 2018 and is currently subject to ongoing negotiations. In addition, approximately 120 Penn Maritime, Inc. vessel crew members are represented by the Seafarers International Union under a collective bargaining agreement in effect through April 2018.

Properties

The principal offices of Kirby Inland Marine, Kirby Offshore Marine, Kirby Ocean Transport and Osprey are located in Houston, Texas, in three facilities under leases that expire in July 2021, December 2025 and December 2027. Kirby Inland Marine's operating locations are on the Mississippi River at Baton Rouge and New Orleans, Louisiana, and Greenville, Mississippi, three locations in Houston, Texas, on or near the Houston Ship Channel, one in Mobile, Alabama, one in Miami, Florida, one in Covington, Louisiana, one in Corpus Christi, Texas, and one in Orange, Texas. The New Orleans, Houston and Orange facilities are owned by the Company, and the Baton Rouge, Corpus Christi, Covington, Greenville, Miami and Mobile facilities are leased. Kirby Offshore Marine's operating facilities are located in Staten Island, New York, Seattle, Washington and Honolulu, Hawaii. All of Kirby Offshore Marine's operating facilities are leased, including piers and wharf facilities and office and warehouse space. San Jac's operating location is near the Houston Ship Channel.

Governmental Regulations

General. The Company's marine transportation operations are subject to regulation by the USCG, federal laws, state laws and certain international conventions.

Most of the Company's tank barges are inspected by the USCG and carry certificates of inspection. The Company's inland and coastal towing vessels and coastal dry-bulk barges are not currently subject to USCG inspection requirements; however, federal regulations have been finalized that lay out new compliance options as well as new equipment, construction and operational requirements for towing vessels subjecting inland and coastal towing vessels to USCG inspection requirements. These regulations became effective July 20, 2016 and provide for the phase-in of certain requirements over time. Existing towing vessels have until July 20, 2018 to meet most of the requirements of the regulations, with additional timing for other portions of the regulations.

Most of the Company's coastal tugboats and coastal tank and dry-bulk barges are built to American Bureau of Shipping ("ABS") classification standards and are inspected periodically by ABS to maintain the vessels in class. The crews employed by the Company aboard vessels, including captains, pilots, engineers, tankermen and ordinary seamen, are licensed by the USCG.

The Company is required by various governmental agencies to obtain licenses, certificates and permits for its vessels depending upon such factors as the cargo transported, the waters in which the vessels operate and other factors. The Company is of the opinion that the Company's vessels have obtained and can maintain all required licenses, certificates and permits required by such governmental agencies for the foreseeable future.

The Company believes that additional security and environmental related regulations could be imposed on the marine industry in the form of contingency planning requirements. Generally, the Company endorses the anticipated additional regulations and believes it is currently operating to standards at least equal to anticipated additional regulations.

Jones Act. The Jones Act is a federal cabotage law that restricts domestic marine transportation in the United States to vessels built and registered in the United States, manned by United States citizens, and owned and operated by United States citizens. For a corporation to qualify as United States citizens for the purpose of domestic trade, it is to be 75% owned and controlled by United States citizens. The Company monitors citizenship and meets the requirements of the Jones Act for its vessels.

Compliance with United States ownership requirements of the Jones Act is important to the operations of the Company, and the loss of Jones Act status could have a material negative effect on the Company. The Company monitors the citizenship of its employees and stockholders.

User Taxes. Federal legislation requires that inland marine transportation companies pay a user tax based on propulsion fuel used by vessels engaged in trade along the inland waterways that are maintained by the United States Army Corps of Engineers. Such user taxes are designed to help defray the costs associated with replacing major components of the inland waterway system, such as locks and dams. A significant portion of the inland waterways on which the Company's vessels operate is maintained by the Army Corps of Engineers.

The Company presently pays a federal fuel user tax of 29.1 cents per gallon consisting of a .1 cent per gallon leaking underground storage tank tax and 29 cents per gallon waterways user tax. The waterways user tax rate increased from 20 to 29 cents per gallon of fuel effective April 1, 2015.

Security Requirements. The Maritime Transportation Security Act of 2002 requires, among other things, submission to and approval by the USCG of vessel and waterfront facility security plans ("VSP" and "FSP", respectively). The Company's VSP and FSP have been approved and the Company is operating in compliance with the plans for all of its vessels and facilities that are subject to the requirements.

Environmental Regulations

The Company's operations are affected by various regulations and legislation enacted for protection of the environment by the United States government, as well as many coastal and inland waterway states and international jurisdictions to the extent that the Company's vessels transit in international waters. Government regulations require the Company to obtain permits, licenses and certificates for the operation of its vessels. Failure to maintain necessary permits or approvals could require the Company to incur costs or temporarily suspend operation of one or more of its vessels.

Water Pollution Regulations. The Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977 ("Clean Water Act"), the Comprehensive Environmental Response, Compensation and Liability Act of 1981 ("CERCLA") and the Oil Pollution Act of 1990 ("OPA") impose strict prohibitions against the discharge of oil and its derivatives or hazardous substances into the navigable waters of the United States. These acts impose civil and criminal penalties for any prohibited discharges and impose substantial strict liability for cleanup of these discharges and any associated damages. Certain states also have water pollution laws that prohibit discharges into waters that traverse the state or adjoin the state, and impose civil and criminal penalties and liabilities similar in nature to those imposed under federal laws.

The OPA and various state laws of similar intent substantially increased over historic levels the statutory liability of owners and operators of vessels for oil spills, both in terms of limit of liability and scope of damages.

One of the most important requirements under the OPA was that all newly constructed tank barges engaged in the transportation of oil and petroleum in the United States be double hulled, and all existing single hull tank barges be either retrofitted with double hulls or phased out of domestic service by December 31, 2014.

The Company manages its exposure to losses from potential discharges of pollutants through the use of well-maintained and equipped vessels, through safety, training and environmental programs, and through the Company's insurance program. There can be no assurance, however, that any new regulations or requirements or any discharge of pollutants by the Company will not have an adverse effect on the Company.

Clean Water Act. The United States Environmental Protection Agency ("EPA") regulates the discharge of ballast water and other substances in United States waters under the Clean Water Act. Effective February 6, 2009, EPA regulations required vessels 79 feet in length or longer to comply with a Vessel General Permit authorizing ballast water discharges and other discharges incidental to the operation of the vessels. The EPA regulations also imposed technology and water quality based effluent limits for certain types of discharges and established specific inspection, monitoring, recordkeeping and reporting requirements for vessels to ensure effluent limitations are met. The Vessel General Permit is effective from December 19, 2013 to December 18, 2018. The Company maintains Vessel General Permits and has established recordkeeping and reporting procedures in compliance with these obligations.

The USCG adopted regulations on ballast water management treatment systems establishing a standard for the allowable concentration of living organisms in certain vessel ballast water discharged in waters of the United States under the National Invasive Species Act. The regulations include requirements for the installation of engineering equipment to treat ballast water by establishing an approval process for ballast water management systems ("BWMS"). The BWMS implementation was suspended until December 2016 at which time the USCG approved manufacturers' systems that met the regulatory discharge standard equivalent to the International Maritime Organization's D-2 standard. The phase-in schedule for those existing vessels requiring a system to install ballast water treatment management systems is dependent on vessel build date, ballast water capacity, and drydock schedule. Compliance with the ballast water treatment regulations requires the installation of equipment on some of the Company's vessels to treat ballast water before it is discharged. The installation of BWMS equipment will require capital expenditures at the next scheduled drydocking for statutory purposes of those existing vessels requiring a system in order to complete the installation of the approved system.

Financial Responsibility Requirement. Commencing with the Federal Water Pollution Control Act of 1972, as amended, vessels over 300 gross tons operating in the Exclusive Economic Zone of the United States have been required to maintain evidence of financial ability to satisfy statutory liabilities for oil and hazardous substance water pollution. This evidence is in the form of a Certificate of Financial Responsibility ("COFR") issued by the USCG. The majority of the Company's tank barges are subject to this COFR requirement, and the Company has fully complied with this requirement since its inception. The Company does not foresee any current or future difficulty in maintaining the COFR certificates under current rules.

Clean Air Regulations. The Federal Clean Air Act of 1979 requires states to draft State Implementation Plans ("SIPs") designed to reduce atmospheric pollution to levels mandated by this act. Several SIPs provide for the regulation of barge loading and discharging emissions. The implementation of these regulations requires a reduction of hydrocarbon emissions released into the atmosphere during the loading of most petroleum products and the degassing and cleaning of barges for maintenance or change of cargo. These regulations require operators who operate in these states to install vapor control equipment on their barges. The Company expects that future emission regulations will be developed and will apply this same technology to many chemicals that are handled by barge. Most of the Company's barges engaged in the transportation of petrochemicals, chemicals and refined petroleum products are already equipped with vapor control systems. Although a risk exists that new regulations could require significant capital expenditures by the Company and otherwise increase the Company's costs, the Company believes that, based upon the regulations that have been proposed thus far, no material capital expenditures beyond those currently contemplated by the Company and no material increase in costs are likely to be required.

Contingency Plan Requirement. The OPA and several state statutes of similar intent require the majority of the vessels and terminals operated by the Company to maintain approved oil spill contingency plans as a condition of operation. The Company has approved plans that comply with these requirements. The OPA also requires development of regulations for hazardous substance spill contingency plans. The USCG has not yet promulgated these regulations; however, the Company anticipates that they will not be more difficult to comply with than the oil spill plans.

Occupational Health Regulations. The Company's inspected vessel operations are primarily regulated by the USCG for occupational health standards. Uninspected vessel operations and the Company's shore personnel are subject to the United States Occupational Safety and Health Administration regulations. The Company believes that it is in compliance with the provisions of the regulations that have been adopted and does not believe that the adoption of any further regulations will impose additional material requirements on the Company. There can be no assurance, however, that claims will not be made against the Company for work related illness or injury, or that the further adoption of health regulations will not adversely affect the Company.

Insurance. The Company's marine transportation operations are subject to the hazards associated with operating vessels carrying large volumes of bulk cargo in a marine environment. These hazards include the risk of loss of or damage to the Company's vessels, damage to third parties as a result of collision, fire or explosion, loss or contamination of cargo, personal injury of employees and third parties, and pollution and other environmental damages. The Company maintains insurance coverage against these hazards. Risk of loss of or damage to the Company's vessels is insured through hull insurance currently insuring approximately $3.8 billion in hull values. Liabilities such as collision, cargo, environmental, personal injury and general liability are insured up to $1.3 billion per occurrence. The Company also maintains insurance coverage to address commercial liabilities arising in connection with its distribution and services segment.

Environmental Protection. The Company has a number of programs that were implemented to further its commitment to environmental responsibility in its operations. In addition to internal environmental audits, one such program is environmental audits of barge cleaning vendors principally directed at management of cargo residues and barge cleaning wastes. Another is the participation by the Company in the American Waterways Operators Responsible Carrier program which is oriented towards continuously reducing the barge industry's impact on the environment, including the distribution services area.

Safety. The Company manages its exposure to the hazards associated with its business through safety, training and preventive maintenance efforts. The Company places considerable emphasis on safety through a program oriented toward extensive monitoring of safety performance for the purpose of identifying trends and initiating corrective action, and for the purpose of rewarding personnel achieving superior safety performance.

Training. The Company believes that among the major elements of a successful and productive work force are effective training programs. The Company also believes that training in the proper performance of a job enhances both the safety and quality of the service provided. New technology, regulatory compliance, personnel safety, quality and environmental concerns create additional demands for training. The Company has developed and instituted effective training programs.

Centralized training is provided through the Operations Personnel and Training Department, which is charged with developing, conducting and maintaining training programs for the benefit of all of the Company's operating entities. It is also responsible for ensuring that training programs are both consistent and effective. The Company's training facility includes state-of-the-art equipment and instruction aids, including a full bridge wheelhouse simulator, a working towboat, two tank barges and a tank barge simulator for tankermen training. During 2017, approximately 1,100 certificates were issued for the completion of courses at the training facility, of which approximately 550 were USCG approved classes and the balance were employee development and Company required classes, including Leadership and Defensive Driving.

Quality. Kirby Inland Marine has made a substantial commitment to the implementation, maintenance and improvement of Quality Assurance Systems in compliance with the International Quality Standard, ISO 9001. Kirby Offshore Marine is certified under ABS ISM standards. These Quality Assurance Systems and certification have enabled both shore and vessel personnel to effectively manage the changes which occur in the working environment, as well as enhancing the Company's safety and environmental performance.

DISTRIBUTION AND SERVICES

The Company, through its wholly owned subsidiary Kirby Distribution & Services, Inc. and its wholly owned subsidiaries Kirby Engine Systems LLC, ("Kirby Engine Systems"), Stewart & Stevenson LLC ("S&S") and United Holdings LLC ("United"), and through Kirby Engine Systems' wholly owned subsidiaries Marine Systems, Inc. ("Marine Systems") and Engine Systems, Inc. ("Engine Systems"), serves two markets, oil and gas, and commercial and industrial. The Company sells genuine replacement parts, provides service mechanics to overhaul and repair engines, transmissions, reduction gears and related oilfield service equipment, rebuilds component parts or entire diesel engines, transmissions and reduction gears, and related equipment used in oilfield services, marine, mining, power generation, on-highway, and other commercial and industrial applications. The Company manufactures and remanufactures oilfield service equipment, including pressure pumping units, for North American as well international oilfield service companies, and oil and gas operator and producer markets. The Company also sells engines, transmissions, power generation systems, and rents equipment including generators, fork lifts, pumps, air compressors and railcar movers for use in a variety of commercial and industrial markets.

For the oil and gas market, the Company sells Original Equipment Manufacturers (OEM) replacement parts, sells and services diesel engines, pumps and transmissions, and manufactures and remanufactures pressure pumping units, and manufactures cementing and pumping equipment, coil tubing and well intervention equipment, and gas compression equipment. Customers include oilfield service companies, and oil and gas operators and producers.

For the commercial and industrial market, the Company sells OEM replacement parts and new diesel engines, provides service mechanics and maintains facilities to overhaul and repair diesel engines and ancillary products for marine and on-highway transportation companies, mining and industrial companies. The Company provides engineering and field services, OEM replacement parts and safety-related products to power generation operators and to the nuclear industry, manufactures engine generator and pump packages for power generation operators and municipalities, offers power generation systems customized for specific commercial and industrial applications, and rents equipment including power generation systems, pumps, air compressors, fork lifts and railcar movers.

No single customer of the distribution and services segment accounted for 10% of the Company's revenues in 2017, 2016 or 2015. The distribution and services segment also provides service to the Company's marine transportation segment, which accounted for approximately 2% of the distribution and services segment's 2017 revenues, 8% of 2016 revenues and 5% of 2015 revenues. Such revenues are eliminated in consolidation and not included in the table below.

The following table sets forth the revenues for the distribution and services segment for the three years ended December 31, 2017 (dollars in thousands):

	2017		2016		2015	
	Amounts	%	Amounts	%	Amounts	%
Overhauls and service	$ 383,241	43%	$ 181,035	61%	$ 251,447	52%
Direct parts sales	304,607	34	114,568	38	138,183	28
Manufacturing	202,464	23	3,177	1	94,812	20
	$ 890,312	100%	$ 298,780	100%	$ 484,442	100%

Oil and Gas Operations

The Company is engaged in the distribution and service of high-speed diesel engines, pumps and transmissions, and the manufacture and remanufacture of oilfield service equipment. The oil and gas operations represented 69% of the segment's 2017 revenues. The Company offers custom fabricated oilfield service equipment, fully tested and field ready. The Company manufactures and remanufactures oilfield service equipment, including pressure pumping units, nitrogen pumping units, cementers, hydration equipment, mud pumps and blenders, coil tubing, well intervention equipment and gas compression equipment. The Company sells OEM replacement parts, and sells and services diesel engines, pumps and transmissions, and offers in-house and in-field service capabilities. The Company is the largest off-highway distributor for Allison Transmission and a major distributor for MTU in North America.

The Company's manufacturing and remanufacturing facilities and service facilities are based in Houston, Texas, and Edmund and Oklahoma City, Oklahoma, key oil and gas producing regions.

Oil and Gas Customers

The Company's major oil and gas customers include large and mid-cap oilfield service providers, oil and gas operators and producers. The Company has long standing relationships with most of its customers. Since the oil and gas business is linked to the oilfield services industry, and oil and gas operators and producers, there is no assurance that its present gross revenues can be maintained in the future. The results of the Company's oil and gas distribution and services operations are largely tied to the industries it serves and, therefore, are influenced by the cycles of such industries.

Oil and Gas Competitive Conditions

The Company's primary competitors are other oilfield equipment manufacturers and remanufacturers, and equipment service companies. While price is a major determinant in the competitive process, equipment availability, reputation, consistent quality, expeditious service, experienced personnel, access to parts inventories and market presence are also significant factors. A substantial portion of the Company's business is obtained by competitive bids.

Commercial and Industrial Operations

The Company serves the marine, on-highway, mining, power generation, and other commercial and industrial markets primarily in the United States. The commercial and industrial operations represented 31% of the segment's 2017 revenues.

The Company is engaged in the overhaul and repair of medium-speed and high-speed marine diesel engines and reduction gears, line boring, block welding services and related parts sales for customers in the marine industry. Medium-speed diesel engines have an engine speed of 400 to 1000 revolutions per minute ("RPM") with a horsepower range of 800 to 32000. High-speed diesel engines have an engine speed of over 1000 RPM and a horsepower range of 50 to 8375. The Company services medium-speed and high-speed diesel engines utilized in the inland and offshore barge industries. It also services marine equipment and offshore drilling equipment used in the offshore petroleum exploration and oil service industry, marine equipment used in the offshore commercial fishing industry, harbor docking vessels, commercial ferries, vessels owned by the United States government and large pleasure crafts.

The Company has marine operations throughout the United States providing in-house and in-field repair capabilities and related parts sales. The Company's emphasis is on service to its customers, and it sends its crews from any of its locations to service customers' equipment anywhere in the world. The medium-speed operations are located in Houma and Harvey, Louisiana, Houston, Texas, Chesapeake, Virginia, Paducah, Kentucky, Seattle, Washington and Tampa, Florida, serving as the authorized distributor for EMD Power Products ("EMD") throughout the United States. The Company is also a distributor and representative for certain Alfa Laval products in the Midwest and on the East Coast, Gulf Coast, and West Coast. All of the marine locations are authorized distributors for Falk Corporation reduction gears and Oil States Industries, Inc. clutches. The Chesapeake, Virginia operation concentrates on East Coast inland and offshore dry-bulk, tank barge and harbor docking operators, and the United States government. The Houma and Harvey, Louisiana and Houston, Texas operations concentrate on the inland and offshore barge and oil services industries. The Tampa, Florida operation concentrates on Gulf of Mexico offshore dry-bulk, tank barge and harbor docking operators. The Paducah, Kentucky operation concentrates on the inland river towboat and barge operators and the Great Lakes carriers. The Seattle, Washington operation concentrates on the offshore commercial fishing industry, the offshore barge industry, the United States government, and other customers in Alaska, Hawaii and the Pacific Rim.

The high-speed marine operations are located in Houston, Texas, Houma, Baton Rouge, Belle Chasse and New Iberia, Louisiana, Paducah, Kentucky, Mobile, Alabama, Lodi and Thorofare, New Jersey, and 10 locations in Florida. The Company serves as a factory-authorized marine dealer for Caterpillar diesel engines in multiple states. The Company also operates factory-authorized full service marine distributorships/dealerships for Cummins, Detroit Diesel, John Deere, MTU and Volvo Penta diesel engines, as well as Falk, Lufkin and Twin Disc marine gears. High-speed diesel engines provide the main propulsion for a significant amount of the United States flag commercial vessels and large pleasure craft vessels, other marine applications, including engines for power generators and barge pumps.

The Company distributes, sells parts for and services diesel engines and transmissions for on-highway use and provides in-house and in-field service capabilities. The Company is the largest on-highway distributor for Allison Transmission and Detroit Diesel/Daimler Truck North America, providing parts, service and warranty on engines, transmissions and related equipment in Arkansas, Colorado, Florida, Louisiana, New Mexico, New York, Oklahoma, Texas, Wyoming, and the country of Colombia. The Company also provides similar service for off-highway use and additionally has distributor rights for Deutz and Isuzu diesel engines. Off-highway applications are primarily surface and underground mining equipment, including loaders, crawlers, crushers, power screens, pumps, cranes, generators, haul trucks and personnel carriers, as well as the rental of equipment.

The Company is engaged in the overhaul and repair of diesel engines and generators, and related parts sales for power generation customers. The Company is also engaged in the sale and distribution of diesel engine parts, engine modifications, generator modifications, controls, governors and diesel generator packages to the nuclear industry. The Company services users of diesel engines that provide emergency standby, peak and base load power generation. The Company also sells power generation systems that are customized for specific applications and the rental of power generation systems.

The Company has power generation operations throughout the United States providing in-house and in-field repair capabilities and products for power generation applications. Through its Rocky Mount, North Carolina operation, the Company serves as the exclusive worldwide distributor of EMD products to the nuclear industry, the worldwide distributor for Woodward, Inc. products to the nuclear industry, the worldwide distributor of Baker Hughes, a GE Company ("Baker Hughes") products to the nuclear industry, and owns the assets and technology necessary to support the Nordberg medium-speed diesel engines used in nuclear applications. In addition, the Rocky Mount operation is an exclusive distributor for Norlake Manufacturing Company transformer products to the nuclear industry, an exclusive distributor of Hannon Company generator and motor products to the nuclear industry, and a non-exclusive distributor of analog Weschler Instruments metering products and an exclusive distributor of digital Weschler metering products to the nuclear industry. The Company is a non-exclusive distributor of Ingersoll Rand air start equipment to the nuclear industry worldwide.

The Company sells pre-packaged and fabricated power generation systems for emergency, standby and auxiliary power for commercial and industrial applications. The Company also offers rental generator systems from MTU, Atlas Copco, and Multiquip from 50 to 2000 kilowatts of power to a broad range of customers. The Company also is engaged in the rental of power generator systems, fork lifts, pumps, air compressors and railcar movers. In addition, the Company provides accessory products such as cables, hoses, fuel cells, air dryers, air compressor boosters and ground heaters. Lastly, the Company is a dealer for Thermo King refrigeration systems for trucks, railroad cars and other land transportation markets in south and central Texas.

Commercial and Industrial Customers

The Company's major marine customers include inland and offshore barge operators, oil service companies, offshore fishing companies, other marine transportation entities, the United States government and large pleasure crafts. Since the marine business is linked to the relative health of the inland towboat, offshore and coastal tugboat, harbor docking tugboat, offshore oil service, oil and gas drilling, offshore commercial fishing industries, Great Lakes ore vessels, dredging vessels, coastal ferries, United States government vessels and the pleasure craft industry, there is no assurance that its present gross revenues can be maintained in the future. The results of the distribution and services industry are largely tied to the industries it serves and, therefore, are influenced by the cycles of such industries.

The Company's on-highway customers are long-haul and short-haul trucking companies, commercial and industrial companies with truck fleets, buses owned by municipalities and private companies. Off-highway companies include surface and underground mining operations with a large variety of equipment.

The Company's power generation customers are domestic utilities and the worldwide nuclear power industry, municipalities, universities, medical facilities, data centers, petrochemical plants, manufacturing facilities, shopping malls, office complexes, residential and other industrial users.

The Company's rental customers are primarily commercial and industrial companies, and residential customers with short-term rental requirements.

Commercial and Industrial Competitive Conditions

The Company's primary marine competitors are independent distribution and services companies and other factory-authorized distributors, authorized service centers and authorized marine dealers. Certain operators of diesel powered marine equipment also elect to maintain in-house service capabilities. While price is a major determinant in the competitive process, reputation, consistent quality, expeditious service, experienced personnel, access to parts inventories and market presence are also significant factors. A substantial portion of the Company's business is obtained by competitive bids. However, the Company has entered into service agreements with certain operators of diesel powered marine equipment, providing such operators with one source of support and service for all of their requirements at pre-negotiated prices.

The Company is one of a limited number of authorized resellers of EMD, Caterpillar, Cummins, Detroit Diesel, John Deere, MTU and Volvo Penta parts. The Company is also the marine distributor for Falk, Lufkin and Twin Disc reduction gears throughout the United States.

The Company's primary power generation competitors are other independent diesel service companies and manufacturers. While price is a major determinant in the competitive process, reputation, consistent quality, expeditious service, experienced personnel, access to parts inventories and market presence are also significant factors. A substantial portion of the Company's business is obtained by competitive bids.

As noted above, the Company is the exclusive worldwide distributor of EMD, Baker Hughes, Woodward, Nordberg, Norlake and Hannon parts for the nuclear industry, and non-exclusive distributor of Weschler parts and Ingersoll Rand air start equipment for the nuclear industry. Specific regulations relating to equipment used in nuclear power generation require extensive testing and certification of replacement parts. OEM parts need to be properly tested and certified for nuclear applications.

Employees

The Company's distribution and services segment has approximately 2,450 employees. None of the United Holdings and Kirby Engine Systems operations are subject to collective bargaining agreements. Approximately 60 S&S employees in New Jersey are subject to a collective bargaining agreement with the Local 15C, International Union of Operating Engineers, AFL-CIO that expires in October 2023. The remaining S&S employees are not subject to collective bargaining agreements.

Properties

The principal office of the distribution and services segment is located in Houston, Texas. There are 69 active facilities in the distribution and services segment, with 30 of these facilities owned and 39 are leased facilities.

The oil and gas operation's principal manufacturing facilities are located in Houston, Texas, and Edmund and Oklahoma City, Oklahoma, with all three facilities owned by the Company. The oil and gas focused operations have 22 parts and service facilities, with two in Arkansas, two in Colorado, five in Louisiana, one in New Mexico, 11 in Texas and one in Wyoming, with many of these facilities shared with the commercial and industrial operations.

The commercial and industrial businesses operate 44 parts and service facilities, with one facility in Alabama, one in Arizona, one in Connecticut, 11 in Florida, two in Kansas, one in Kentucky, two in Louisiana, one in Massachusetts, one in Oklahoma, four in New Jersey, one in New York, one in North Carolina, 10 in Texas, one in Virginia, one in Washington and five facilities located in Colombia, South America.

Executive Officers of the Registrant

The executive officers of the Company are as follows:

Name	Age	Positions and Offices
Joseph H. Pyne	70	Chairman of the Board
David W. Grzebinski	56	President, Chief Executive Officer and Chief Financial Officer
William G. Harvey (1)	60	Executive Vice President – Finance
Christian G. O'Neil	45	President – Kirby Inland Marine and Kirby Offshore Marine
Joseph H. Reniers	43	President – Kirby Distribution & Services, Inc.
Dorman L. Strahan	61	President – Kirby Engine Systems
Kim B. Clarke	62	Vice President and Chief Human Resources Officer
Ronald A. Dragg	54	Vice President, Controller and Assistant Secretary
Eric S. Holcomb	43	Vice President – Investor Relations
Amy D. Husted	49	Vice President and General Counsel
David R. Mosley	53	Vice President and Chief Information Officer
William M. Woodruff	57	Vice President – Public and Governmental Affairs
Renato A. Castro	46	Treasurer

(1) On January 31, 2018, the Company announced the employment of William G. Harvey as Executive Vice President – Finance. Mr. Harvey will assume the role of Chief Financial Officer of the Company after the filing of the Company's 2017 Form 10-K.

No family relationship exists among the executive officers or among the executive officers and the directors. Officers are elected to hold office until the annual meeting of directors, which immediately follows the annual meeting of stockholders, or until their respective successors are elected and have qualified.

Joseph H. Pyne holds a degree in liberal arts from the University of North Carolina and has served the Company as Chairman of the Board since April 2014. He served the Company as Chairman of the Board and Chief Executive Officer from January 2014 to April 2014, as Chairman of the Board, President and Chief Executive Officer from April 2013 to January 2014 and from April 2010 to April 2011, and as President and Chief Executive Officer from 1995 to April 2010, Executive Vice President from 1992 to 1995 and as President of Kirby Inland Marine from 1984 to November 1999. He has served the Company as a Director since 1988. He also served in various operating and administrative capacities with Kirby Inland Marine from 1978 to 1984, including Executive Vice President from January to June 1984. Prior to joining the Company, he was employed by Northrop Services, Inc. and served as an officer in the Navy.

David W. Grzebinski is a Chartered Financial Analyst and holds a Master of Business Administration degree from Tulane University and a degree in chemical engineering from the University of South Florida. He has served as President and Chief Executive Officer since April 2014. He served as President and Chief Operating Officer from January 2014 to April 2014 and as Chief Financial Officer from March 2010 to April 2014. He served as Chairman of Kirby Offshore Marine from February 2012 to April 2013 and served as Executive Vice President from March 2010 to January 2014. Prior to joining the Company in February 2010, he served in various administrative positions since 1988 with FMC Technologies Inc. ("FMC"), including Controller, Energy Services, Treasurer, and Director of Global SAP and Industry Relations. Prior to joining FMC, he was employed by Dow Chemical Company.

William G. Harvey is a Chartered Financial Analysts and holds a Master of Business Administration degree from the University of Toronto and a degree in mechanical engineering from Queens University. He has served as Executive Vice President – Finance since February 2018. Prior to joining the Company, Mr. Harvey served as Executive Vice President and Chief Financial Officer of Walter Energy, Inc. from 2012 to 2017, Senior Vice President and Chief Financial Officer of Resolute Forest Products Inc. ("Resolute") from 2008 to 2011, and as Executive Vice President and Chief Financial Officer of Bowater Inc., a predecessor company of Resolute, from 2004 to 2008.

Christian G. O'Neil holds a Master of Business Administration degree from Rice University, a doctorate of jurisprudence from Tulane University and a bachelor of arts degree from Southern Methodist University. He has served as President of Kirby Inland Marine and Kirby Offshore Marine since January 2018. He served as Executive Vice President and Chief Operating Officer of Kirby Inland Marine and Kirby Offshore Marine from May 2016 to January 2018. He also served as Executive Vice President – Commercial Operations of Kirby Inland Marine and Kirby Offshore Marine from April 2014 to May 2016, Vice President – Human Resources of the Company from May 2012 to April 2014, Vice President – Sales for Kirby Inland Marine from 2009 to 2012 and President of Osprey from 2006 through 2008. He has also served in various sales and business development roles at the Company and Osprey. Prior to joining the Company, he served as Sales Manager and Fleet Manager at Hollywood Marine, Inc. ("Hollywood Marine") after joining Hollywood Marine in 1997.

Joseph H. Reniers holds a degree in mechanical engineering from the United States Naval Academy and a Master of Business Administration degree from the University of Chicago Booth School of Business. He has served the Company as President – Kirby Distribution & Services, Inc. since September 2017. He served as Executive Vice President – Diesel Engine Services and Supply Chain from May 2016 to September 2017, Senior Vice President – Diesel Engine Services and Marine Facility Operations from February 2015 to May 2016, Vice President – Strategy and Operational Service from April 2014 to February 2015, Vice President – Supply Chain from April 2012 to April 2014 and Vice President – Human Resources from March 2010 to April 2012. Prior to joining the Company, he was a management consultant with McKinsey & Company serving a wide variety of industrial clients. Prior to joining McKinsey, he served as a nuclear power officer in the Navy.

Dorman L. Strahan attended Nicholls State University and has served the Company as President of Kirby Engine Systems since May 1999, President of Marine Systems since 1986 and President of Engine Systems since 1996. After joining the Company in 1982 in connection with the acquisition of Marine Systems, he served as Vice President of Marine Systems until 1985.

Kim B. Clarke holds a Bachelor of Science degree from the University of Houston. She has served as Vice President and Chief Human Resources Officer since October 2017. She served as Vice President – Human Resources from December 2016 to April 2017. Prior to joining the Company, she served in senior leadership roles in human resources, safety, information technology and business development as Senior Vice President and Chief Administration Officer for Key Energy Services, Inc. from 2004 to March 2016.

Ronald A. Dragg is a Certified Public Accountant and holds a Master of Science in Accountancy degree from the University of Houston and a degree in finance from Texas A&M University. He has served the Company as Vice President and Controller since January 2007. He also served as Controller from November 2002 to January 2007, Controller – Financial Reporting from January 1999 to October 2002, and Assistant Controller – Financial Reporting from October 1996 to December 1998. Prior to joining the Company, he was employed by Baker Hughes Incorporated.

Eric S. Holcomb is a Certified Public Accountant and holds a B.B.A. degree in accounting from Southern Methodist University. He has served the Company as Vice President – Investor Relations since December 2017. Prior to joining the Company, he was employed by Baker Hughes Incorporated from 2003 to December 2017 serving in various roles including Investor Relations Director, Finance Director for North America Land, Finance Director for North America Offshore and Finance Director for Canada.

Amy D. Husted holds a doctorate of jurisprudence from South Texas College of Law and a degree in political science from the University of Houston. She has served the Company has Vice President and General Counsel since January 2017. She served as Vice President – Legal from January 2008 to January 2017 and served as Corporate Counsel from November 1999 through December 2007. Prior to joining the Company, she served as Corporate Counsel of Hollywood Marine from 1996 to 1999 after joining Hollywood Marine in 1994.

David R. Mosley holds a degree in computer science from Texas A&M University and has served the Company as Vice President and Chief Information Officer since May 2007. Prior to joining the Company in 2007, he served as Vice President and Chief Information Officer for Prudential Real Estate Services Company from 2005 to May 2007, Vice President – Service Delivery for Iconixx Corporation from 1999 to 2005, Vice President – Product Development and Services for ADP Dealer Services from 1995 to 1999 and in various information technology development and management positions from 1987 to 1995.

William M. Woodruff holds a doctorate of jurisprudence from the University of Houston Law Center and a bachelor of science degree from Texas A&M University. He was elected Vice President – Public and Governmental Affairs in October 2017. He served as Director – Public & Government Affairs from 2014 to October 2017 after joining the Company as Director – Government Affairs in 2004. Prior to joining the Company, he was a maritime lawyer in private practice and Vice President and General Counsel of Coastal Towing, Inc.

Renato A. Castro is a Certified Public Accountant and holds a Master of Business Administration degree from Tulane University and a degree in civil engineering from the National Autonomous University of Honduras. He has served the Company as Treasurer since April 2010 and served as Manager of Financial Analysis from 2007 to April 2010. He also served as Financial Analyst from 2005 through 2006 and Assistant Controller of Kirby Inland Marine from 2001 through 2004. Prior to joining the Company, he was employed by a subsidiary of Astaldi S.p.A. in their transport infrastructure division.

Item 1A. *Risk Factors*

The following risk factors should be considered carefully when evaluating the Company, as its businesses, results of operations, or financial condition could be materially adversely affected by any of these risks. The following discussion does not attempt to cover factors, such as trends in the United States and global economies or the level of interest rates, among others, that are likely to affect most businesses.

The Inland Waterway infrastructure is aging and may result in increased costs and disruptions to the Company’s marine transportation segment. Maintenance of the United States inland waterway system is vital to the Company’s operations. The system is composed of over 12,000 miles of commercially navigable waterway, supported by over 240 locks and dams designed to provide flood control, maintain pool levels of water in certain areas of the country and facilitate navigation on the inland river system. The United States inland waterway infrastructure is aging, with more than half of the locks over 50 years old. As a result, due to the age of the locks, scheduled and unscheduled maintenance outages may be more frequent in nature, resulting in delays and additional operating expenses. One-half of the cost of new construction and major rehabilitation of locks and dams is paid by marine transportation companies through a 29 cent per gallon diesel fuel tax and the remaining 50% is paid from general federal tax revenues. Failure of the federal government to adequately fund infrastructure maintenance and improvements in the future would have a negative impact on the Company’s ability to deliver products for its customers on a timely basis. In addition, any additional user taxes that may be imposed in the future to fund infrastructure improvements would increase the Company’s operating expenses.

The Company is subject to adverse weather conditions in its marine transportation and distribution and services segments. The Company’s marine transportation segment is subject to weather conditions on a daily basis. Adverse weather conditions such as high or low water on the inland waterway systems, fog and ice, tropical storms, hurricanes and tsunamis on both the inland waterway systems and throughout the United States coastal waters can impair the operating efficiencies of the marine fleet. Such adverse weather conditions can cause a delay, diversion or postponement of shipments of products and are totally beyond the control of the Company. In addition, adverse water and weather conditions can negatively affect a towing vessel’s performance, tow size, loading drafts, fleet efficiency, place limitations on night passages and dictate horsepower requirements. The Company’s distribution and services segment is subject to tropical storms and hurricanes impacting its coastal locations and tornadoes impacting its Oklahoma facilities.

The Company could be adversely impacted by a marine accident or spill event. A marine accident or spill event could close a portion of the inland waterway system or a coastal area of the United States for a period of time. Although statistically marine transportation is the safest means of surface transportation of bulk commodities, accidents do occur, both involving Company equipment and equipment owned by other marine carriers.

The Company transports a wide variety of petrochemicals, black oil, refined petroleum products and agricultural chemicals throughout the Mississippi River System, on the Gulf Intracoastal Waterway, coastwise along all three United States coasts and in Alaska and Hawaii. The Company manages its exposure to losses from potential discharges of pollutants through the use of well-maintained and equipped tank barges and towing vessels, through safety, training and environmental programs, and through the Company's insurance program, but a discharge of pollutants by the Company could have an adverse effect on the Company.

The Company's marine transportation segment is dependent on its ability to adequately crew its towing vessels. The Company's towing vessels are crewed with employees who are licensed or certified by the USCG, including its captains, pilots, engineers and tankermen. The success of the Company's marine transportation segment is dependent on the Company's ability to adequately crew its towing vessels. As a result, the Company invests significant resources in training its crews and providing crew members an opportunity to advance from a deckhand to the captain of a Company towboat or tugboat. Lifestyle issues are a deterrent for employment for inland and coastal crew members. Inland crew members generally work a 20 days on, 10 days off rotation, or a 30 days on, 15 days off rotation. For the coastal fleet, crew members are generally required to work a 14 days on, 14 days off, 21 days on, 21 days off or 30 days on, 30 days off rotation, dependent upon the location. With ongoing retirements and competitive labor pressure in the marine transportation segment, the Company continues to monitor and implement market competitive pay practices. The Company also utilizes an internal development program to train Maritime Academy graduates for vessel leadership positions.

The Company's marine transportation segment has approximately 3,225 employees, of which approximately 2,500 are vessel crew members. None of the segment's inland operations are subject to collective bargaining agreements. The segment's coastal operations include approximately 750 vessel employees, of whom approximately 420 are subject to collective bargaining agreements in certain geographic areas. Any work stoppages or labor disputes could adversely affect coastal operations in those areas.

The Company may be unable to make attractive acquisitions or successfully integrate acquired businesses, and any inability to do so may adversely affect the Company's business and hinder its ability to grow. The Company has made asset and business acquisitions in the past and may continue to make acquisitions of assets or businesses in the future that complement or expand the Company's current business. The Company may not be able to identify attractive acquisition opportunities. Even if attractive acquisition opportunities are identified, the Company may not be able to complete the acquisition or do so on commercially acceptable terms. The success of any completed acquisition depends on the Company's ability to integrate the acquired assets or business effectively into the Company's existing operations. The process of integrating acquired assets or businesses may involve difficulties that require a disproportionate amount of the Company's managerial and financial resources to resolve. The value of acquired assets or businesses may be negatively impacted by a variety of circumstances unknown to the Company prior to the acquisition. In addition, possible future acquisitions may be larger and for purchase prices significantly higher than those paid for earlier acquisitions. No assurance can be given that the Company will be able to identify additional suitable acquisition opportunities, negotiate acceptable terms, obtain financing for acquisitions on acceptable terms or successfully acquire identified targets. The Company's failure to achieve consolidation savings, to integrate successfully the acquired businesses and assets into the Company's existing operations, or to minimize any unforeseen operational difficulties could have a material adverse effect on the Company's business, financial condition, and results of operations. In addition, agreements governing the Company's indebtedness from time to time may impose certain limitations on the Company's ability to undertake acquisitions or make investments or may limit the Company's ability to incur certain indebtedness and liens, which could limit the Company's ability to make acquisitions.

The Company's failure to comply with the Foreign Corrupt Practices Act ("FCPA") could have a negative impact on its ongoing operations. The Company's operations outside the United States require the Company to comply with a number of United States and international regulations. For example, its operations in countries outside the United States are subject to the FCPA, which prohibits United States companies or their agents and employees from providing anything of value to a foreign official for the purposes of influencing any act or decision of these individuals in their official capacity to help obtain or retain business, direct business to any person or corporate entity, or obtain any unfair advantage. The Company has internal control policies and procedures and has implemented training and compliance programs for its employees and agents with respect to the FCPA. However, the Company's policies, procedures and programs may not always protect it from reckless or criminal acts committed by its employees or agents, and severe criminal or civil sanctions could be the result of violations of the FCPA. The Company is also subject to the risks that its employees, joint venture partners, and agents outside of the United States may fail to comply with other applicable laws.

The Company's marine transportation segment is subject to the Jones Act. The Company's marine transportation segment competes principally in markets subject to the Jones Act, a federal cabotage law that restricts domestic marine transportation in the United States to vessels built and registered in the United States, and manned and owned by United States citizens. The Company presently meets all of the requirements of the Jones Act for its vessels. The loss of Jones Act status could have a significant negative effect on the Company. The requirements that the Company's vessels be United States built and manned by United States citizens, the crewing requirements and material requirements of the USCG, and the application of United States labor and tax laws increases the cost of United States flag vessels when compared with comparable foreign flag vessels. The Company's business could be adversely affected if the Jones Act or international trade agreements or laws were to be modified as to permit foreign competition that is not subject to the same United States government imposed burdens. Since the events of September 11, 2001, the United States government has taken steps to increase security of United States ports, coastal waters and inland waterways. The Company believes that it is unlikely that the current cabotage provisions of the Jones Act would be modified or eliminated in the foreseeable future.

The Secretary of Homeland Security is vested with the authority and discretion to waive the Jones Act to such extent and upon such terms as the Secretary may prescribe whenever the Secretary deems that such action is necessary in the interest of national defense. On September 8, 2017, following Hurricanes Harvey and Irma, the Department of Homeland Security issued a waiver of the Jones Act for a 7-day period for shipments from New York, Pennsylvania, Texas and Louisiana to South Carolina, Georgia, Florida and Puerto Rico. The waiver was specifically tailored to address the transportation of refined petroleum products due to disruptions in hurricane-affected areas. On September 11, 2017, the waiver was extended for 11 days and expanded to include additional states. Following Hurricane Maria, on September 28, 2017, the Department of Homeland Security issued a waiver of the Jones Act for movement of products shipped from United States coastwise points to Puerto Rico through October 18, 2017. Waivers of the Jones Act, whether in response to natural disasters or otherwise, could result in increased competition from foreign tank vessel operators, which could negatively impact the marine transportation segment.

The Company's marine transportation segment is subject to regulation by the USCG, federal laws, state laws and certain international conventions, as well as numerous environmental regulations. The majority of the Company's vessels are subject to inspection by the USCG and carry certificates of inspection. The crews employed by the Company aboard vessels are licensed or certified by the USCG. The Company is required by various governmental agencies to obtain licenses, certificates and permits for its vessels. The Company's operations are also affected by various United States and state regulations and legislation enacted for protection of the environment. The Company incurs significant expenses and capital expenditures to comply with applicable laws and regulations and any significant new regulation or legislation, including climate change laws or regulations, could have an adverse effect on the Company.

The Company is subject to risks associated with possible climate change legislation, regulation and international accords. Greenhouse gas emissions have increasingly become the subject of a large amount of international, national, regional, state and local attention. On December 7, 2009, the EPA furthered its focus on greenhouse gas emissions when it issued its endangerment finding in response to a decision of the Supreme Court of the United States. The EPA found that the emission of six greenhouse gases, including carbon dioxide (which is emitted from the combustion of fossil fuels), may reasonably be anticipated to endanger public health and welfare. Based on this finding, the EPA defined the mix of these six greenhouse gases to be "air pollution" subject to regulation under the Clean Air Act. Although the EPA has stated a preference that greenhouse gas regulation be based on new federal legislation rather than the existing Clean Air Act, many sources of greenhouse gas emissions may be regulated without the need for further legislation.

The United States Congress has considered in the past legislation that would create an economy-wide “cap-and-trade” system that would establish a limit (or cap) on overall greenhouse gas emissions and create a market for the purchase and sale of emissions permits or “allowances.” Any proposed cap-and-trade legislation would likely affect the chemical industry due to anticipated increases in energy costs as fuel providers pass on the cost of the emissions allowances, which they would be required to obtain under cap-and-trade to cover the emissions from fuel production and the eventual use of fuel by the Company or its energy suppliers. In addition, cap-and-trade proposals would likely increase the cost of energy, including purchases of diesel fuel, steam and electricity, and certain raw materials used or transported by the Company. Proposed domestic and international cap-and-trade systems could materially increase raw material and operating costs of the Company’s customer base. Future environmental regulatory developments related to climate change in the United States that restrict emissions of greenhouse gases could result in financial impacts on the Company’s operations that cannot be predicted with certainty at this time.

The Company’s marine transportation segment is subject to volatility in the United States production of petrochemicals. For 2017, 56% of the marine transportation segment’s revenues were from the movement of petrochemicals, including the movement of raw materials and feedstocks from one refinery or petrochemical plant to another, as well as the movement of more finished products to end users and terminals for export. During 2017, petrochemical volumes were relatively stable compared with 2016 and 2015. The United States petrochemical industry continues to benefit from a low-cost domestically produced natural gas feedstock advantage, producing strong volumes of raw materials and intermediate products for transportation between Gulf Coast petrochemical plants and the transportation of more finished products to terminals for both domestic consumers and for export destinations. In addition, approximately 30 new United States petrochemical projects, including expansion of existing plants or new plants, are scheduled to be completed during 2018 and 2019 which should provide additional movements for the marine transportation segment. Higher natural gas prices and other factors could negatively impact the United States petrochemical industry and its production volumes, which would negatively impact the Company.

The Company’s marine transportation segment could be adversely impacted by the construction of tank barges by its competitors. At the present time, there are an estimated 3,825 inland tank barges in the United States, of which the Company operates 998, or 26%. The number of tank barges peaked at an estimated 4,200 in 1982, slowly declined to 2,750 by 2003, and then gradually increased to an estimated 3,850 by the end of 2015 and 2016. At the end of 2017 the Company estimates there are approximately 3,825 inland tank barges. The Company estimates that industry-wide approximately 260 tank barges were placed in service during 2015, of which 36 were for the Company, and 60 tank barges were retired, 18 of which were by the Company. The Company estimates that industry-wide approximately 100 tank barges were placed in service during 2016, of which five were by the Company, and 100 tank barges were retired, 50 of which were by the Company. The Company estimates that industry-wide 75 tank barges were placed in service during 2017, of which five were by the Company, and 100 tank barges were retired, 54 of which were by the Company. The increase for 2015 reflected the improved demand for inland petrochemical, refined petroleum products and black oil barges experienced in 2014 and federal tax incentives on new equipment. The decrease in the number of tank barges at the end of 2016 and 2017 reflected the industry-wide oversupply of tank barges. The Company estimates that approximately 30 tank barges were ordered during 2017 for delivery throughout 2018, one of which is for the Company, and many older tank barges, including an expected 25 by the Company, will be retired, dependent on 2018 market conditions.

The long-term risk of an oversupply of inland tank barges may be mitigated by the fact that the inland tank barge industry has a mature fleet. Of the estimated 3,825 tank barges in the industry at the present time, approximately 500 are over 30 years old and approximately 250 of those over 40 years old. Given the age profile of the industry inland tank barge fleet, the expectation is that older tank barges will continue to be removed from service and replaced by new tank barges as needed, with the extent of both retirements and new builds dependent on petrochemical and refinery production levels and crude oil and natural gas condensate movements, both of which can have a direct effect on industry-wide tank barge utilization, as well as term and spot contract rates.

During the majority of 2015, the coastal operations reflected improvements in market conditions with tank barge utilization in the 90% to 95% range, occasionally declining to the high-80% level during portions of the 2015 fourth quarter. During the majority of 2015, the Company experienced increased demand for coastal crude oil and natural gas condensate moves and success in expanding the coastal customer base to include inland customers with coastal requirements. During the 2015 fourth quarter continuing throughout 2016 and 2017, a decline in crude oil and natural gas condensate transportation volumes increased available capacity and resulted in some reluctance among certain customers to extend term contracts, which led to an increase in the number of coastal vessels operating in the spot market. In addition, the Company and the industry added new coastal tank barge capacity during 2015, 2016 and 2017, with additional new capacity coming on-line in 2018 and 2019. Much of this new capacity is replacement capacity for older vessels anticipated to be retired.

The Company estimates there are approximately 290 tank barges operating in the 195,000 barrel or less coastal industry fleet, the sector of the market in which the Company operates, and approximately 20 of those are over 30 years old. The Company took delivery of a new 185,000 barrel ATB in late 2015 and a second 185,000 barrel ATB in June 2016. The Company also took delivery of a new 155,000 barrel ATB in November 2016 and a second 155,000 ATB in September 2017. The Company also took delivery in December 2016 of a 35,000 barrel coastal petrochemical tank barge. The Company is aware of nine coastal tank barge and tugboat units placed in service in 2016 and seven in 2017 by competitors, and seven announced coastal tank barge and tugboat units under construction by competitors for delivery in 2018 and 2019. The Company removed from service 12 out-of-service coastal tank barges in the 2017 fourth quarter. The coastal tank barges will be either scrapped or sold into international non-competing markets during 2018.

Higher fuel prices could increase operating expenses and fuel price volatility could reduce profitability. The cost of fuel during 2017 was approximately 9% of marine transportation revenue. All marine transportation term contracts contain fuel escalation clauses, or the customer pays for the fuel. However, there is generally a 30 to 90 day delay before contracts are adjusted depending on the specific contract. In general, the fuel escalation clauses are effective over the long-term in allowing the Company to adjust to changes in fuel costs due to fuel price changes; however, the short-term effectiveness of the fuel escalation clauses can be affected by a number of factors including, but not limited to, specific terms of the fuel escalation formulas, fuel price volatility, navigating conditions, tow sizes, trip routing, and the location of loading and discharge ports that may result in the Company over or under recovering its fuel costs. Spot contract rates generally reflect current fuel prices at the time the contract is signed but do not have escalators for fuel.

Loss of a large customer or other significant business relationship could adversely affect the Company. Four marine transportation customers accounted for approximately 20% of the Company's 2017, 25% of 2016 and 30% of 2015 revenue. The Company has contracts with these customers expiring in 2018 through 2021. Two distribution and services customers accounted for approximately 13% of the Company's 2017, 3% of 2016 and 7% of 2015 revenue. Although the Company considers its relationships with these companies to be strong, the loss of any of these customers could have an adverse effect on the Company.

The Company's distribution and services segment has a 52-year relationship with EMD, the largest manufacturer of medium-speed diesel engines. The Company, through Kirby Engine Systems, serves as both an EMD distributor and service center for select markets and locations for both service and parts. With the acquisition of S&S in September 2017, the Company added additional EMD exclusive distributorship rights in key states, primarily through the central, south and eastern areas of the United States. With the S&S acquisition, the Company became the United States distributor for EMD marine and power generation applications. Sales and service of EMD products account for approximately 3% of the Company's revenues for 2017. Although the Company considers its relationship with EMD to be strong, the loss of the EMD distributorship and service rights, or a disruption of the supply of EMD parts, could have a negative impact on the Company's ability to service its customers.

United and S&S have maintained continuous exclusive distribution rights for MTU and Allison since the 1940s. United and S&S are two of MTU's top five distributors of off-highway engines in North America, with exclusive distribution rights in multiple states. In addition, as distributors of Allison products, United and S&S have exclusive distribution rights in multiple key growth states. United and S&S are also the distributor for parts, service and warranty on Daimler truck engines and related equipment in multiple states. Sales and service of MTU and Allison products accounted for approximately 12% of the Company's revenues during 2017. Although the Company considers its relationships with MTU and Allison to be strong, the loss of MTU, Allison or Daimler distributorships and service rights, or a disruption of the supply of MTU or Allison parts, could have a negative impact on the Company's ability to service its customers.

The Company is subject to competition in both its marine transportation and distribution and services segments. The inland and coastal tank barge industry remains very competitive. The Company's primary competitors are noncaptive inland tank barge operators and coastal operators. The Company also competes with companies who operate refined product and petrochemical pipelines, railroad tank cars and tractor-trailer tank trucks. Increased competition from any significant expansion of or additions to facilities or equipment by the Company's competitors could have a negative impact on the Company's results of operations.

The distribution and services industry is also very competitive. The segment's oil and gas market's principal competitors are independent distribution and service and oilfield manufacturing companies and other factory-authorized distributors and service centers. In addition, certain oilfield service companies that are customers of the Company also manufacture and service a portion of their own oilfield equipment. Increased competition in the distribution and services industry and continued low price of natural gas, crude oil or natural gas condensate, and resulting decline in drilling for such natural resources in North American shale formations, could result in less oilfield equipment being manufactured and remanufactured, lower rates for service and parts pricing and result in less manufacturing, remanufacturing, service and repair opportunities and parts sales for the Company. For the commercial and industrial market, the segment's primary marine diesel competitors are independent diesel services companies and other factory-authorized distributors, authorized service centers and authorized marine dealers. Certain operators of diesel powered marine equipment also elect to maintain in-house service capabilities. For power generation, the primary competitors are other independent service companies.

Significant increases in the construction cost of tank barges and towing vessels may limit the Company's ability to earn an adequate return on its investment in new tank barges and towing vessels. The price of steel increased significantly from 2006 to 2009, thereby increasing the construction cost of new tank barges and towing vessels. The Company's average construction price for a new 30,000 barrel capacity inland tank barge ordered in 2008 for 2009 delivery was approximately 90% higher than in 2000, primarily due to the increase in steel prices. During 2009, the United States and global recession negatively impacted demand levels for inland tank barges and as a result, the construction price of inland tank barges for 2010 delivery fell significantly, primarily due to a significant decrease in steel prices, as well as a decrease in the number of tank barges ordered. The average construction price for inland tank barges delivered since 2010 steadily increased until reaching its peak in early 2015, but remained below the construction price for tank barges delivered in 2009. Construction costs for inland tank barges ordered in 2016 for delivery in 2017, and ordered in 2017 for delivery in 2018 have declined, reflecting the current industry-wide over-capacity in the inland tank barge market and subsequent decline in the number of tank barges ordered for delivery in 2017 and 2018.

The Company's marine transportation segment could be adversely impacted by the failure of the Company's shipyard vendors to deliver new vessels according to contractually agreed delivery schedules and terms. The Company contracts with shipyards to build new vessels and currently has many vessels under construction. Construction projects are subject to risks of delay and cost overruns, resulting from shortages of equipment, materials and skilled labor; lack of shipyard availability; unforeseen design and engineering problems; work stoppages; weather interference; unanticipated cost increases; unscheduled delays in the delivery of material and equipment; and financial and other difficulties at shipyards including labor disputes, shipyard insolvency and inability to obtain necessary certifications and approvals. A significant delay in the construction of new vessels or a shipyard's inability to perform under the construction contract could negatively impact the Company's ability to fulfill contract commitments and to realize timely revenues with respect to vessels under construction. Significant cost overruns or delays for vessels under construction could also adversely affect the Company's financial condition, results of operations and cash flows.

The Company's distribution and services segment could be adversely impacted by future legislation or additional regulation of hydraulic fracturing practices. The Company, through its United and S & S subsidiaries, is a distributor and service provider of engine and transmission related products for the oil and gas services, power generation and transportation industries, and a manufacturer of oilfield service equipment, including pressure pumping units. The EPA is studying hydraulic fracturing practices, and legislation may be introduced in Congress that would authorize the EPA to impose additional regulations on hydraulic fracturing. In addition, a number of states have adopted or are evaluating the adoption of legislation or regulations governing hydraulic fracturing. Such federal or state legislation and/or regulations could materially impact customers' operations and greatly reduce or eliminate demand for the Company's pressure pumping fracturing equipment and related products. The Company is unable to predict whether future legislation or any other regulations will ultimately be enacted and, if so, the impact on the Company's distribution and services segment.

The Company relies on critical information systems for the operation of its businesses, and the failure of any critical information system, including a cyber-security breach, may adversely impact its businesses. The Company is dependent on its technology infrastructure and must maintain and rely upon critical information systems for the effective and safe operation of its businesses. These information systems include software applications and hardware equipment, as well as data networks and telecommunications.

The Company's information systems, including the Company's proprietary vessel management computer system, are subject to damage or interruption from a number of potential sources, including but not limited to, natural disasters, software viruses, power failures and cyber-attacks. The Company has implemented measures such as emergency recovery processes, virus protection software, intrusion detection systems and annual attack and penetration audits to mitigate these risks. However, the Company cannot guarantee that its information systems cannot be damaged or compromised.

Any damage or compromise of its data security or its inability to use or access these critical information systems could adversely impact the efficient and safe operation of its businesses, or result in the failure to maintain the confidentiality of data of its customers or its employees and could subject the Company to increased operating expenses or legal action, which could have an adverse effect on the Company.

Prevailing natural gas and crude oil prices, as well as the volatility of their prices, could have an adverse effect on the Company's businesses. Demand for tank barge transportation services is driven by the production of volumes of the bulk liquid commodities such as petrochemicals, black oil and refined petroleum products that the Company transports by tank barge. This production can depend on the prevailing level of natural gas and crude oil prices, as well as the volatility of their prices.

In general, lower energy prices are good for the United States economy and typically translate into increased petrochemical and refined product production and therefore increased demand for tank barge transportation services. However, during 2015, 2016 and 2017 lower crude oil prices resulted in a decline in domestic crude oil and natural gas condensate production and reduced volumes to be transported by tank barge. The Company estimates that at the beginning of 2015 there were approximately 550 inland tank barges and 35 coastal tank barges in the 195,000 barrels or less category transporting crude oil and natural gas condensate. At the end of 2016, the Company estimated that approximately 140 inland tank barges and approximately ten coastal tank barges in the 195,000 barrel or less category were transporting such products, a reduction of approximately 410 inland tank barges and 25 coastal tank barges that have moved into other markets. At the end of 2017, the Company estimates that approximately 250 inland tank barges and approximately three coastal tank barges were transporting crude and natural gas condensate. Volatility in the price of natural gas and crude oil can also result in heightened uncertainty which may lead to decreased production and delays in new petrochemical and refinery plant construction. Increased competition for available black oil and petrochemical barge moves caused by reduced crude oil and natural gas condensate production could have an adverse impact on the Company's marine transportation segment.

Lower energy prices generally result in a decrease in the number of oil and gas wells being drilled. Oilfield service companies reduce their capital spending, resulting in decreased demand for new parts and equipment, including pressure pumping units, provided by the Company's distribution and services segment. This may also lead to order cancellations from customers or customers requesting to delay delivery of new equipment. The Company also services offshore supply vessels and offshore drillings rigs operating in the Gulf of Mexico, as well as internationally. Low energy prices may negatively impact the number of wells drilled in the Gulf of Mexico and international waters. In addition to the possibility that decreased energy prices may result in reduced demand for the Company's services, parts and equipment, energy price volatility may also result in difficulties in the Company's ability to ramp up and ramp down production on a timely basis and, therefore, could result in an adverse impact on the Company's distribution and services segment.

The Company's distribution and services segment could be adversely impacted by the construction of pressure pumping units by its competitors. In early 2015, an estimated 19.5 million horsepower of pressure pumping units were working in North America. By late 2016, the working horsepower in North America has declined to an estimated 9.0 million, with an estimated 4.5 million horsepower scrapped, an estimated 2.0 million horsepower available for work and an estimated 4.0 million horsepower stacked, the large majority of which would require major service before being placed back in service. A significant drop in demand due to the low price of crude oil resulted in an oversupply in the pressure pumping market and negatively impacted the Company's 2015 and 2016 results of operations. During late 2016 and 2017, with the stabilization of crude oil prices in the $40 to $60 per barrel range, the United States land rig count improved and service intensity in the well completion business increased. As a result, the Company experienced a healthy rebound in service demand, particularly with pressure pumping unit remanufacturing and transmission overhauls, and with the acquisition of S&S in September 2017, the manufacture of oilfield service equipment, including pressure pumping units, and the sale of transmissions. However, increased expansion of, or additions to, facilities or equipment by the Company's competitors could have a negative impact on the Company's results of operations.

Item 1B.*Unresolved Staff Comments*

Not applicable.

Item 2. ***Properties***

The information appearing in Item 1 under "Marine Transportation– Properties" and "Distribution and Services– Properties" is incorporated herein by reference. The Company believes that its facilities are adequate for its needs and additional facilities would be available if required.

Item 3. ***Legal Proceedings***

In 2009, the Company was named a Potentially Responsible Party ("PRP") in addition to a group of approximately 250 named PRPs under the Comprehensive Environmental Response, Compensation and Liability Act of 1981 ("CERCLA") with respect to a Superfund site, the Portland Harbor Superfund site ("Portland Harbor") in Portland, Oregon. The site was declared a Superfund site in December 2000 as a result of historical heavily industrialized use due to manufacturing, shipbuilding, petroleum storage and distribution, metals salvaging, and electrical power generation activities which led to contamination of Portland Harbor, an urban and industrial reach of the lower Willamette River located immediately downstream of downtown Portland. The Company's involvement arises from four spills at the site after it was declared a Superfund site, as a result of predecessor entities' actions in the area. To date, there is no information suggesting the extent of the costs or damages to be claimed from the 250 notified PRPs. Based on the nature of the involvement at the Portland Harbor site, the Company believes its potential contribution is de minimis; however, to date neither the Environmental Protection Agency ("EPA") nor the named PRPs have performed an allocation of potential liability in connection with the site nor have they provided costs and expenses in connection with the site.

In January 2015, the Company was named as a defendant in a Complaint filed in the U.S. District Court of the Southern District of Texas, *USOR Site PRP Group vs. A&M Contractors, USES, Inc. et al.* This is a civil action pursuant to the provisions of CERCLA and the Texas Solid Waste Disposal Act for recovery of past and future response costs incurred and to be incurred by the USOR Site PRP Group for response activities at the U.S. Oil Recovery Superfund Site. The property was a former sewage treatment plant owned by defendant City of Pasadena, Texas from approximately 1945 until it was acquired by U.S. Oil Recovery in January 2009. Throughout its operating life, the U.S. Oil Recovery facility portion of the USOR Site received and performed wastewater pretreatment of municipal and Industrial Class I and Class II wastewater, characteristically hazardous waste, used oil and oily sludges, and municipal solid waste. Associated operations were conducted at the MCC Recycling facility portion of the USOR Site after it was acquired by U.S. Oil Recovery from the City of Pasadena in January 2009. The EPA and the PRP Group entered into an Administrative Settlement Agreement and Order for Remedial Investigation Study ("Study") in May 2015. The Study has not been completed by EPA to date. The Company filed responsive pleadings in this matter. Based on the nature of the involvement at the USOR Site, the Company believes its potential contribution is de minimis; however, the Study and further review of the Company's activities at the Site remains ongoing.

On October 13, 2016, the Company, as a successor to Hollywood Marine, Inc., was issued a General Notice under CERCLA in which it was named as a PRP for liabilities associated with the SBA Shipyard Site located near Jennings, Louisiana ("Site"). The Site was added to the EPA's National Priorities List of sites under CERCLA in September 2016. SBA used the facility for construction, repair, retrofitting, sandblasting, and cleaning and painting of barges beginning in 1965. Three barge slips and a dry dock are located off the Mermentau River. The slips were used to dock barges during cleaning or repair. In 2001, a group of PRPs that had been former customers of the SBA Shipyard facility formed an organization called the SSIC Remediation, LLC (hereinafter, "the PRP Group Companies") to address removal actions at the Site. In 2002, EPA approved an Interim Measures/Removal Action of Hazardous/Principal Threat Wastes at SBA Shipyards, Inc. (pursuant to RCRA Section 3008(h)) that was proposed by SBA Shipyard and the PRP Group Companies. Interim removal activities were conducted from March 2001 through January 2005 under an EPA 2002 Order and Agreement. In September 2012, the Louisiana Department of Environmental Quality requested EPA address the Site under CERCLA authority. The Company, as a successor to Hollywood Marine, Inc., joined the PRP Group Companies. The PRP Group Companies have submitted a draft Study work plan to EPA for their review and comment. Higman was named as a PRP in connection with its activities at the Site. Higman is not a participant in the PRP Group Companies.

With respect to the above sites, the Company has recorded reserves, if applicable, for its estimated potential liability for its portion of the EPA's past costs claim based on information developed to date including various factors such as the Company's liability in proportion to other responsible parties and the extent to which such costs are recoverable from third parties.

On October 13, 2016, the tug Nathan E. Stewart and barge DBL 55, an ATB, ran aground at the entrance to Seaforth Channel on Atholone Island, British Columbia. The grounding resulted in a breach of a portion of the Nathan E. Stewart's fuel tanks causing a discharge of diesel fuel into the water. The USCG and the National Transportation Safety Board ("NTSB") designated the Company as a party of interest in their investigation as to the cause of the incident. The Canadian authorities including Transport Canada and the Canadian Transportation Safety Board investigated the cause of the incident. The Company is subject to potential claims from third parties as well as the provincial and federal government as a result of the incident. The Company has various insurance policies covering liabilities including pollution, property, marine and general liability and believes that it has satisfactory insurance coverage for the cost of cleanup and salvage operations as well as other potential liabilities arising from the incident. The Company believes it has accrued adequate reserves for the incident and does not expect the incident to have a material adverse effect on its business or financial condition.

On March 22, 2014, two tank barges and a towboat (the M/V Miss Susan), owned by Kirby Inland Marine, LP, a wholly owned subsidiary of the Company, were involved in a collision with the M/S Summer Wind on the Houston Ship Channel near Texas City, Texas. The lead tank barge was damaged in the collision resulting in a discharge of intermediate fuel oil from one of its cargo tanks. The USCG and the NTSB named the Company and the Captain of the M/V Miss Susan, as well as the owner and the pilot of the M/S Summer Wind, as parties of interest in their investigation as to the cause of the incident. Sea Galaxy Ltd is the owner of the M/S Summer Wind. The Company is participating in the natural resource damage assessment and restoration process with federal and state government natural resource trustees. The Company believes it has adequate insurance coverage for pollution, marine and other potential liabilities arising from the incident. The Company believes it has accrued adequate reserves for the incident and does not expect the incident to have a material adverse effect on its business or financial condition.

In addition, the Company is involved in various legal and other proceedings which are incidental to the conduct of its business, none of which in the opinion of management will have a material effect on the Company’s financial condition, results of operations or cash flows. Management believes that it has recorded adequate reserves and believes that it has adequate insurance coverage or has meritorious defenses for these other claims and contingencies.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

The Company's common stock is traded on the New York Stock Exchange under the symbol KEX. The following table sets forth the high and low sales prices per share for the common stock for the periods indicated:

	Sales Price	
	High	**Low**
2018		
First Quarter (through February 23, 2018)	$ 80.90	$ 66.80
2017		
First Quarter	73.40	61.65
Second Quarter	74.50	62.55
Third Quarter	68.60	59.25
Fourth Quarter	72.95	61.80
2016		
First Quarter	63.03	44.63
Second Quarter	73.25	57.92
Third Quarter	64.85	50.80
Fourth Quarter	70.90	55.11

As of February 23, 2018, the Company had 59,674,000 outstanding shares held by approximately 620 stockholders of record; however, the Company believes the number of beneficial owners of common stock exceeds this number.

The Company does not have an established dividend policy. Decisions regarding the payment of future dividends will be made by the Board of Directors based on the facts and circumstances that exist at that time. Since 1989, the Company has not paid any dividends on its common stock. The Company's credit agreements contain covenants restricting the payment of dividends by the Company at any time when there is a default under the agreements.

Item 6. ***Selected Financial Data***

The comparative selected financial data of the Company and consolidated subsidiaries is presented for the five years ended December 31, 2017. The information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company in Item 7 and the Financial Statements included under Item 8 (selected financial data in thousands, except per share amounts).

	December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Revenues:					
Marine transportation	$ 1,324,106	$ 1,471,893	$ 1,663,090	$ 1,770,684	$ 1,713,167
Distribution and services	890,312	298,780	484,442	795,634	529,028
	$ 2,214,418	$ 1,770,673	$ 2,147,532	$ 2,566,318	$ 2,242,195
Net earnings attributable to Kirby	$ 313,187	$ 141,406	$ 226,684	$ 282,006	$ 253,061
Net earnings per share attributable to Kirby common stockholders:					
Basic	$ 5.62	$ 2.63	$ 4.12	$ 4.95	$ 4.46
Diluted	$ 5.62	$ 2.62	$ 4.11	$ 4.93	$ 4.44
Common stock outstanding:					
Basic	55,308	53,454	54,729	56,674	56,354
Diluted	55,361	53,512	54,826	56,867	56,552

	December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Property and equipment, net	$ 2,959,265	$ 2,921,374	$ 2,778,980	$ 2,589,498	$ 2,370,803
Total assets	$ 5,127,427	$ 4,289,895	$ 4,140,558	$ 4,127,052	$ 3,666,402
Long-term debt, including current portion	$ 992,406	$ 722,802	$ 774,849	$ 712,405	$ 742,493
Total equity	$ 3,114,223	$ 2,412,867	$ 2,279,196	$ 2,264,913	$ 2,022,153

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Statements contained in this Form 10-K 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-K 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, tropical storms, hurricanes, tsunamis, fog and ice, tornados, marine accidents, lock delays, fuel costs, interest rates, construction of new equipment by competitors, government and environmental laws and regulations, and the timing, magnitude and number of acquisitions made by the Company. For a more detailed discussion of factors that could cause actual results to differ from those presented in forward-looking statements, see Item 1A-Risk Factors. Forward-looking statements are based on currently available information and the Company assumes no obligation to update any such statements.

For purposes of Management's Discussion, all net earnings per share attributable to Kirby common stockholders are "diluted earnings per share." The weighted average number of common shares outstanding applicable to diluted earnings per share for 2017, 2016 and 2015 were 55,361,000, 53,512,000 and 54,826,000, respectively. The increase in the weighted average number of common shares for 2017 compared with 2016 primarily reflects the issuance of 5,696,259 shares of common stock associated with the acquisition of S&S on September 13, 2017, and the issuance of restricted stock and the exercise of stock options. The decrease in the weighted average number of common shares outstanding for 2016 and 2015 compared with 2014 primarily reflects common stock repurchases in the 2014 fourth quarter through the 2016 first quarter, partially offset by the issuance of restricted stock and the exercise of stock options.

Overview

The Company is the nation's largest domestic tank barge operator, transporting bulk liquid products throughout the Mississippi River System, on the Gulf Intracoastal Waterway, coastwise along all three United States coasts, and in Alaska and Hawaii. The Company transports petrochemicals, black oil, refined petroleum products and agricultural chemicals by tank barge. As of December 31, 2017, the Company operated a fleet of 841 inland tank barges with 17.3 million barrels of capacity, and operated an average of 224 inland towboats during 2017. The Company's coastal fleet consisted of 56 tank barges with 5.4 million barrels of capacity and 53 coastal tugboats. The Company also owns and operates five offshore dry-bulk cargo barges, five offshore tugboats and one docking tugboat transporting dry-bulk commodities in United States coastal trade. Through its distribution and services segment, the Company provides after-market service and parts for engines, transmissions, reduction gears, and related equipment used in oilfield services, marine, mining, power generation, on-highway, and other industrial applications. The Company also rents equipment including generators, fork lifts, pumps and compressors for use in a variety of industrial markets, and manufactures and remanufactures oilfield service equipment, including pressure pumping units, for the oilfield service and oil and gas operator and producer markets.

For 2017, net earnings attributable to Kirby were $313,187,000, or $5.62 per share, on revenues of $2,214,418,000, compared with 2016 net earnings attributable to Kirby of $141,406,000, or $2.62 per share, on revenues of $1,770,673,000. The 2017 year included $269,472,000 after taxes, or $4.83 per share, of deferred tax revaluation benefit, the result of recent federal tax reform legislation that resulted in the remeasurement of the Company's United States deferred tax assets and liabilities. This was partially offset by $105,712,000 before taxes, $66,975,000 after taxes, or $1.20 per share, non-cash impairment of long-lived assets and $5,449,000 before taxes, $3,389,000 after taxes, or $.06 per share, charge for severance and early workforce retirements.

Marine Transportation

For 2017, 60% of the Company's revenues were generated by its marine transportation segment. The segment's customers include many of the major petrochemical and refining companies that operate in the United States. Products transported include intermediate materials used to produce many of the end products used widely by businesses and consumers — plastics, fiber, paints, detergents, oil additives and paper, among others, as well as residual fuel oil, ship bunkers, asphalt, gasoline, diesel fuel, heating oil, crude oil, natural gas condensate and agricultural chemicals. Consequently, the Company's marine transportation business is directly affected by the volumes produced by the Company's petroleum, petrochemical and refining customer base.

The Company's marine transportation segment's revenues for 2017 decreased 10% and operating income decreased 47% compared with 2016. The decreases were primarily due to the industry-wide oversupply of tank barges in both the inland and coastal markets, resulting in lower inland and coastal marine transportation term and spot contract pricing, lower coastal equipment utilization and a continued increase in the number of coastal tank barges operating in the spot market, which added increased idle time and voyage costs. The decrease in operating income was partially offset by a reduction in the average number of inland towboats operated and savings in the coastal market from the release of chartered tugboats, idling owned barges and tugboats and reducing headcount accordingly.

The 2017 marine transportation revenues and operating income decreases were also due to the loss of revenue and additional operating expenses in the inland and coastal marine transportation markets associated with Hurricanes Harvey and Irma. Lost revenues and costs associated with the hurricanes were approximately $0.03 per share for the third quarter. Marine transportation operating income for 2017 included a $3,888,000 severance charge in the fourth quarter. For 2017 and 2016, the inland tank barge fleet contributed 72% and 67%, respectively, and the coastal fleet 28% and 33%, respectively, of marine transportation revenues.

Inland marine transportation equipment utilization ranged from high 80% to low 90% during the 2017 first quarter, mid-80% to high 80% during the second quarter, mid-80% to mid-90% during the third quarter and low to mid-90% during the fourth quarter. The higher utilization during the third quarter reflected recoveries from marine customers for delays and pent-up demand for liquid barge movements as the Gulf Coast petrochemical and refinery complex returned to normal operations following the deterioration in operating conditions experienced after Hurricane Harvey made land-fall on the Texas Gulf Coast at the end of August and unrelated and coinciding infrastructure repairs on the upper Mississippi River. In addition, favorable commodity prices for customers' products partially mitigated the negative impact of the hurricanes. The higher utilization during the fourth quarter reflected a continued favorable pricing environment for customers' products, the addition of new petrochemical industry capacity and the continued retirement of older barges from the fleet. For 2016, utilization declined to the high 80% range at the end of the year, occasionally declining to the low-to-mid 80% range during the year, from the 90% to 95% range at the beginning of 2016.

Coastal marine transportation utilization declined throughout 2017 as new tank barges were placed in service by the Company and competitors, further adding to the overcapacity in the coastal market and further increasing the number of coastal tank barges operating in the spot market, which added increased idle time and voyage costs. Equipment utilization was in the mid-70% to low 80% range during the first quarter, high 60% to mid-70% range during the second quarter, and low 60% to mid-60% during the 2017 third and fourth quarters. Coastal utilization also declined throughout 2016, from the high 80% to low 90% range in the first quarter to the low 80% level in the fourth quarter.

During 2017 and the 2016 fourth quarter, approximately 75% of the inland marine transportation revenues were under term contracts and 25% were spot contract revenues. For the 2016 first nine months, approximately 80% of inland marine transportation revenues were under term contracts and 20% were spot contract revenues. These allocations provide the operations with a more predictable revenue stream. Inland time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented 49% of the inland revenues under term contracts during 2017 compared with 52% during 2016. Rates on inland term contracts renewed in 2017 decreased in the 4% to 8% average range compared with term contracts renewed in 2016. Spot contract rates, which include the cost of fuel, were relatively consistent throughout the year but below term contract rates. Effective January 1, 2017, annual escalators for labor and the producer price index on a number of inland multi-year contracts resulted in rate increases on those contracts of approximately 0.6%, excluding fuel.

During 2017 and 2016, mainly due to lower revenues for equipment trading in the spot market, approximately 80% of the coastal marine transportation revenues were under term contracts and 20% were spot contract revenues. Coastal time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented approximately 85% of the coastal revenues under term contracts in 2017 and 2016. The majority of coastal term contracts failed to renew during 2017 as customers elected to source their needs in the spot market. Spot contract rates, which include the cost of fuel, remained meaningfully below term contracts rates during 2017, the degree to which varied based on geography, vessel capacity, vessel type and product serviced. Revenues were further reduced by an outage at a key customer's plant during the fourth quarter.

The 2017 marine transportation operating margin was 10.3% compared with 17.5% for 2016.

Distribution and Services

During 2017, the distribution and services segment generated 40% of the Company’s revenues, of which 43% was generated from overhauls and service, 34% from direct parts sales and 23% from manufacturing. The results of the distribution and services segment are largely influenced by the economic cycles of the oilfield service and oil and gas operator and producer markets, marine, mining, power generation, on-highway and other industrial markets.

Distribution and services revenues for 2017 increased 198% and operating income increased 2,618% compared with 2016. The higher revenues and operating income in 2017 compared to 2016 were primarily attributable to the increased demand in the oil and gas market for the remanufacture of pressure pumping units and transmission overhauls, an improvement in the manufacturing of oilfield service equipment, including pressure pumping units, and an increase in the demand for the sale and distribution of engines, transmissions and related parts. The higher 2017 revenues and operating income also reflected the S&S acquisition on September 13, 2017. The oil and gas market of S&S benefited from healthy demand for service work, parts sales and the manufacturing of pressure pumping equipment and ancillary oilfield service equipment. In the commercial and industrial market, for the marine sector throughout the 2017 first nine months, customers deferred major maintenance projects largely due to the weak inland and coastal tank barge markets and inland dry cargo barge market, and experienced continued weakness in the Gulf of Mexico oilfield services market. During the 2017 fourth quarter, the marine sector experienced a modest turnaround in orders for new engines and overhauls on medium speed engines that had been deferred, as well as higher demand for new parts in the Gulf Coast offshore drilling market. The power generation sector was relatively stable with major generator set upgrades and parts sales for both domestic and international power generation customers. The commercial and industrial market of S&S benefited from elevated demand for generator rentals and increased service work as a result of demand following Hurricanes Harvey, Irma and Maria. The distribution and services results for 2017 included a severance charge of $1,581,000 incurred in the 2017 fourth quarter, in response to the reduced activity in its marine sector and the integration of S&S into the Company.

The distribution and services operating margin for 2017 was 9.7% compared with 1.1% for 2016.

Cash Flow and Capital Expenditures

The Company continued to generate favorable operating cash flow during 2017 with net cash provided by operating activities of $353,378,000 compared with $415,794,000 of net cash provided by operating activities for 2016. The largest component contributing to the $62,416,000 decrease in net cash provided by operating activities in 2017 as compared to 2016 was a decline in the revenues and operating income of the marine transportation segment. The revenues and operating income of the marine transportation segment declined during 2017 due to lower pricing on inland term and spot contracts and lower equipment utilization, as well as an increase in the number of coastal vessels operating in the spot market which led to lower utilization and an increase in non-billable repositioning and port expenses. Partially offsetting this decline in operating cash flow in the marine transportation segment was an increase in the revenues and operating income of the distribution and services segment that saw stronger demand for pressure pumping unit remanufacturing and orders for the manufacture of pressure pumping units and ancillary oilfield service support equipment, and for the sale and distribution of engines, transmissions and parts, resulting in increased revenues and profit in the distribution and services segment in 2017 as compared to 2016.

The 2017 year also experienced a net decrease in cash flows from changes in operating assets and liabilities of $51,951,000 compared with a net decrease in 2016 of $10,696,000. The 2017 year experienced a net decrease in operating assets and liabilities primarily due to an increase in receivables due to increased business activity levels of its distribution and services segment in oil and gas markets, partially offset by a decrease in inventories due to increased demand for new parts and equipment from the Company’s inventory on hand. The 2016 year experienced a net decrease in cash flow from changes in operating assets and liabilities primarily due to an increase in accounts receivable driven by slower collections at the Company’s marine transportation segment and several large projects billed late in the 2016 fourth quarter, as well as lower employee compensation accruals for 2016 and a decrease in deferred revenues as a result of decreased advance billings in the coastal marine transportation market, and in the distribution and services power generation market.

For 2017, cash generated and borrowings under the Company’s revolving credit facility were used for capital expenditures of $177,222,000, including $17,906,000 for inland tank barge and towboat construction, $9,375,000 for progress payments on the construction of a 155,000 barrel ATB placed in service in the 2017 third quarter, $17,842,000 for progress payments on the construction of two 4900 horsepower coastal tugboats, one placed in service in the 2017 second quarter and the second in the 2017 fourth quarter, $25,917,000 for progress payments on six 5000 horsepower coastal ATB tugboats, $698,000 in final costs for the construction of a 35,000 barrel coastal petrochemical tank barge, and $105,484,000 primarily for upgrading existing marine equipment and marine transportation and distribution and services facilities, and $470,101,000 for acquisitions of businesses and marine equipment.

The Company’s debt-to-capitalization ratio increased to 24.2% at December 31, 2017 from 23.1% at December 31, 2016, primarily due to borrowings under the Company’s Revolving Credit Facility used to purchase the assets of S&S, less the increase in total equity from net earnings attributable to Kirby for 2017 of $313,187,000, stock issued with a fair value of $366,554,000 in connection with the acquisition of the assets of S&S, exercise of stock options and the amortization of unearned equity compensation, partially offset by an $8,486,000 decrease in retained earnings due to the adoption of ASU 2016-09. As of December 31, 2017, the Company had $495,845,000 outstanding under its Revolving Credit Facility and $500,000,000 of senior notes outstanding, offset by $3,442,000 in unamortized debt issuance costs.

During 2017, the Company took delivery of five new inland tank barges with a total capacity of approximately 144,000 barrels, acquired nine specialty pressure tank barges and four 30,000 barrel tank barges with a total capacity of 255,000 barrels, retired 54 inland tank barges, reducing its capacity by approximately 1,024,000 barrels, and temporarily chartered one inland tank barge with a total capacity of approximately 11,000 barrels. The net result was a reduction of 35 inland tank barges and approximately 614,000 barrels of capacity during 2017.

The Company projects that capital expenditures for 2018 will be in the $195,000,000 to $215,000,000 range. The 2018 construction program will consist of one 30,000 barrel inland tank barge, progress payments on the construction of 15 inland towboats, five of which will be placed in service in 2018 and the remaining 10 in 2019 and 2020, and progress payments on the construction of six 5000 horsepower coastal ATB tugboats, three of which will be placed in service in 2018 and three in 2019. Based on current commitments, steel prices and projected delivery schedules, the Company's 2018 payments on the new inland tank barge and towboats will be approximately $35,000,000 and 2018 progress payments on the construction of the six 5000 horsepower coastal ATB tugboats will be approximately $40,000,000. Approximately $100,000,000 to $115,000,000 is primarily capital upgrades and improvements to existing marine equipment and facilities. The balance of $20,000,000 to $25,000,000 will be for rental fleet growth, new machinery and equipment, and facilities improvements in the distribution and services segment.

Outlook

Reduced crude oil volumes to be moved by tank barge due to a decline in oil prices, a decline in domestic drilling and additional pipeline capacity, coupled with the large number of inland tank barges built during 2015 and 2016, and coastal tank barges during 2016 and 2017, many of which were originally built for the movement of crude oil and natural gas condensate, have resulted in excess industry-wide tank barge capacity and resulting lower equipment utilization for both the inland and coastal marine transportation markets. This extra capacity placed inland and coastal tank barge rates under pressure throughout 2016 and 2017. As a result, the inland market for 2018 will be impacted by the pricing declines experienced throughout 2017. However, with continued industry-wide inland tank barge retirements, minimal new inland tank barge construction and higher customer demand, the result of increased production from current facilities, plant expansions and the opening of new facilities, overall inland utilization is anticipated to be in the low to mid-90% range for 2018. As a result of the anticipated higher utilization, the Company does anticipate a modest pricing improvement in the 2018 second half.

In the coastal marine transportation market, a decline in crude oil and natural gas condensate transportation volumes increased available capacity and resulted in some reluctance among certain customers to extend term contracts, which has led to an increase in the number of coastal vessels operating in the spot market. In addition, the Company and the industry have added new coastal tank barge capacity during 2015, 2016 and 2017, with additional new capacity coming on-line in 2018 and 2019. While much of this new capacity is replacement capacity for older vessels anticipated to be retired, the Company maintains a cautious outlook as the industry absorbs the new capacity. While the Company does expect the supply of tank barges and capacity in the coastal industry fleet to eventually balance with demand, the Company does not anticipate that balance occurring in 2018 without an improvement in demand. As a result, throughout 2017, the Company released chartered tugboats, idled owned barges and tugboats and reduced headcount accordingly. In addition, the Company decided to put certain older out-of-service vessels up for sale in response to lower equipment utilization, pricing pressure and expensive ballast water treatment system installations required in the next few years on some of the coastal tank barges. The vessels include 12 out-of-service coastal tank barges and 21 inactive coastal tugboats and resulted in a $105,712,000 non-cash pre-tax impairment charge in the 2017 fourth quarter. Retiring some of the older coastal vessels reduces the fleet's age profile and improves the efficiency of the fleet. The Company, considering the retirement of vessels, expects tank barge utilization for the coastal markets to be in the low to mid-80% range for 2018. The Company anticipates rates on coastal term contracts to decline in the 10% to 15% range during 2018, the majority occurring in the first quarter.

As of December 31, 2017, the Company estimated there were approximately 3,825 inland tank barges in the industry fleet, of which approximately 500 were over 30 years old and approximately 250 of those over 40 years old. Given the age profile of the industry inland tank barge fleet and current market conditions, the expectation is that many older tank barges will be removed from service during 2018. The Company estimates that approximately 30 tank barges were ordered during 2017 for delivery throughout 2018, one of which is for the Company, and many older tank barges, including an expected 25 by the Company, will be retired, dependent on 2018 market conditions. Historically, 75 to 150 older inland tank barges are retired from service each year industry-wide, with the extent of the retirements dependent on petrochemical and refinery production levels, and crude oil and natural gas condensate movements, both of which can have a direct effect on industry-wide tank barge utilization, as well as term and spot contract rates.

As of December 31, 2017, the Company estimated there were approximately 290 tank barges operating in the 195,000 barrel or less coastal industry fleet, the sector of the market in which the Company operates, and approximately 20 of those were over 30 years old. The Company is aware of seven announced coastal tank barge and tugboat units in the 195,000 barrel or less category under construction by competitors for delivery in 2018 and 2019.

The results of the distribution and services segment are largely influenced by the economic cycles of the land-based oilfield service and oil and gas operator and producer markets, marine, mining, power generation, on-highway and other industrial markets. During 2015 and 2016, lower crude oil prices resulted in a decrease in the number of oil and gas wells being drilled. Oilfield service companies reduced their capital spending, resulting in decreased demand for new parts and equipment, including pressure pumping units, provided by the distribution and services segment. In early 2015, an estimated 19.5 million horsepower of pressure pumping units were working in North America. By late 2016, the working horsepower in North America had declined to an estimated 9.0 million. The Company also services offshore supply vessels and offshore drilling rigs operating in the Gulf of Mexico, as well as internationally. Low energy prices negatively impacted the number of wells drilled in the Gulf of Mexico and international waters. These contributing factors resulted in a negative impact on the distribution and services segment’s revenue and profit in 2015 and 2016.

The United States land rig count has improved in 2017 from the lows in 2016, oil prices have traded in the $40 to $60 per barrel range during 2017 and into 2018 and service intensity in the well completion business has increased. In addition, the condition of the industry’s inactive pressure pumping fleet remains poor. Based on these positive conditions, the Company anticipates the trend to continue into 2018 for the strong demand for pressure pumping unit remanufacturing and the increased demand is anticipated to generate orders for the manufacture of pressure pumping units and ancillary oilfield service support equipment. These positive conditions and the acquisition of S&S on September 13, 2017 are expected to result in a continued trend of increased revenues and profit in the distribution and services segment for the 2018 year.

For the distribution and services commercial and industrial market, the Company anticipates an improved marine market for 2018 as maintenance deferrals implemented by inland and coastal marine transportation customers for much of 2017 are no longer sustainable and should lead to higher demand for overhauls, new engines and parts sales as 2018 progresses. The power generation market should remain stable, benefiting from engine-generator set upgrades and parts sales for both domestic and international customers, customized power generation systems, and the rental of generators.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company evaluates its estimates and assumptions on an ongoing basis based on a combination of historical information and various other assumptions that are believed to be reasonable under the particular circumstances. Actual results may differ from these estimates based on different assumptions or conditions. The Company believes the critical accounting policies that most impact the consolidated financial statements are described below. It is also suggested that the Company’s significant accounting policies, as described in the Company’s financial statements in Note 1, Summary of Significant Accounting Policies, be read in conjunction with this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Accounts Receivable. The Company extends credit to its customers in the normal course of business. The Company regularly reviews its accounts and estimates the amount of uncollectible receivables each period and establishes an allowance for uncollectible amounts. The amount of the allowance is based on the age of unpaid amounts, information about the current financial strength of customers, and other relevant information. Estimates of uncollectible amounts are revised each period, and changes are recorded in the period they become known. Historically, credit risk with respect to these trade receivables has generally been considered minimal because of the financial strength of the Company's customers; however, a United States or global recession or other adverse economic condition could impact the collectability of certain customers' trade receivables which could have a material effect on the Company's results of operations.

Property, Maintenance and Repairs. Property is recorded at cost. Improvements and betterments are capitalized as incurred. Depreciation is recorded on the straight-line method over the estimated useful lives of the individual assets. When property items are retired, sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts with any gain or loss on the disposition included in the statement of earnings. Maintenance and repairs on vessels built for use on the inland waterways are charged to operating expense as incurred and includes the costs incurred in USCG inspections unless the shipyard extends the life or improves the operating capacity of the vessel which results in the costs being capitalized. The Company's ocean-going vessels are subject to regulatory drydocking requirements after certain periods of time to be inspected, have planned major maintenance performed and be recertified by the ABS. These recertifications generally occur twice in a five year period. The Company defers the drydocking expenditures incurred on its ocean-going vessels due to regulatory marine inspections by the ABS and amortizes the costs of the shipyard over the period between drydockings, generally 30 or 60 months, depending on the type of major maintenance performed. Drydocking expenditures that extend the life or improve the operating capability of the vessel result in the costs being capitalized. Routine repairs and maintenance on ocean-going vessels are expensed as incurred. Interest is capitalized on the construction of new ocean-going vessels.

The Company reviews long-lived assets for impairment by vessel class whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of the assets is measured by a comparison of the carrying amount of the assets to future net cash expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There are many assumptions and estimates underlying the determination of an impairment event or loss, if any. The assumptions and estimates include, but are not limited to, estimated fair market value of the assets and estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used, and estimated salvage values. Although the Company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result.

Goodwill. The excess of the purchase price over the fair value of identifiable net assets acquired in transactions accounted for as a purchase is included in goodwill. Management monitors the recoverability of goodwill on an annual basis, or whenever events or circumstances indicate that interim impairment testing is necessary. The amount of goodwill impairment, if any, is typically measured based on projected discounted future operating cash flows using an appropriate discount rate. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved. There are many assumptions and estimates underlying the determination of an impairment event or loss, if any. Although the Company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result.

Accrued Insurance. The Company is subject to property damage and casualty risks associated with operating vessels carrying large volumes of bulk liquid and dry cargo in a marine environment. The Company maintains insurance coverage against these risks subject to a deductible, below which the Company is liable. In addition to expensing claims below the deductible amount as incurred, the Company also maintains a reserve for losses that may have occurred but have not been reported to the Company, or are not yet fully developed. The Company uses historic experience and actuarial analysis by outside consultants to estimate an appropriate level of reserves. If the actual number of claims and magnitude were substantially greater than assumed, the required level of reserves for claims incurred but not reported or fully developed could be materially understated. The Company records receivables from its insurers for incurred claims above the Company's deductible. If the solvency of the insurers became impaired, there could be an adverse impact on the accrued receivables and the availability of insurance.

Acquisitions

On February 14, 2018, the Company purchased Higman for approximately $419,692,000 in cash, subject to certain post-closing adjustments. Higman's fleet consisted of 159 inland tank barges, of which two are under construction and scheduled to be delivered in May 2018 and October 2018, with 4.8 million barrels of capacity, and 75 inland towboats, transporting petrochemicals, black oil, including crude oil and natural gas condensate, and refined petroleum products on the Mississippi River System and the Gulf Intracoastal Waterway. Financing of the acquisition was through the issuance of $500,000,000 of 4.2% senior unsecured notes due March 1, 2028. The notes were issued on February 12, 2018 in preparation for closing of the acquisition.

On October 20, 2017, San Jac, a subsidiary of the Company, purchased certain assets of Sneed Shipbuilding, Inc. for $14,852,000 in cash including its Channelview, Texas shipyard. San Jac is a builder of marine vessels for both inland and offshore applications as well as providing repair and maintenance services. The Company intends to build inland towboats at the shipyard and use the facilities for routine maintenance. Financing of the acquisition was through borrowings under the Company's revolving credit facility.

On September 13, 2017, the Company completed the acquisition of substantially all of the assets of S&S, a global manufacturer and distributor of products and services for the oil and gas, marine, construction, power generation, transportation, mining and agricultural industries. The acquired business, which the Company operates through a newly formed subsidiary renamed Stewart & Stevenson LLC after the closing of the acquisition, was founded in 1902 and serves domestic and global markets with equipment, rental solutions, and parts and service through a strategic network of sales and service centers in domestic and international locations.

The total value of the transaction was $758,245,000, before post-closing adjustments and excluding transaction fees, consisting of cash consideration of $377,967,000, the assumption of $13,724,000 of debt and $366,554,000 through the issuance of 5,696,259 shares of Company common stock valued at $64.35 per share, the Company's closing share price on September 13, 2017. The debt assumed consisted of $12,135,000 of term debt and $1,589,000 of short-term secured loans related to the Company's South American operations. The term debt was paid off without penalty in the 2017 fourth quarter. Financing of the acquisition was through a combination of the Company's revolving credit facility and the issuance of Company common stock.

S&S, headquartered in Houston, Texas with 42 branches across 12 states, is a distributor in certain geographic areas for Allison Transmission, MTU, Detroit Diesel, EMD, Deutz and several other manufacturers. S&S' principal customers are oilfield service companies, oil and gas operators and producers, and companies in the marine, mining, power generation, on-highway and other industrial applications.

On July 10, 2017, the Company completed the purchase of certain inland marine assets from an undisclosed competitor for $68,000,000 in cash. The assets purchased consisted of nine specialty pressure tank barges, four 30,000 barrel tank barges and three 1320 horsepower inland towboats. The average age of the 13 inland tank barges was five years. The 13 tank barges transport petrochemicals and refined petroleum products on the Mississippi River System and the Gulf Intracoastal Waterway. Financing of the equipment acquisition was through borrowings under the Company's revolving credit facility.

During July 2017, the Company purchased four inland tank barges for $1,450,000, as well as a barge fleeting and marine fueling operation business in Freeport, Texas for $3,900,000. The Company had been leasing the barges prior to the purchase. Financing of the acquisitions was through the Company's revolving credit facility.

On October 11, 2016, the Company purchased certain assets of Valley Power Systems, Inc. and Valley Power Systems Northwest, Inc. (collectively "VPS") for $11,440,000 in cash. The assets purchased are mainly related to the EMD engine supply and repair business of VPS and include an EMD distributor agreement to sell engines in nine western states. Financing of the acquisition was through the Company's revolving credit facility.

On June 30, 2016, the Company purchased an 80,000 barrel coastal tank barge from TD Equipment Finance, Inc. ("TD Equipment") for $13,682,000 in cash. The Company had been leasing the barge from TD Equipment prior to its purchase. Financing of the equipment acquisition was through the Company's revolving credit facility.

On June 2, 2016, the Company purchased four coastal tugboats from Crosby Marine Transportation LLC for $26,450,000 in cash. The four coastal tugboats have an average age of 13 years. Financing of the equipment acquisition was through borrowings under the Company's revolving credit facility.

On April 15, 2016, the Company purchased the inland tank barge fleet of SEACOR Holdings Inc. ("Seacor") from subsidiaries of Seacor for a total value of $89,181,000. The assets purchased consisted of 27 inland 30,000 barrel tank barges and 14 inland towboats. The purchase price was comprised of $85,500,000 in cash and the transfer to Seacor of a Florida-based ship docking tugboat with a value of $3,681,000. The average age of the 27 inland tank barges was ten years. Seacor, through its subsidiary, SCF Waxler Marine LLC, transported refined petroleum products, petrochemicals and black oil on the Mississippi River System and the Gulf Intracoastal Waterway. Financing of the acquisition was through the Company's revolving credit facility.

Results of Operations

The Company reported 2017 net earnings attributable to Kirby of $313,187,000, or $5.62 per share, on revenues of $2,214,418,000, compared with 2016 net earnings attributable to Kirby of $141,406,000, or $2.62 per share, on revenues of $1,770,673,000, and 2015 net earnings attributable to Kirby of $226,684,000, or $4.11 per share, on revenues of $2,147,532,000.

Marine transportation revenues for 2017 were $1,324,106,000, or 60% of total revenues, compared with $1,471,893,000, or 83% of total revenues for 2016, and $1,663,090,000, or 77% of total revenues for 2015. Distribution and services revenues for 2017 were $890,312,000, or 40% of total revenues, compared with $298,780,000, or 17% of total revenues for 2016, and $484,442,000, or 23% of total revenues for 2015.

The 2017 year included $269,472,000 after taxes, or $4.83 per share, of deferred tax benefit, the result of recent federal tax reform legislation that resulted in the remeasurement of the Company's United States deferred tax assets and liabilities. This was partially offset by $105,712,000 before taxes, $66,975,000 after taxes, or $1.20 per share, non-cash impairment of long-lived assets and $5,449,000 before taxes, $3,389,000 after taxes, or $.06 per share, charge for severance and early workforce retirements.

The 2017 results reflect the acquisition of S&S on September 13, 2017.The 2017 results were negatively impacted by S&S acquisition related costs of $2,119,000, or $0.02 per share. The 2017 third quarter also included an estimated net $0.03 per share negative impact of Hurricane Harvey, which made landfall along the Texas Gulf Coast in late August 2017, impacting the marine transportation and distribution and services operations, and Hurricane Irma, which disrupted the coastal marine transportation and distribution and services operations along the East Coast.

The 2016 first quarter results included $5,605,000 before taxes, or $.06 per share, of severance charges which were reflected in the marine transportation and distribution and services businesses and corporate staff in order to reduce costs. The 2015 first and third quarters included $1,225,000 and $702,000, respectively, of severance charges which were mainly reflected in the distribution and services results. Also, the 2015 first quarter results included a gain of $1,621,000 before taxes, or $.02 per share, on the sale of the assets of a small product line in the distribution and services segment.

Marine Transportation

The Company, through its marine transportation segment, is a provider of marine transportation services, operating tank barges and towing vessels transporting bulk liquid products throughout the Mississippi River System, on the Gulf Intracoastal Waterway, coastwise along all three United States coasts, and in Alaska and Hawaii. The Company transports petrochemicals, black oil, refined petroleum products and agricultural chemicals by tank barge. As of December 31, 2017, the Company operated 841 inland tank barges, including 31 leased barges, with a total capacity of 17.3 million barrels. This compares with 876 inland tank barges operated as of December 31, 2016, including 34 leased barges, with a total capacity of 17.9 million barrels. The Company operated an average of 224 inland towboats during 2017, of which an average of 70 were chartered, compared with 234 during 2016, of which an average of 73 were chartered. The Company's coastal tank barge fleet as of December 31, 2017 consisted of 56 tank barges, including seven of which were leased, with 5.4 million barrels of capacity, and 53 tugboats, five of which were chartered. This compares with 69 coastal tank barges operated as of December 31, 2016, seven of which were leased, with 6.2 million barrels of capacity, and 75 coastal tugboats, eight of which were chartered. As of December 31, 2017, the Company owned five offshore dry-bulk cargo barge and tugboat units engaged in the offshore transportation of dry-bulk cargoes. This compares with six offshore dry-bulk barge and tugboat units as of December 31, 2016. The Company also owns shifting operations and fleeting facilities for dry cargo barges and tank barges on the Houston Ship Channel and in Freeport, Texas, a shipyard for building towboats and performing routine maintenance near the Houston Ship Channel, as well as a two-thirds interest in Osprey, which transports project cargoes and cargo containers by barge.

The following table sets forth the Company's marine transportation segment's revenues, costs and expenses, operating income and operating margins for the three years ended December 31, 2017 (dollars in thousands):

	2017	2016	% Change 2016 to 2017	2015	% Change 2015 to 2016
Marine transportation revenues	$ 1,324,106	$ 1,471,893	(10)%	$ 1,663,090	(11)%
Costs and expenses:					
Costs of sales and operating expenses	866,602	900,766	(4)	981,525	(8)
Selling, general and administrative	116,830	108,917	7	112,193	(3)
Taxes, other than on income	25,765	20,817	24	18,732	11
Depreciation and amortization	178,898	184,291	(3)	175,798	5
	1,188,095	1,214,791	(2)	1,288,248	(6)
Operating income	$ 136,011	$ 257,102	(47)%	$ 374,842	(31)%
Operating margins	10.3%	17.5%		22.5%	

The following table shows the marine transportation markets serviced by the Company, the marine transportation revenue distribution for 2017, products moved and the drivers of the demand for the products the Company transports:

Markets Serviced	2017 Revenue Distribution	Products Moved	Drivers
Petrochemicals	56%	Benzene, Styrene, Methanol, Acrylonitrile, Xylene, Naphtha, Caustic Soda, Butadiene, Propylene	Consumer non-durables —70% Consumer durables — 30%
Black Oil	23%	Residual Fuel Oil, Coker Feedstock, Vacuum Gas Oil, Asphalt, Carbon Black Feedstock, Crude Oil, Natural Gas Condensate, Ship Bunkers	Fuel for Power Plants and Ships, Feedstock for Refineries, Road Construction
Refined Petroleum Products	17%	Gasoline, No. 2 Oil, Jet Fuel, Heating Oil, Diesel Fuel, Ethanol	Vehicle Usage, Air Travel, Weather Conditions, Refinery Utilization
Agricultural Chemicals	4%	Anhydrous Ammonia, Nitrogen-Based Liquid Fertilizer, Industrial Ammonia	Corn, Cotton and Wheat Production, Chemical Feedstock Usage

2017 Compared with 2016

Marine Transportation Revenues

Marine transportation revenues for 2017 decreased 10% when compared with 2016 primarily due to the industry-wide oversupply of tank barges in both the inland and coastal markets, resulting in lower inland and coastal marine transportation term and spot contract pricing, and lower coastal equipment utilization. In addition, a continued increase in the number of coastal vessels operating in the spot market led to increased idle time and decreased revenues, partially offset by an increase in the average cost of marine diesel fuel which is largely passed through to the customer and the addition of the nine specialty pressure tank barges and four 30,000 barrel tank barges purchased in July 2017. The 2017 revenue decrease was also due to the loss of revenue in the inland and coastal marine transportation markets associated with Hurricanes Harvey and Irma. Operating conditions for the Company’s inland marine transportation markets deteriorated significantly after Hurricane Harvey made land-fall on the Texas Gulf Coast at the end of August. Unrelated and coinciding infrastructure repairs on the upper Mississippi River further decreased operating efficiency in September and the fourth quarter. For 2017 and 2016, the inland tank barge fleet contributed 72% and 67%, respectively, and the coastal fleet 28% and 33%, respectively, of marine transportation revenues.

The effect after Hurricane Harvey was an increase in inland tank barge utilization levels from the mid-80% to the mid-90% range during the balance of third quarter compared to the mid-80% to high 80% range during the 2017 second quarter and the high 80% to low 90% range during the 2017 first quarter. As the third quarter concluded, recoveries from marine customers for delays, pent-up demand for liquid barge movements as the Gulf Coast petrochemical and refinery complex returned to normal operations and a stronger pricing environment for customers’ products partially mitigated the negative impact of the hurricanes. Utilization for the 2017 fourth quarter ranged from the low to mid-90%. The higher utilization during the fourth quarter reflected a continued favorable pricing environment for customers’ products, the addition of new petrochemical industry capacity and the continued retirement of older barges from the fleet. The decline in utilization from the 2017 first quarter to the 2017 second quarter was mainly due to better weather conditions along the Gulf Coast, which enhanced operating efficiency and thereby lowered tank barge utilization, and also due to seasonally weak demand for the transportation of agricultural chemicals.

Coastal tank barge utilization levels declined to the low 60% to mid-60% range during the 2017 third and fourth quarters from the high 60% to mid-70% range during the 2017 second quarter and the mid-70% to low 80% range during the 2017 first quarter. Utilization in the coastal marine fleet continued to be impacted by the industry-wide oversupply of tank barges in the coastal industry and weak demand for the transportation of refined petroleum products and crude oil.

The petrochemical market, the Company's largest market, contributed 56% of marine transportation revenues for 2017, reflecting continued stable volumes from Gulf Coast petrochemical plants for both domestic consumption and to terminals for export destinations, and the addition of the nine specialty pressure tank barges and four 30,000 barrel tank barges purchased in July 2017. Low priced domestic natural gas, a basic feedstock for the United States petrochemical industry, provides the industry with a competitive advantage relative to naphtha-based foreign petrochemical producers. In addition, favorable commodity prices and the addition of new petrochemical industry capacity in the 2017 second half benefited the segment.

The black oil market, which contributed 23% of marine transportation revenues for 2017, reflected higher fleet utilization in the inland market compared to 2016. The Company continued to transport crude oil and natural gas condensate produced from the Eagle Ford and Permian Basin shale formations in Texas both along the Gulf Intracoastal Waterway with inland vessels and in the Gulf of Mexico with coastal equipment, and continued to transport Utica natural gas condensate downriver from the Mid-Atlantic to the Gulf Coast, however, at much reduced levels compared with 2016. Demand for the transportation of black oil products in the coastal market for 2017 was lower when compared to 2016 due to the continued industry-wide oversupply of tank barges in the coastal industry.

The refined petroleum products market, which contributed 17% of marine transportation revenues for the 2017, reflected weaker demand in both the inland and coastal markets, primarily a result of the oversupply of tank barge capacity, as well as weak heating oil demand in the 2017 first quarter due to the unseasonably warm weather in the Northeast.

The agricultural chemical market, which contributed 4% of marine transportation revenues for 2017, saw typical seasonal demand for transportation of both domestically produced and imported products during the first, third and fourth quarters and a typical seasonal decline in demand in the second quarter.

For 2017, the inland operations incurred 7,577 delay days, 4% more than the 7,278 delay days that occurred during 2016. Delay days measure the lost time incurred by a tow (towboat and one or more tank barges) during transit when the tow is stopped due to weather, lock conditions or other navigational factors. The increase in delay days reflected lost time incurred during and after Hurricane Harvey in late August and September and during the unrelated and coinciding upper Mississippi River infrastructure repairs in September and during the fourth quarter.

During 2017 and the 2016 fourth quarter, approximately 75% of marine transportation inland revenues were under term contracts and 25% were spot contract revenues. For the 2016 first nine months, approximately 80% of inland revenues were under term contracts and 20% were spot contract revenues. These allocations provide the operations with a more predictable revenue stream. Inland time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delay and temporary market declines, represented 49% of inland revenues under term contracts during 2017 compared with 52% for 2016.

During 2017 and 2016, mainly due to lower revenues for equipment trading in the spot market, approximately 80% of the coastal marine transportation revenues were under term contracts and 20% were spot contract revenues. Coastal time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented approximately 85% of the coastal revenues under term contracts in 2017 and 2016.

Rates on inland term contracts renewed in 2017 continued to deteriorate due to excess industry capacity, decreasing in the 4% to 8% average range compared with term contracts renewed in 2016. Spot contract rates, which include the cost of fuel, were relatively consistent throughout the year but were below term contract rates. Effective January 1, 2017, annual escalators for labor and the producer price index on a number of inland multi-year contracts resulted in rate increases on those contracts of approximately 0.6%, excluding fuel.

There were few coastal term contracts renewed in 2017 as customers elected to source their needs in the spot market. Rates on coastal term contracts renewed in 2017 were down slightly compared to term contracts renewed in 2016, although most contracts failed to renew and customers elected to source their needs in the spot market. Spot contract rates, which include the cost of fuel, remained meaningfully below term contract rates during 2017, the degree to which varies based on geography, vessel capacity, vessel type and product serviced.

Marine Transportation Costs and Expenses

Costs and expenses for 2017 decreased 2% compared with 2016. Costs of sales and operating expenses for 2017 decreased 4% compared with 2016, primarily due to fewer inland towboats operated and lower business activity levels, partially offset by higher fuel costs and costs and expenses associated with Hurricanes Harvey and Irma.

The inland marine transportation fleet operated an average of 224 towboats during 2017, of which an average of 70 towboats were chartered, compared with 234 towboats during 2016, of which an average of 73 towboats were chartered. As demand, or anticipated demand, increases or decreases, as new tank barges are added to the fleet or older tank barges are removed from the fleet, as chartered towboat availability changes, or as weather or water conditions dictate, such as the high wind and heavy fog conditions that occurred in the 2017 first and fourth quarters, the Company charters in or releases chartered towboats in an effort to balance horsepower needs with current requirements. The Company has historically used chartered towboats for approximately one-third of its horsepower requirements.

During 2017, the inland operations consumed 40.4 million gallons of diesel fuel compared to 40.0 million gallons consumed during 2016. The average price per gallon of diesel fuel consumed during 2017 was $1.79 per gallon compared with $1.46 per gallon for 2016. Fuel escalation and de-escalation clauses on term contracts are designed to rebate fuel costs when prices decline and recover additional fuel costs when fuel prices rise; however, there is generally a 30 to 90 day delay before the contracts are adjusted. Spot contracts do not have escalators for fuel.

Selling, general and administrative expenses for 2017 increased 7% compared with 2016, primarily due to salary increases effective August 1, 2016 and April 1, 2017, higher incentive compensation accruals and higher professional fees, partially offset by cost savings in 2017 from the reduction in force in early 2016.

Taxes, other than on income for 2017 increased 24% compared with 2016, mainly due to higher property taxes on marine transportation equipment, new state franchise taxes effective January 1, 2017 and the addition of S&S in September 2017.

Marine Transportation Operating Income and Operating Margins

Marine transportation operating income for 2017 decreased 47% compared with 2016. The operating margin was 10.3% for 2017 compared with 17.5% for 2016. The results primarily reflected lower inland and coastal term and spot contract pricing, lower coastal equipment utilization and a continued increase in coastal equipment operating in the spot market which added increased idle time and voyage costs, partially offset by savings in the coastal market from the release of chartered tugboats, idling owned barges and tugboats and reducing headcount accordingly, and a reduction in the average number of inland towboats operated. The 2017 operating income decrease was also due to the loss of revenue and additional operating expenses in the inland and coastal marine transportation markets associated with Hurricanes Harvey and Irma. As the third quarter concluded, recoveries from marine customers for delays, pent-up demand for liquid barge movements as the Gulf Coast petrochemical and refinery complex returned to normal operations and a stronger pricing environment for customers' products partially mitigated the negative impact of the hurricanes.

2016 Compared with 2015

Marine Transportation Revenues

Marine transportation revenues for 2016 decreased 11% compared with 2015, primarily due to lower inland marine transportation term and spot contract pricing, lower inland and coastal equipment utilization, a 24% decline in the average cost of marine diesel fuel which is largely passed through to the customer, and an increase in the number of coastal vessels operating in the spot market which led to increased idle time and decreased revenues, partially offset by the addition of the Seacor tank barges acquired in April 2016. For 2016 and 2015, the inland tank barge fleet contributed 67% and 68%, respectively, and the coastal fleet contributed 33% and 32%, respectively, of marine transportation revenues.

Inland marine transportation equipment utilization declined to the high 80% range at the end of 2016, occasionally declining to the low-to-mid 80% range during the year, from the 90% to 95% range at the beginning of 2016 and throughout 2015. Coastal tank barge utilization levels also declined throughout 2016, from the high 80% to low 90% range in the first quarter to the low 80% level in the fourth quarter. Coastal utilization levels were generally in the 90% to 95% range throughout the majority of 2015.

The petrochemical market, the Company's largest market, contributed 49% of marine transportation revenues for 2016, reflecting continued stable volumes from Gulf Coast petrochemical plants for both domestic consumption and to terminals for export destinations, aside from the negative impact of plant maintenance turnarounds. Also, demand for movements of certain upriver petrochemicals was strong in the 2016 second half. Low priced domestic natural gas, a basic feedstock for the United States petrochemical industry, provides the industry with a competitive advantage relative to naphtha-based foreign petrochemical producers.

The black oil market, which contributed 25% of marine transportation revenues for 2016, reflected lower fleet utilization due to commodity price volatility. During 2016, the Company continued to transport crude oil and natural gas condensate produced from the Eagle Ford and Permian Basin shale formations in Texas both along the Gulf Intracoastal Waterway with inland vessels and in the Gulf of Mexico with coastal equipment, and continued to transport Utica natural gas condensate downriver from the Mid-Atlantic to the Gulf Coast, however, at reduced levels compared with 2015.

The refined petroleum products market, which contributed 23% of marine transportation revenues for 2016, reflected increased volumes in the inland market as a result of the Seacor acquisition in April 2016, partially offset by soft demand in the coastal market, primarily a result of weak heating oil demand in the 2016 first quarter and the movement of vessels to the spot market at lower rates with increased idle time.

The agricultural chemicals market, which contributed 3% of marine transportation revenues for 2016, saw typical seasonal demand for transportation of both domestically produced and imported products during the first, third and fourth quarters and a decline in demand in the second quarter, primarily due to a shortened spring season.

For 2016, the inland operations incurred 7,278 delay days, 8% less than the 7,924 delay days that occurred during 2015. Delay days measure the lost time incurred by a tow (towboat and one or more tank barges) during transit when the tow is stopped due to weather, lock conditions or other navigational factors. Operating conditions during the 2016 first quarter were challenging due to periodic high wind and heavy fog along the Gulf Coast. Additionally, high water on the Mississippi River System led to tow size restrictions and added horsepower requirements, as well as slower transit times for most of the 2016 first quarter. During the 2016 second quarter, operating conditions were seasonally normal, although high cross currents at floodgates and river crossings on the Gulf Intracoastal Waterway led to congestion and added delays at certain points along the Gulf Coast. During the 2016 third quarter, operating conditions were seasonally normal, although there was significant flooding in Louisiana that caused some disruptions in the Gulf Intracoastal Waterway for a short period. During the 2016 fourth quarter, dense fog and high winds along the Gulf Coast created operating challenges and ice on the Illinois River presented some short-term challenges for upriver transit times and efficiency.

During the first nine months of 2016 and all of 2015, approximately 80% of the inland marine transportation revenues were under term contracts and 20% were spot contract revenues. During the 2016 fourth quarter, approximately 75% of inland marine transportation revenues were under term contracts and 25% were spot contract revenues. These allocations provide the operations with a more predictable revenue stream. Inland time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented 52% of the inland revenues under term contracts during 2016 compared with 55% during 2015.

During 2016 and the 2015 third and fourth quarters, approximately 80% of the coastal marine transportation revenues were under term contracts and 20% were spot contract revenues. During the 2015 first and second quarters, approximately 85% of the coastal marine transportation revenues were under term contracts and 15% were spot contract revenues. The decrease in term contract revenues in 2016 and the 2015 third and fourth quarters reflected the continued trend of non-renewal of certain term contracts which put increased equipment in the spot contract market, leading to increased idle time. However, the coastal revenues reflected the new 185,000 barrel ATB placed in service in the 2015 fourth quarter under a long-term contract. The second new 185,000 barrel ATB was placed in service in June 2016, also under a long-term contract. Coastal time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented approximately 85% of the coastal revenues under term contracts in 2016 as compared to 90% in 2015.

Rates on inland term contracts renewed in 2016 decreased in the 5% to 9% average range compared with term contracts renewed in 2015. Spot contract rates, which include the cost of fuel, were relatively flat in the 2016 first quarter when compared with the 2015 fourth quarter and at or below term contract pricing during the balance of 2016. Effective January 1, 2016, annual escalators for labor and the producer price index on a number of inland multi-year contracts resulted in rate increases on those contracts of approximately 1.5%, excluding fuel.

Rates on coastal term contracts renewed in 2016 were essentially flat when compared with term contracts renewed in 2015. Spot contract rates remained above term contract rates during the 2016 first quarter, fluctuated around term contract rates during the 2016 second quarter and fell below term contract rates during the 2016 third and fourth quarters.

Marine Transportation Costs and Expenses

Costs and expenses for 2016 decreased 6% compared with 2015. Costs of sales and operating expenses for 2016 decreased 8% compared with 2015, primarily reflecting lower business activity levels, lower fuel costs due to the decline in the price of diesel fuel and fewer inland towboats operated.

The inland marine transportation fleet operated an average of 234 towboats during 2016, of which an average of 73 towboats were chartered, compared with 248 during 2015, of which an average of 84 towboats were chartered. As demand, or anticipated demand, increases or decreases, as new tank barges are added to the fleet, as chartered towboat availability changes, or as weather or water conditions dictate, such as the heavy ice and high water conditions that occurred in the 2016 first and fourth quarters, the Company charters-in or releases chartered towboats in an effort to balance horsepower needs with current requirements. The Company has historically used chartered towboats for approximately one-third of its horsepower requirements.

During 2016, the inland operations consumed 40.0 million gallons of diesel fuel compared to 42.9 million gallons consumed during 2015. The average price per gallon of diesel fuel consumed during 2016 was $1.46 compared with $1.92 for 2015. Fuel escalation and de-escalation clauses on term contracts are designed to rebate fuel costs when prices decline and recover additional fuel costs when fuel prices rise; however, there is generally a 30 to 90 day delay before the contracts are adjusted. Spot contracts do not have escalators for fuel.

Taxes, other than on income, for 2016 increased 11% compared with 2015. The increase is mainly due to higher property taxes on marine transportation equipment.

Selling, general and administrative expenses for 2016 decreased 3% compared with 2015, primarily a reflection of a $3,792,000 severance charge in the 2016 first quarter and the resulting cost savings in the 2016 second, third and fourth quarters, partially offset by salary increases effective August 1, 2016.

Depreciation and amortization for 2016 increased 5% compared with 2015. The increases were primarily attributable to the Seacor acquisition and increased capital expenditures in both the inland and coastal fleets, including new inland tank barges and towboats, as well as a coastal 185,000 barrel ATB placed in service in the fourth quarter of 2015 and a second coastal 185,000 barrel ATB placed in service in the second quarter of 2016.

Marine Transportation Operating Income and Operating Margins

Marine transportation operating income for 2016 decreased 31% compared with 2015. The operating margin for 2016 was 17.5% compared with 22.5% for 2015. The results primarily reflected lower inland marine transportation term and spot contract pricing, lower coastal spot contract pricing, lower inland utilization levels, an increase in the number of coastal vessels operating in the spot market which led to increased idle time and voyage costs, higher depreciation expense and the 2016 first quarter severance charge of $3,792,000, partially offset by savings from a reduction in force in early 2016 and during 2015, and a reduction in the average number of inland towboats operated.

Distribution and Services

The Company, through its distribution and services segment, sells genuine replacement parts, provides service mechanics to overhaul and repair engines, transmissions, reduction gears and related oilfield services equipment, rebuilds component parts or entire diesel engines, transmissions and reduction gears, and related equipment used in oilfield services, marine, mining, power generation, on-highway and other industrial applications. The Company also rents equipment including generators, fork lifts, pumps and compressors for use in a variety of industrial markets, and manufactures and remanufactures oilfield service equipment, including pressure pumping units, for the oilfield service and oil and gas operator and producer markets.

The following table sets forth the Company’s distribution and services segment’s revenues, costs and expenses, operating income and operating margins for the three years ended December 31, 2017 (dollars in thousands):

	2017	2016	% Change 2016 to 2017	2015	% Change 2015 to 2016
Distribution and services revenues	$ 890,312	$ 298,780	198%	$ 484,442	(38)%
Costs and expenses:					
Costs of sales and operating expenses	690,962	226,186	205	380,841	(41)
Selling, general and administrative	89,021	54,714	63	70,267	(22)
Taxes, other than on income	3,357	1,861	80	1,915	(3)
Depreciation and amortization	20,387	12,833	59	12,498	3
	803,727	295,594	172	465,521	(37)
Operating income	$ 86,585	$ 3,186	2,618%	$ 18,921	(83)%
Operating margins	9.7%	1.1%		3.9%	

The following table shows the markets serviced by the Company, the revenue distribution for 2017, and the customers for each market:

Markets Serviced	2017 Revenue Distribution	Customers
Oil and Gas	69%	Oilfield Services, Oil and Gas Operators and Producers
Commercial and Industrial	31%	Inland River Carriers — Dry and Liquid, Offshore Towing — Dry and Liquid, Offshore Oilfield Services — Drilling Rigs & Supply Boats, Harbor Towing, Dredging, Great Lakes Ore Carriers, Pleasure Crafts, On and Off-Highway Transportation, Power Generation, Standby Power Generation, Pumping Stations, Mining

2017 Compared with 2016

Distribution and Services Revenues

Distribution and services revenues for 2017 increased 198% compared with 2016, primarily attributable to the increased demand in the oil and gas market for the remanufacture of pressure pumping units and transmission overhauls, an improvement in the manufacturing of oilfield service equipment, including pressure pumping units, and an increase in the demand for the sale and distribution of engines, transmissions and related parts. The 2017 higher revenues also reflected the S&S acquisition on September 13, 2017. S&S benefited from healthy demand for service work, parts sales and the manufacturing of pressure pumping unit. In the commercial and industrial marine sector, throughout the 2017 first nine months, customers deferred major maintenance projects largely due to the weak inland and coastal tank barge markets and inland dry cargo barge market, and experienced continued weakness in the Gulf of Mexico oilfield services market. During the 2017 fourth quarter, the marine sector experienced a modest turnaround in orders for new engines and overhauls on medium-speed engines that had been deferred, as well as higher demand for new parts in the Gulf Coast offshore drilling market. The power generation market was relatively stable with major generator set upgrades and parts sales for both domestic and international power generation customers. The commercial and industrial market of S&S benefited from elevated demand for rental equipment and increased service work as a result of pent-up demand following Hurricanes Harvey, Irma and Maria.

Distribution and Services Costs and Expenses

Costs and expenses for 2017 increased 172% compared with 2016. Costs of sales and operating expenses for 2017 increased 205% compared with 2016, reflecting the increased demand for the remanufacture of pressure pumping units and transmission overhauls, improvement in the manufacturing of oilfield service equipment, including pressure pumping units, an increase in the demand for the sale and distribution of engines, transmissions and related parts in the oil and gas market, and the S&S acquisition on September 13, 2017.

Selling, general and administrative expenses for 2017 increased 63% compared with 2016, primarily due to increased activity in the oil and gas market in 2017, as well as the S&S acquisition on September 13, 2017. The 2017 fourth quarter included a $1,581,000 severance charge in the marine sector, in response to the reduced activity, and S&S, associated with the integration of S&S and the Company. The 2016 first quarter included a $1,436,000 severance charge, in response to the reduced activity in both oil and gas market and the commercial and industrial marine sector, which benefited the 2017 results.

Distribution and Services Operating Income and Operating Margins

Operating income for the distribution and services segment for 2017 increased 2,618% compared to 2016. The operating margin for 2017 was 9.7% compared with 1.1% for 2016. The results primarily reflected continued strong demand for the remanufacture of pressure pumping units and transmission overhauls, the manufacturing of oilfield service equipment, the sale of new transmissions and related parts, and the earnings contribution of S&S.

2016 Compared with 2015

Distribution and Services Revenues

Distribution and services revenues for 2016 decreased 38% compared with 2015, primarily due to the lack of demand in the oil and gas market for the manufacture of pressure pumping units and other oilfield service equipment and for the sale and distribution of engines, transmissions and parts due to the impact of the decline in the price of crude oil and decreased drilling activity in North American shale formations. During 2016 third and fourth quarters, with the increase in the price of crude oil and resulting increase in drilling activity, the segment saw an increase in activity for the remanufacturing and servicing of pressure pumping units. The commercial and industrial marine sector remained at lower activity levels, primarily due to continued weakness in the Gulf of Mexico oilfield services market. In addition, customers continued to defer major maintenance projects in many regions of the marine sector largely due to the weaker barge market and, to a lesser extent, the general economy. The power generation sector was relatively stable during 2016, benefiting from major generator set upgrades and parts sales for both domestic and international power generation customers.

Distribution and Services Costs and Expenses

Costs and expenses for 2016 decreased 37% compared with 2016. Costs of sales and operating expenses for 2016 decreased 41% compared with 2015, reflecting a significant decrease in the number of pressure pumping units and other oilfield service equipment manufactured, decline in the sale and service of engines, transmissions and parts in the oil and gas market and continued weakness in the marine sector. The 2016 first quarter, the 2015 first quarter and the 2015 third quarter selling, general and administrative expenses included severance charges of $1,436,000, $1,111,000 and $702,000, respectively, in response to the reduced activity in both the oil and gas market and the marine sector.

Distribution and Services Operating Income and Operating Margins

Operating income for 2016 decreased 83% compared with 2015. The operating margin for 2016 was 1.1% compared with 3.9% for 2015. The results reflected continued weakness in the oil and gas market, the Gulf of Mexico marine oilfield services sector and customer deferrals of major maintenance projects throughout the marine sector.

General Corporate Expenses

General corporate expenses for 2017, 2016 and 2015 were $18,150,000, $14,966,000 and $14,773,000, respectively. The 21% increase for 2017 compared to 2016 was primarily due to $2,119,000 of S&S acquisition costs incurred during 2017.

Gain (Loss) on Disposition of Assets

The Company reported a net loss on disposition of assets of $4,487,000 in 2017 and $127,000 in 2016 compared with a net gain on disposition of assets of $1,672,000 in 2015. The 2017 loss was primarily from the retirement and sale of older and less efficient inland towboats during the 2017 fourth quarter. The net loss for 2016 and net gain for 2015 were predominantly from the sale or retirement of marine equipment and, in 2015, the sale of the assets of a small distribution and services product line.

Other Income and Expenses

The following table sets forth impairment of long-lived assets, equity in earnings of affiliates, other expense, noncontrolling interests and interest expense for the three years ended December 31, 2017 (dollars in thousands):

	2017	2016	% Change 2016 to 2017	2015	% Change 2015 to 2016
Impairment of long-lived assets	$ (105,712)	$ —	N/A	$ —	N/A
Equity in earnings of affiliates	291	532	(45)%	451	18%
Other expense	(52)	(291)	(82)%	(663)	(56)%
Noncontrolling interests	(716)	(1,398)	(49)%	(1,286)	9%
Interest expense	(21,472)	(17,690)	21%	(18,738)	(6)%

Impairment of Long-lived Assets

During the fourth quarter of 2017, the Company recorded a $105,712,000 non-cash pre-tax impairment charge. The after-tax effect of the charge was $66,975,000 or $1.20 per share. The impairment charge was to reduce certain vessels to a fair value of $12,550,000 as the Company decided to put certain older out-of-service vessels up for sale in its marine transportation segment in response to lower equipment utilization, pricing pressure and expensive ballast water treatment system installations required in the next few years on some of the coastal tank barges. Retiring some of the older coastal marine vessels reduces the fleet's age profile and improves the efficiency of the fleet.

The vessels that the Company has committed to dispose of include 12 out-of-service coastal tank barges, 21 inactive coastal tugboats and six inactive inland towboats. The tank barges will be scrapped or sold into international non-competing markets in 2018 and the tugboats and towboats will be sold or scrapped in domestic markets during 2018. The fair market value of the vessels of $12,550,000 is presented in prepaid expenses and other current assets at December 31, 2017.

Equity in Earnings of Affiliates

Equity in earnings of affiliates consisted of the Company's 50% ownership of a barge fleeting operation.

Noncontrolling Interests

Noncontrolling interests for 2017 decreased 49% compared with 2016, primarily due to lower business levels at the Company's 51% owned shifting operation and fleeting facility for dry cargo barges and tank barges on the Houston Ship Channel with the Company acquiring the remaining 49% interest in December 2016.

Interest Expense

Interest expense for 2017 increased 21% compared with 2016, primarily due to borrowings under the revolving credit facility to finance the S&S acquisition and lower capitalized interest. During 2017, 2016 and 2015, the average debt and average interest rate (excluding capitalized interest expense) were $774,058,000 and 3.0%, $750,499,000 and 2.7%, and $797,322,000 and 2.7%, respectively. Interest expense for 2017, 2016 and 2015 excludes capitalized interest of $1,731,000, $2,974,000 and $3,026,000, respectively.

Financial Condition, Capital Resources and Liquidity

Balance Sheet

Total assets at December 31, 2017 were $5,127,427,000 compared with $4,289,895,000 at December 31, 2016 and $4,140,558,000 at December 31, 2015. The December 31, 2017 total assets reflect the S&S acquisition in September 2017 for $758,245,000 and the purchase in July 2017 of tank barges and towboats from an undisclosed competitor for $68,000,000, both more fully described under Acquisitions above. The following table sets forth the significant components of the balance sheet as of December 31, 2017 compared with 2016 and 2016 compared with 2015 (dollars in thousands):

	2017	2016	% Change 2016 to 2017	2015	% Change 2015 to 2016
Assets:					
Current assets	$ 957,082	$ 632,951	51%	$ 629,053	1%
Property and equipment, net	2,959,265	2,921,374	1	2,778,980	5
Investment in affiliates	1,890	2,622	(28)	2,090	25
Goodwill	935,135	598,131	56	586,718	2
Other intangibles, net	232,808	87,306	167	93,764	(7)
Other assets	41,247	47,511	(13)	49,953	(5)
	$ 5,127,427	$ 4,289,895	20%	$ 4,140,558	4%
Liabilities and stockholders’ equity:					
Current liabilities	$ 480,306	$ 358,338	34%	$ 361,917	(1)%
Long-term debt-less current portion	992,403	722,802	37	774,849	(7)
Deferred income taxes	468,451	705,453	(34)	658,085	7
Other long-term liabilities	72,044	90,435	(20)	66,511	36
Total equity	3,114,223	2,412,867	29	2,279,196	6
	$ 5,127,427	$ 4,289,895	20%	$ 4,140,558	4%

2017 Compared with 2016

Current assets as of December 31, 2017 increased 51% compared with December 31, 2016. Trade accounts receivable increased 52%, primarily reflecting the S&S acquisition, as well as an increase in business activity levels in the distribution and services oil and gas market, partially offset by decreased business activity levels in the marine transportation segment. Inventory in the distribution and services segment increased 70%, reflecting the inventory acquired with the S&S acquisition and the building of inventories in the oil and gas market to meet current business activity levels. Prepaid expenses and other current assets increased 27% due to the S&S acquisition and to vessels with a fair value of $12,550,000 being committed to be sold in 2018, being reclassified from property and equipment to assets held for sale included in prepaid expenses and other current assets.

Property and equipment, net of accumulated depreciation, at December 31, 2017, increased 1% compared with December 31, 2016. The increase reflected $171,697,000 of capital expenditures for 2017 more fully described under Capital Expenditures Reflected on the Balance Sheet below, and the fair value of the property and equipment acquired in acquisitions of $228,066,000, less $191,584,000 of depreciation expense for 2017 and $57,458,000 of property disposals during 2017. In addition, during 2017 the Company took an impairment charge of $105,712,000, more fully described under Impairment of Long-lived Assets above, and reclassified $112,770,000 of property and equipment to assets held for sale included in prepaid expenses and other current assets.

Goodwill as of December 31, 2017 increased 56% compared with December 31, 2016, predominantly reflecting the goodwill recorded in the S&S acquisition and the barge fleeting and marine fueling operation business acquisition.

Other intangibles, net, as of December 31, 2017, increased 167% compared with December 31, 2016, mainly due to $157,400,000 of intangibles other than goodwill associated with the acquisition of S&S. This increase was partially offset by amortization of $12,098,000.

Other assets at December 31, 2017 decreased 13% compared with December 31, 2016, primarily reflecting amortization of deferred major maintenance dry-dock expenditures on ocean-going vessels during 2017, net of additions.

Current liabilities as of December 31, 2017 increased 34% compared with December 31, 2016, primarily reflecting the current liabilities of S&S. Accounts payable increased 65%, a reflection of the S&S acquisition, as well as increased business activity levels in the distribution and services oil and gas market. Accrued liabilities increased 14%, the majority of which was attributable to the S&S acquisition, partially offset by a reduction in insurance claims payable. Deferred revenues increased 34%, primarily reflecting the S&S acquisition, offset by decreased advanced billings in the distribution and services oil and gas market and the coastal marine transportation market.

Long-term debt, less current portion, as of December 31, 2017 increased 37% compared with December 31, 2016, primarily reflecting the borrowings under the Company's Revolving Credit Facility in September 2017 to finance the S&S acquisition and the purchase in July 2017 of tank barges and towboats from an undisclosed competitor. Net deferred debt issue costs were $3,442,000 and $3,184,000 at December 31, 2017 and December 31, 2016, respectively.

Deferred income taxes as of December 31, 2017 decreased 34% compared with December 31, 2016. The decrease primarily reflected the 2017 deferred tax benefit of $256,263,000 driven by the remeasurement of deferred tax assets and liabilities due to tax reform, partially offset by an increase in deferred tax liabilities of $8,486,000 due to the adoption of ASU 2016-09 on January 1, 2017. The adoption reduced deferred tax assets by $8,486,000, which reflected the cumulative difference between the tax effect of stock-based compensation recognized for tax purposes and amounts recognized for financial reporting purposes, resulting in the recognition of a cumulative-effect adjustment to retained earnings of $8,486,000.

Other long-term liabilities as of December 31, 2017 decreased 20% compared with December 31, 2016. The decrease was primarily due to a reduction in the pension liability related to a pension plan amendment on April 12, 2017 that lowered the projected benefit obligation of the pension plan by $33,433,000, partially offset by the accrual of pension expense during 2017.

Total equity as of December 31, 2017 increased 29% compared with December 31, 2016. The increase was the result of $313,187,000 of net earnings attributable to Kirby for 2017, an increase in accumulated other comprehensive income ("OCI") of $18,602,000, stock issued with a fair value of $366,554,000 in connection with the S&S acquisition and a $7,128,000 decrease in treasury stock, partially offset by an $8,486,000 decrease in retained earnings due to the adoption of ASU 2016-09. The increase in accumulated OCI primarily resulted from the decrease in unrecognized losses related to the Company's defined benefit plans driven by the pension plan amendment on April 12, 2017. The decrease in treasury stock was due to the issuance of restricted stock and the exercise of stock options in connection with stock award plans.

2016 Compared with 2015

Current assets as of December 31, 2016 increased 1% compared with December 31, 2015. Trade accounts receivable increased 2% driven by slower collections at the Company's marine transportation segment and several large projects billed late in 2016 fourth quarter in the distribution and services segment. Prepaid expenses and other assets increased 9% primarily due to an increase in prepaid fuel and prepaid insurance. Other accounts receivable decreased 7%, primarily due to a decrease in income tax receivable for income taxes overpaid in the 2015 fourth quarter partially offset by an increase in insurance claims receivables.

Property and equipment, net of accumulated depreciation, at December 31, 2016 increased 5% compared with December 31, 2015. The increase reflected $233,103,000 of capital expenditures for 2016, more fully described under Capital Expenditures Reflected on the Balance Sheet below, the fair value of the property and equipment acquired in acquisitions of $127,400,000, less $192,450,000 of depreciation expense for 2016 and $22,871,000 of property disposals during 2016.

Goodwill at December 31, 2016 increased 2% compared with December 31, 2015 mainly due to the purchases of the inland tank barge fleet of Seacor in April 2016 and VPS in October 2016.

Other intangibles, net, as of December 31, 2016, decreased 7% compared with December 31, 2015 as a result of the amortization of intangibles other than goodwill, partially offset by the purchase of certain assets of VPS in October 2016.

Other assets at December 31, 2016 decreased 5% compared with December 31, 2015 primarily due to the amortization of major maintenance costs on ocean-going vessels, net of major maintenance drydock expenditures for 2016.

Current liabilities as of December 31, 2016 decreased 1% compared with December 31, 2015. The decrease was primarily due to a 28% decrease in employee compensation due to lower employee incentive compensation accruals for 2016 and a 13% decrease in deferred revenues reflecting decreased advanced billings in the coastal marine transportation market and in the distribution and services power generation sector. The decrease was partially offset by an increase of 14% in taxes other than on income due to the timing of property tax payments and an increase of 10% in accrued insurance premiums and claims.

Long-term debt, less current portion, as of December 31, 2016 decreased 7% compared with December 31, 2015, reflecting net payments of $52,848,000 on the revolving credit facility during 2016. Net deferred debt issue costs were $3,184,000 and $3,985,000 at December 31, 2016 and 2015, respectively.

Deferred income taxes as of December 31, 2016 increased 7% compared with December 31, 2015. The increase was primarily due to the 2016 deferred tax provision of $51,296,000, the result of bonus tax depreciation on qualifying expenditures due to the Protecting Americans from Tax Hikes Act (“PATH”) of 2015. PATH continued the bonus tax percentage of 50% for qualifying expenditures placed in service in 2015 through 2017.

Other long-term liabilities as of December 31, 2016 increased 36% compared with December 31, 2015. The increase was primarily due to an increase in the pension liability due to a lower discount rate and no contribution to the pension plan in 2016.

Total equity as of December 31, 2016 increased 6% compared with December 31, 2015. The increase was primarily the result of $141,406,000 of net earnings attributable to Kirby for 2016 and a $7,746,000 decrease in treasury stock, partially offset by a $2,324,000 decrease in additional paid-in capital due to the exercise of stock options at exercise prices below the cost of treasury stock issued and the issuance of restricted stock below the cost of treasury stock issued, a $6,321,000 decrease in accumulated OCI and a decrease in noncontrolling interests of $6,836,000. The decrease in treasury stock was mainly due to the issuance of restricted stock in connection with stock award plans, partially offset by purchases during 2016 of $1,827,000 of the Company’s common stock. The decrease in accumulated OCI primarily resulted from the increase in unrecognized losses related to the Company’s defined benefit plans and the decrease in noncontrolling interests was primarily due to the acquisition of the remaining interests in two partnerships in which the Company had the controlling interest.

Retirement Plans

The Company sponsors a defined benefit plan for its inland vessel personnel and shore based tankermen. The plan benefits are based on an employee’s years of service and compensation. The plan assets consist primarily of equity and fixed income securities. The Company’s pension plan funding strategy is to make annual contributions in amounts equal to or greater than amounts necessary to meet minimum government funding requirements. No pension contribution was made in 2017 or 2016 for the 2017 and 2016 years and the pension contribution for the 2015 year was $10,000,000. The fair value of plan assets was $294,995,000 and $257,517,000 at December 31, 2017 and December 31, 2016, respectively.

On April 12, 2017, the Company amended its pension plan to cease all benefit accruals for periods after May 31, 2017 for certain participants. Participants grandfathered and not impacted were those, as of the close of business on May 31, 2017, who either (a) had completed 15 years of pension service or (b) had attained age 50 and completed 10 years of pension service. Participants non-grandfathered are eligible to receive discretionary 401(k) plan contributions. The Company did not incur any one-time charges related to this amendment but the pension plan's projected benefit obligation decreased by $33,433,000.

The Company's investment strategy focuses on total return on invested assets (capital appreciation plus dividend and interest income). The primary objective in the investment management of assets is to achieve long-term growth of principal while avoiding excessive risk. Risk is managed through diversification of investments within and among asset classes, as well as by choosing securities that have an established trading and underlying operating history.

The Company makes various assumptions when determining defined benefit plan costs including, but not limited to, the current discount rate and the expected long-term return on plan assets. Discount rates are determined annually and are based on a yield curve that consists of a hypothetical portfolio of high quality corporate bonds with maturities matching the projected benefit cash flows. The Company used discount rates of 3.7% and 4.2 in 2017 and 2016, respectively, in determining its benefit obligations. The Company estimates that every 0.1% decrease in the discount rate results in an increase in the ABO of approximately $5,800,000. The Company assumed that plan assets would generate a long-term rate of return of 7.0% in 2017 and 2016. The Company developed its expected long-term rate of return assumption by evaluating input from investment consultants and comparing historical returns for various asset classes with its actual and targeted plan investments. The Company believes that long-term asset allocation, on average, will approximate the targeted allocation.

Long-Term Financing

On February 12, 2018, the Company issued $500,000,000 of 4.2% senior unsecured notes due March 1, 2028 (the "2028 Notes") with U.S. Bank National Association, as trustee. Interest payments of $10,500,000 are due semi-annually on March 1 and September 1 of each year, with the exception of the first payment on September 1, 2018, which will be $11,550,000. The 2028 Notes are unsecured and rank equally in right of payment with the Company's other unsecured senior indebtedness. The 2028 Notes contain certain covenants on the part of the Company, including covenants relating to liens, sale-leasebacks, asset sales and mergers, among others. The 2028 Notes also specify certain events of default, upon the occurrence of which the maturity of the notes may be accelerated, including failure to pay principal and interest, violation of covenants or default on other indebtedness, among others. The Company used the proceeds from the issuance of the 2028 Notes to fund the acquisition of Higman. The remaining net proceeds of the sale of the 2028 Notes will be used for general corporate purposes, including working capital, the repayment of indebtedness and future acquisitions.

On June 26, 2017, the Company entered into an amendment of its Revolving Credit Facility with a syndicate of banks, with JPMorgan Chase Bank, N.A. as the administrative agent bank, that increases the borrowing limit from $550,000,000 to $850,000,000 and extends the maturity date to June 26, 2022. In addition, the credit agreement allows for a $300,000,000 increase in the aggregate commitments of the banks in the form of revolving credit loans or term loans, subject to the consent of each bank that elects to participate in the increased commitment. The variable interest rate spread varies with the Company's senior debt rating and is currently 1.00% over LIBOR or equal to an Alternate Base Rate calculated with reference to the agent bank's prime rate, among other factors. The commitment fee is currently 0.10%. The Revolving Credit Facility contains certain restrictive financial covenants including an interest coverage ratio and a debt-to-capitalization ratio. In addition to financial covenants, the Revolving Credit Facility contains covenants that, subject to exceptions, restrict debt incurrence, mergers and acquisitions, sales of assets, dividends and investments, liquidations and dissolutions, capital leases, transactions with affiliates and changes in lines of business. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, the purchase of existing or new equipment, the purchase of the Company's common stock, or for business acquisitions. The Company recognized additional interest expense of $187,000 in the 2017 second quarter due to the write-off of certain deferred issue costs in connection with the amendment of the Revolving Credit Facility. As of December 31, 2017, the Company was in compliance with all Revolving Credit Facility covenants and had $495,845,000 of debt outstanding under the Revolving Credit Facility. The Revolving Credit Facility includes a $25,000,000 commitment which may be used for standby letters of credit. Outstanding letters of credit under the Revolving Credit Facility were $8,893,000 as of December 31, 2017.

The Company has $500,000,000 of unsecured senior notes ("Senior Notes Series A" and "Senior Notes Series B") with a group of institutional investors, consisting of $150,000,000 of 2.72% Senior Notes Series A due February 27, 2020 and $350,000,000 of 3.29% Senior Notes Series B due February 27, 2023. No principal payments are required until maturity. The Senior Notes Series A and Series B contain certain covenants on the part of the Company, including an interest coverage covenant, a debt-to-capitalization covenant and covenants relating to liens, asset sales and mergers, among others. The Senior Notes Series A and Series B also specify certain events of default, upon the occurrence of which the maturity of the notes may be accelerated, including failure to pay principal and interest, violation of covenants or default on other indebtedness, among others. As of September 30, 2017, the Company was in compliance with all Senior Notes Series A and Series B covenants and had $150,000,000 of Senior Notes Series A outstanding and $350,000,000 of Senior Notes Series B outstanding.

The Company has a $10,000,000 line of credit ("Credit Line") with Bank of America, N.A. ("Bank of America") for short-term liquidity needs and letters of credit, with a maturity date of June 30, 2019. The Credit Line allows the Company to borrow at an interest rate agreed to by Bank of America and the Company at the time each borrowing is made or continued. The Company had no borrowings outstanding under the Credit Line as of December 31, 2017. Outstanding letters of credit under the Credit Line were $1,117,000 as of December 31, 2017.

On September 13, 2017, as a result of the S&S acquisition, the Company assumed $12,135,000 of term debt, which was paid off without penalty in the 2017 fourth quarter.

Capital Expenditures Reflected on the Balance Sheet

Capital expenditures for 2017 were $171,697,000, including $17,906,000 for inland tank barge and towboat construction, $9,375,000 for progress payments on the construction of a 155,000 barrel coastal ATB placed in service in the 2017 third quarter, $17,842,000 for progress payments on the construction of two 4900 horsepower coastal tugboats, one placed in service in the 2017 second quarter and the second placed in service in the 2017 fourth quarter, $25,917,000 for progress payments on six 5000 horsepower coastal ATB tugboats, $698,000 in final costs for the construction of a 35,000 barrel coastal petrochemical tank barge, and $99,959,000 primarily for upgrading existing marine equipment and marine transportation and distribution and services facilities.

Capital expenditures for 2016 were $233,103,000, including $10,676,000 for inland tank barge and towboat construction, $14,884,000 in final costs for the construction of two 185,000 barrel ATBs, one placed in service in late 2015 and the second in June 2016, $74,689,000 for progress payments on the construction of two 155,000 barrel ATBs, one placed in service in November 2016 and the second scheduled to be placed in service in the summer of 2017, $10,098,000 for progress payments on the construction of two 4900 horsepower coastal tugboats, $6,593,000 for progress payments on the construction of a 35,000 barrel coastal petrochemical tank barge placed in service in December 2016, $18,000 for progress payments on six 5000 horsepower coastal ATB tugboats, $116,145,000 primarily for upgrading existing marine equipment, and marine transportation and distribution and services facilities.

Financing of the construction of the inland tank barges and towboats, coastal tank barges and tugboats upgrades of existing equipment and marine transportation and distribution and services facilities was through operating cash flows and available credit under the Company's Revolving Credit Facility.

During 2017, the Company took delivery of five new inland tank barges with a total capacity of approximately 144,000 barrels, acquired nine specialty pressure tank barges and four 30,000 barrel tank barges with a total capacity of 255,000 barrels, retired 54 inland tank barges, reducing its capacity by approximately 1,024,000 barrels, and net chartered one inland tank barge with a total capacity of approximately 11,000 barrels. The net result was a reduction of 35 inland tank barges and approximately 614,000 barrels of capacity during 2017.

The Company projects that capital expenditures for 2018 will be in the $195,000,000 to $215,000,000 range. The 2018 construction program will consist of one 30,000 barrel inland tank barge, progress payments on the construction of 15 inland towboats, five of which will be placed in service in 2018 and the remaining 10 in 2019 and 2020, and progress payments on the construction of six 5000 horsepower coastal ATB tugboats, three of which will be placed in service in 2018 and three in 2019. Based on current commitments, steel prices and projected delivery schedules, the Company's 2018 payments on the new inland tank barge and towboats will be approximately $35,000,000 and 2018 progress payments on the construction of the six 5000 horsepower coastal ATB tugboats will be approximately $40,000,000. Approximately $100,000,000 to $115,000,000 is primarily capital upgrades and improvements to existing marine equipment and facilities. The balance of $20,000,000 to $25,000,000 will be for rental fleet growth, new machinery and equipment, and facilities improvements in the distribution and services segment.

Funding for future capital expenditures is expected to be provided through operating cash flows and available credit under the Company's Revolving Credit Facility.

Treasury Stock Purchases

The Company did not purchase any treasury stock during 2017. As of February 23, 2018, the Company had approximately 1,411,000 shares available under its existing repurchase authorizations. Historically, treasury stock purchases have been financed through operating cash flows and borrowings under the Company's Revolving Credit Facility. 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 reissuance upon the exercise of stock options or the granting of other forms of incentive compensation, in future acquisitions for stock or for other appropriate corporate purposes.

Liquidity

The Company generated net cash provided by operating activities of $353,378,000, $415,794,000 and $524,280,000 for the years ended December 31, 2017, 2016 and 2015, respectively. The 2017 and 2016 years experienced net decreases in cash flows from changes in operating assets and liabilities of $51,951,000 and $10,696,000, respectively. The 2015 year experienced a net increase in cash flows from changes in operating assets and liabilities of $6,505,000.

Funds generated from operations are available for acquisitions, capital expenditure projects, common stock repurchases, repayments of borrowings and for other corporate and operating requirements. In addition to net cash flow provided by operating activities, the Company also had available as of February 23, 2018, $434,452,000 under its Revolving Credit Facility and $8,854,000 available under its Credit Line.

Neither the Company, nor any of its subsidiaries, is obligated on any debt instrument, swap agreement, or any other financial instrument or commercial contract which has a rating trigger, except for pricing grids on its Revolving Credit Facility.

The Company expects to continue to fund expenditures for acquisitions, capital construction projects, common stock repurchases, repayment of borrowings, and for other operating requirements from a combination of available cash and cash equivalents, funds generated from operating activities and available financing arrangements.

The Revolving Credit Facility's commitment is in the amount of $850,000,000 and expires June 26, 2022. As of December 31, 2017, the Company had $345,262,000 available under the Revolving Credit Facility. The Senior Notes Series A and Senior Notes Series B do not mature until February 27, 2020 and February 27, 2023, respectively, and require no prepayments. The 2028 Notes do not mature until March 1, 2028 and require no prepayments.

There are numerous factors that may negatively impact the Company's cash flow in 2018. For a list of significant risks and uncertainties that could impact cash flows, see Note 14, Contingencies and Commitments in the financial statements, and Item 1A — Risk Factors. Amounts available under the Company's existing financing arrangements are subject to the Company continuing to meet the covenants of the credit facilities as described in Note 6, Long-Term Debt in the financial statements.

The Company has issued guaranties or obtained standby letters of credit and performance bonds supporting performance by the Company and its subsidiaries of contractual or contingent legal obligations of the Company and its subsidiaries incurred in the ordinary course of business. The aggregate notional value of these instruments is $21,554,000 at December 31, 2017, including $10,238,000 in letters of credit and $11,316,000 in performance bonds. All of these instruments have an expiration date within four years. The Company does not believe demand for payment under these instruments is likely and expects no material cash outlays to occur in connection with these instruments.

All marine transportation term contracts contain fuel escalation clauses, or the customer pays for the fuel. However, there is generally a 30 to 90 day delay before contracts are adjusted depending on the specific contract. In general, the fuel escalation clauses are effective over the long-term in allowing the Company to recover changes in fuel costs due to fuel price changes. However, the short-term effectiveness of the fuel escalation clauses can be affected by a number of factors including, but not limited to, specific terms of the fuel escalation formulas, fuel price volatility, navigating conditions, tow sizes, trip routing, and the location of loading and discharge ports that may result in the Company over or under recovering its fuel costs. Spot contract rates generally reflect current fuel prices at the time the contract is signed but do not have escalators for fuel.

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 as noted above, can be passed through to its customers. Spot contract rates include the cost of fuel and are subject to market volatility. The repair portion of the distribution and services segment is based on prevailing current market rates.

Contractual Obligations

The contractual obligations of the Company and its subsidiaries at December 31, 2017 consisted of the following (in thousands):

	Payments Due By Period				
	Total	**Less Than 1 Year**	**2-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 995,848	$ 3	$ 150,000	$ 495,845	$ 350,000
Non-cancelable operating leases — barges	21,120	8,711	8,379	3,134	896
Non-cancelable operating leases — towing vessels	88,535	59,185	11,305	5,156	12,889
Non-cancelable operating leases — land, buildings and equipment	140,675	18,888	27,585	20,820	73,382
Barge and towing vessel construction contracts	77,503	65,572	11,931	—	—
	$ 1,323,681	$ 152,359	$ 209,200	$ 524,955	$ 437,167

Approximately 75% of the towboat charter agreements are for terms of one year or less. The Company's towboat rental agreements provide the Company with the option to terminate most agreements with notice ranging from seven to 90 days. The Company estimates that 80% of the charter rental cost is related to towboat crew costs, maintenance and insurance.

The Company's pension plan funding strategy is to make annual contributions in amounts equal to or greater than amounts necessary to meet minimum government funding requirements. The ABO is based on a variety of demographic and economic assumptions, and the pension plan assets' returns are subject to various risks, including market and interest rate risk, making an accurate prediction of the pension plan contribution difficult resulting in the Company electing to only make an expected pension contribution forecast of one year. As of December 31, 2017, the pension plan was funded at 91% of the ABO.

Accounting Standards

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recent federal tax reform legislation. ASU 2018-02 eliminates the stranded tax effects resulting from the recent federal tax reform legislation and will improve the usefulness of information reported to financial statement users. The amendments in ASU 2018-02 will be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the recent federal tax reform legislation is recognized. ASU 2018-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in any interim period, for which financial statements have not yet been made available for issuance. The Company is currently evaluating the impact, if any, that the adoption of this standard will have on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07") which requires employers to include only the service cost component of net periodic pension cost and net periodic postretirement benefit cost in operating expenses. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The standard allows only the service cost component to be eligible for capitalization when applicable. ASU 2017-07 is effective for annual and interim periods beginning after December 15, 2017 with early adoption permitted. This standard shall be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively for the capitalization of the service cost benefit in assets. The Company will adopt the provisions of ASU 2017-07 on January 1, 2018 and the Company does not expect the adoption of ASU 2017-07 to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04") which simplifies the subsequent measurement of goodwill by eliminating Step 2 in the goodwill impairment test that required an entity to perform procedures to determine the fair value of its assets and liabilities at the testing date. An entity instead will perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying value and record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 will be applied prospectively and is effective for annual and interim goodwill impairment tests conducted in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment testing dates after January 1, 2017. The Company is currently evaluating the impact, if any, that the adoption of this standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15") to create consistency in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for annual and interim periods beginning after December 15, 2017. The Company will adopt the provisions of ASU 2016-15 on January 1, 2018 and the Company does not expect the adoption of ASU 2016-15 to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”) which simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, forfeitures, minimum statutory tax withholding requirements, classification as either equity or liabilities, and classification on the statement of cash flows. The Company adopted the provisions of ASU 2016-09 on January 1, 2017. ASU 2016-09 requires all excess tax benefits and tax deficiencies be recognized as income tax expense or benefit in the income statement, thus eliminating additional paid-in capital pools. The Company recognized a cumulative effect adjustment of $8,486,000 to retained earnings on a modified retrospective basis as of January 1, 2017 and will apply the new standard guidance prospectively to all excess tax benefits and tax deficiencies resulting from settlements after January 1, 2017. The standard also requires a policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The Company will elect to account for forfeitures when they occur. Also, the standard requires that excess tax benefits should be classified along with other income tax cash flows as an operating activity on the statement of cash flows, which differs from the Company’s historical classification of excess tax benefits as cash inflows from financing activities. The Company elected to apply this provision using the prospective transition method. Additionally, the standard requires cash paid by an employer when directly withholding shares for tax withholding purposes to be classified in the statement of cash flows as a financing activity, which differs from the Company’s previous method of classification of such cash payments as an operating activity. The Company applied this provision retrospectively and reclassified $1,756,000 and $2,975,000 during 2016 and 2015, respectively, which increased net cash provided by operating activities and net cash used in financing activities.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”) to increase transparency and comparability among organizations by requiring recognition of lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. A modified retrospective approach is required. The Company has formed a project team to evaluate the impact that the adoption of this standard will have on its consolidated financial statements and disclosures. The project team has completed training on the new standard and has started lease review and documentation, but the Company has not yet determined the effect of ASU 2016-02 on its ongoing financial reporting.

In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes” (“ASU 2015-17”) which requires that deferred tax liabilities and assets be classified as noncurrent on the balance sheet. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by this guidance. The guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company adopted the provisions of ASU 2015-17 on January 1, 2017 on a retrospective basis. The December 31, 2016 current deferred tax assets of $13,604,000 have been reclassified in the consolidated balance sheet from current deferred income taxes asset to noncurrent deferred income taxes liability.

In July 2015, the FASB issued ASU 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory” (“ASU 2015-11”) which applies to inventory that is measured using first-in, first-out (“FIFO”) or average cost. Under the guidance, an entity should measure inventory that is within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim period or annual reporting period. The Company adopted the provisions of ASU 2015-11 on January 1, 2017 and, based on a lower of cost and net realizable value inventory analysis as of December 31, 2016, no adjustments to inventory value were required. The analysis reflected the inventory values are proper within the guidance of ASU 2015-11.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in United States Generally Accepted Accounting Principles when it becomes effective. In July 2015, the FASB voted to delay the effective date of ASU 2014-09 by one year, making it effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted as of the original effective date. ASU 2014-09 permits the use of either the retrospective, modified retrospective or prospective with a cumulative catch-up approach. The Company will adopt ASU 2014-09 on January 1, 2018 with a cumulative adjustment that will decrease retained earnings by approximately $10,000,000 rather than restating previously reported results. The cumulative adjustment will primarily relate to recognition of revenue on certain contract manufacturing activities, primarily construction of new pressure pumping units in the Company’s distribution and services segment. The Company currently recognizes revenue on manufacturing and assembly projects on a percentage of completion method using measurements of progress towards completion appropriate for the work performed. Upon the adoption of ASU 2014-09, the Company will recognize the revenues on contract manufacturing activities upon shipment and transfer of control versus the percentage of completion method.

Item 7A.*Quantitative and Qualitative Disclosures about Market Risk*

The Company is exposed to risk from changes in interest rates on certain of its outstanding debt. The outstanding loan balances under the Company's bank credit facilities bear interest at variable rates based on prevailing short-term interest rates in the United States and Europe. A 10% change in variable interest rates would impact the 2018 interest expense by $715,000 based on balances outstanding at December 31, 2017, and would change the fair value of the Company's debt by less than 1%.

Item 8. *Financial Statements and Supplementary Data*

The response to this item is submitted as a separate section of this report (see Item 15, page 104).

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A.*Controls and Procedures*

Disclosure Controls and Procedures. The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")), as of December 31, 2017, as required by Rule 13a-15(b) under the Exchange Act. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of December 31, 2017, the disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting. Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2017 using the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2017. KPMG LLP, the Company's independent registered public accounting firm, has audited the Company's internal control over financial reporting, as stated in their report which is included herein. Management's evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2017 excluded the internal control over financial reporting of S&S, which was acquired on September 13, 2017. S&S represents $901 million of the Company's total consolidated assets and $232 million of the Company's total consolidated revenues as of and for the year ended December 31, 2017.

Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Items 10 Through 14.

The information for these items is incorporated by reference to the definitive proxy statement filed by the Company with the Commission pursuant to Regulation 14A within 120 days of the close of the fiscal year ended December 31, 2017, except for the information regarding executive officers which is provided under Item 1.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Kirby Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Kirby Corporation and consolidated subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1992.

Houston, Texas

February 26, 2018

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Kirby Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Kirby Corporation and consolidated subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements), and our report dated February 26, 2018 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired Stewart & Stevenson during 2017, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, Stewart & Stevenson's internal control over financial reporting associated with total assets of $901 million and total revenues of $232 million included in the Company's consolidated financial statements as of and for the year ended December 31, 2017. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Stewart & Stevenson.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report On Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Houston, Texas

February 26, 2018

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
	($ in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,102	$ 5,634
Accounts receivable:		
Trade — less allowance for doubtful accounts of $8,930 ($7,240 in 2016)	452,222	297,177
Other	106,231	95,327
Inventories — at lower of average cost or market	315,729	185,402
Prepaid expenses and other current assets	62,798	49,411
Total current assets	957,082	632,951
Property and equipment:		
Marine transportation equipment	3,941,379	4,071,972
Land, buildings and equipment	419,503	256,925
	4,360,882	4,328,897
Accumulated depreciation	1,401,617	1,407,523
Property and equipment — net	2,959,265	2,921,374
Investment in affiliates	1,890	2,622
Goodwill	935,135	598,131
Other intangibles, net	232,808	87,306
Other assets	41,247	47,511
Total assets	$ 5,127,427	$ 4,289,895
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank notes payable	$ 3	$ —
Income taxes payable	191	3,288
Accounts payable	222,005	134,571
Accrued liabilities:		
Interest	6,099	5,397
Insurance premiums and claims	108,651	123,371
Employee compensation	45,193	26,916
Taxes — other than on income	22,791	15,481
Other	27,026	13,313
Deferred revenues	48,347	36,001
Total current liabilities	480,306	358,338
Long-term debt — less current portion	992,403	722,802
Deferred income taxes	468,451	705,453
Other long-term liabilities	72,044	90,435
Total long-term liabilities	1,532,898	1,518,690
Contingencies and commitments	—	—
Equity:		
Kirby stockholders' equity:		
Common stock, $.10 par value per share. Authorized 120,000,000 shares, issued 65,472,000 in 2017 and 59,776,000 in 2016	6,547	5,978
Additional paid-in capital	802,961	432,459
Accumulated other comprehensive income — net	(32,405)	(51,007)
Retained earnings	2,646,937	2,342,236
Treasury stock — at cost, 5,783,000 shares in 2017 and 5,921,000 shares in 2016	(313,220)	(320,348)
Total Kirby stockholders' equity	3,110,820	2,409,318
Noncontrolling interests	3,403	3,549
Total equity	3,114,223	2,412,867
Total liabilities and equity	$ 5,127,427	$ 4,289,895

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
	($ in thousands, except per share amounts)		
Revenues:			
Marine transportation	$ 1,324,106	$ 1,471,893	$ 1,663,090
Distribution and services	890,312	298,780	484,442
Total revenues	2,214,418	1,770,673	2,147,532
Costs and expenses:			
Costs of sales and operating expenses	1,557,564	1,126,952	1,362,366
Selling, general and administrative	220,364	174,752	193,237
Taxes, other than on income	29,163	22,730	20,699
Depreciation and amortization	202,881	200,917	192,240
Impairment of long-lived assets	105,712	—	—
Loss (gain) on disposition of assets	4,487	127	(1,672)
Total costs and expenses	2,120,171	1,525,478	1,766,870
Operating income	94,247	245,195	380,662
Equity in earnings of affiliates	291	532	451
Other expense	(52)	(291)	(663)
Interest expense	(21,472)	(17,690)	(18,738)
Earnings before taxes on income	73,014	227,746	361,712
Benefit (provision) for taxes on income	240,889	(84,942)	(133,742)
Net earnings	313,903	142,804	227,970
Less: Net earnings attributable to noncontrolling interests	(716)	(1,398)	(1,286)
Net earnings attributable to Kirby	$ 313,187	$ 141,406	$ 226,684
Net earnings per share attributable to Kirby common stockholders:			
Basic	$ 5.62	$ 2.63	$ 4.12
Diluted	$ 5.62	$ 2.62	$ 4.11

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		($ in thousands)	
Net earnings	$ 313,903	$ 142,804	$ 227,970
Other comprehensive income (loss), net of taxes:			
Pension and postretirement benefits	18,748	(6,321)	16,322
Foreign currency translation adjustments	(146)	—	29
Total other comprehensive income (loss), net of taxes	18,602	(6,321)	16,351
Total comprehensive income, net of taxes	332,505	136,483	244,321
Net earnings attributable to noncontrolling interests	(716)	(1,398)	(1,286)
Comprehensive income attributable to Kirby	$ 331,789	$ 135,085	$ 243,035

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		($ in thousands)	
Cash flows from operating activities:			
Net earnings	$ 313,903	$ 142,804	$ 227,970
Adjustments to reconcile net earnings to net cash provided by operations:			
Depreciation and amortization	202,881	200,917	192,240
Provision (credit) for doubtful accounts	224	(467)	1,426
Provision (benefit) for deferred income taxes	(256,263)	51,296	62,755
Loss (gain) on disposition of assets	4,487	127	(1,672)
Equity in earnings of affiliates, net of distributions and contributions	732	(532)	449
Impairment of long-lived assets	105,712	—	—
Amortization of unearned share-based compensation	11,460	11,675	11,104
Amortization of major maintenance costs	21,207	19,869	22,126
Amortization of debt issuance costs	986	801	1,377
Increase (decrease) in cash flows resulting from changes in:			
Accounts receivable	(60,405)	(12,750)	129,908
Inventory	19,673	3,182	(7,320)
Other assets	(17,049)	(30,853)	(15,551)
Income taxes payable	(11,823)	15,413	477
Accounts payable	20,758	(1,739)	(81,808)
Accrued and other liabilities	(3,105)	16,051	(19,201)
Net cash provided by operating activities	353,378	415,794	524,280
Cash flows from investing activities:			
Capital expenditures	(177,222)	(231,066)	(345,475)
Acquisitions of businesses and marine equipment, net of cash acquired	(470,101)	(137,072)	(41,250)
Proceeds from disposition of assets	54,229	18,617	24,429
Net cash used in investing activities	(593,094)	(349,521)	(362,296)
Cash flows from financing activities:			
Borrowings (payments) on bank credit facilities, net	268,616	(52,848)	160,784
Payments on long-term debt	(13,721)	—	(100,000)
Return of investment to noncontrolling interests	(862)	(1,976)	(1,778)
Proceeds from exercise of stock options	3,039	321	3,712
Purchase of treasury stock	—	(1,827)	(241,105)
Payments related to tax withholding for share-based compensation	(2,881)	(1,756)	(2,975)
Acquisitions of noncontrolling interest	(7)	(8,438)	—
Excess tax benefit from equity compensation plans	—	—	964
Net cash provided by (used in) financing activities	254,184	(66,524)	(180,398)
Increase (decrease) in cash and cash equivalents	14,468	(251)	(18,414)
Cash and cash equivalents, beginning of year	5,634	5,885	24,299
Cash and cash equivalents, end of year	$ 20,102	$ 5,634	$ 5,885
Supplemental disclosures of cash flow information:			
Cash paid during the period:			
Interest paid	$ 21,663	$ 19,878	$ 20,586
Income taxes paid	$ 27,196	$ 18,162	$ 69,584
Capital expenditures included in accounts payable	$ 5,525	$ (2,037)	$ 2,206
Non-cash investing activity:			
Fair value of property transferred in acquisition	$ —	$ 3,681	$ —
Stock issued in acquisition	$ 366,554	$ —	$ —
Cash acquired in acquisition	$ 98	$ —	$ —
Debt assumed in acquisition	$ 13,724	$ —	$ —

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		($ in thousands)	
Common stock:			
Balance at beginning of year	$ 5,978	$ 5,978	$ 5,978
Issuance of shares in acquisition	569	—	—
Balance at end of year	$ 6,547	$ 5,978	$ 5,978
Additional paid-in capital:			
Balance at beginning of year	$ 432,459	$ 434,783	$ 428,475
Issuance of shares in acquisition	365,985	—	—
Excess (deficit) of proceeds received upon exercise of stock options and issuance of restricted stock over cost of treasury stock issued	833	(755)	3,530
Tax benefit (expense) realized from equity compensation plans	—	(824)	964
Issuance of restricted stock, net of forfeitures	(7,770)	(10,218)	(9,290)
Amortization of unearned compensation	11,460	11,675	11,104
Acquisitions of noncontrolling interests	(6)	(2,202)	—
Balance at end of year	$ 802,961	$ 432,459	$ 434,783
Accumulated other comprehensive income:			
Balance at beginning of year	$ (51,007)	$ (44,686)	$ (61,037)
Other comprehensive income (loss), net of taxes	18,602	(6,321)	16,351
Balance at end of year	$ (32,405)	$ (51,007)	$ (44,686)
Retained earnings:			
Balance at beginning of year	$ 2,342,236	$ 2,200,830	$ 1,974,146
Cumulative effect of adoption of ASU 2016-09	(8,486)	—	—
Net earnings attributable to Kirby for the year	313,187	141,406	226,684
Balance at end of year	$ 2,646,937	$ 2,342,236	$ 2,200,830
Treasury stock:			
Balance at beginning of year	$ (320,348)	$ (328,094)	$ (93,526)
Purchase of treasury stock (35,000 in 2016 and 3,316,000 in 2015)	—	(1,827)	(241,105)
Cost of treasury stock issued upon exercise of stock options and issuance of restricted stock (138,000 in 2017, 170,000 in 2016 and 166,000 in 2015)	7,128	9,573	6,537
Balance at end of year	$ (313,220)	$ (320,348)	$ (328,094)
Noncontrolling interests:			
Balance at beginning of year	$ 3,549	$ 10,385	$ 10,877
Net earnings attributable to noncontrolling interests	716	1,398	1,286
Return of investment to noncontrolling interests	(862)	(1,976)	(1,778)
Acquisitions of noncontrolling interests	—	(6,258)	—
Balance at the end of year	$ 3,403	$ 3,549	$ 10,385

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Kirby Corporation and all majority-owned subsidiaries ("the Company"). All investments in which the Company owns 20% to 50% and exercises significant influence over operating and financial policies are accounted for using the equity method. All material intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to reflect the current presentation of financial information.

Accounting Policies

Cash Equivalents. Cash equivalents consist of all short-term, highly liquid investments with maturities of three months or less at date of purchase.

Accounts Receivable. In the normal course of business, the Company extends credit to its customers. The Company regularly reviews the accounts and makes adequate provisions for probable uncollectible balances. It is the Company's opinion that the accounts have no impairment, other than that for which provisions have been made. Included in accounts receivable as of December 31, 2017 and 2016 were $153,661,000 and $84,453,000, respectively, of accruals for revenues earned which have not been invoiced as of the end of each year.

The Company's marine transportation and distribution and services operations are subject to hazards associated with such businesses. The Company maintains insurance coverage against these hazards with insurance companies. Included in accounts receivable as of December 31, 2017 and 2016 were $66,588,000 and $88,182,000, respectively, of receivables from insurance companies to cover claims in excess of the Company's deductible.

Concentrations of Credit Risk. Financial instruments which potentially subject the Company to concentrations of credit risk are primarily trade accounts receivables. The Company's marine transportation customers include the major oil refining and petrochemical companies. The distribution and services customers are oilfield service companies, oil and gas operators and producers, on-highway transportation companies, marine transportation companies, commercial fishing companies, construction companies, mining companies, power generation companies, and the United States government. The Company regularly reviews its accounts and estimates the amount of uncollectible receivables each period and establishes an allowance for uncollectible amounts. The amount of the allowance is based on the age of unpaid amounts, information about the current financial strength of customers, and other relevant information. Estimates of uncollectible amounts are revised each period, and changes are recorded in the period they become known.

Fair Value of Financial Instruments. Cash, accounts receivable, accounts payable and accrued liabilities have carrying values that approximate fair value due to the short-term maturity of these financial instruments. The fair value of the Company's debt instruments is more fully described in Note 6, Long-Term Debt.

Property, Maintenance and Repairs. Property is recorded at cost. Improvements and betterments are capitalized as incurred. Depreciation is recorded on the straight-line method over the estimated useful lives of the individual assets as follows: marine transportation equipment, 5-40 years; buildings, 10-40 years; other equipment, 2-10 years; and leasehold improvements, term of lease. When property items are retired, sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts with any gain or loss on the disposition included in the statement of earnings. Maintenance and repairs on vessels built for use on the inland waterways are charged to operating expense as incurred and includes the costs incurred in United States Coast Guard ("USCG") inspections unless the shipyard extends the life or improves the operating capacity of the vessel which results in the costs being capitalized.

Drydocking on Ocean-Going Vessels. The Company's ocean-going vessels are subject to regulatory drydocking requirements after certain periods of time to be inspected, have planned major maintenance performed and be recertified by the American Bureau of Shipping ("ABS"). These recertifications generally occur twice in a five year period. The Company defers the drydocking expenditures incurred on its ocean-going vessels due to regulatory marine inspections by the ABS and amortizes the costs of the shipyard over the period between drydockings, generally 30 or 60 months, depending on the type of major maintenance performed. Drydocking expenditures that extend the life or improve the operating capability of the vessel result in the costs being capitalized. The Company recognized amortization of major maintenance costs of $21,207,000, $19,869,000 and $22,126,000 for the years ended December 31, 2017, 2016 and 2015, respectively, in costs of sales and operating expenses. Routine repairs and maintenance on ocean-going vessels are expensed as incurred. Interest is capitalized on the construction of new ocean-going vessels. Interest expense excludes capitalized interest of $1,731,000, $2,974,000 and $3,026,000 for the years ending December 31, 2017, 2016 and 2015, respectively.

Environmental Liabilities. The Company expenses costs related to environmental events as they are incurred or when a loss is considered probable and estimable.

Goodwill. The excess of the purchase price over the fair value of identifiable net assets acquired in transactions accounted for as a purchase is included in goodwill. The Company conducted its annual goodwill impairment test at November 30, 2017 and 2016. For 2017 and 2016, the Company noted no impairment of goodwill. The Company will continue to conduct goodwill impairment tests as of November 30 of subsequent years, or whenever events or circumstances indicate that interim impairment testing is necessary. The amount of goodwill impairment, if any, is typically measured based on projected discounted future operating cash flows using an appropriate discount rate. The gross carrying value of goodwill at December 31, 2017 and 2016 was $947,502,000 and $615,598,000, respectively, and accumulated amortization at December 31, 2017 and 2016 was $15,566,000. Accumulated impairment losses were $1,901,000 at December 31, 2017 and 2016.

Net goodwill for the marine transportation segment was $387,504,000 and $382,227,000 at December 31, 2017 and 2016, respectively. The increase in net goodwill for the marine transportation segment for 2017 was due to the purchase of a barge fleeting and marine fueling operation, as well as San Jac Marine, LLC ("San Jac"), which are more fully described in Note 2, Acquisitions. Net goodwill for the distribution and services segment was $547,631,000 and $215,904,000 at December 31, 2017 and 2016, respectively. The increase in net goodwill for the distribution and services segment was due to the acquisition of Stewart & Stevenson LLC ("S&S") in 2017, also more fully described in Note 2, Acquisitions.

Other Intangibles. Other intangibles include assets for customer contracts and relationships, distributorship and dealership agreements, trade names and noncompete agreements and liabilities for unfavorable leases. As of December 31, 2017 and 2016, the gross carrying amounts of other intangible assets were $315,983,000 and $158,634,000, respectively, and the accumulated amortization was $83,175,000 and $71,328,000, respectively, resulting in net carrying amounts of $232,808,000 and $87,306,000, respectively. As of December 31, 2017 and 2016, the gross carrying amounts of other intangible liabilities were $7,437,000 and $5,759,000, respectively, and the accumulated amortization was $4,751,000 and $3,949,000, respectively, resulting in net carrying amounts of $2,686,000 and $1,810,000, respectively.

The costs of intangible assets and liabilities are amortized to expense in a systematic and rational manner over their estimated useful lives.

For the years ended December 31, 2017, 2016 and 2015, the amortization expense for intangibles was $11,296,000, $8,467,000 and $8,526,000, respectively. Estimated amortization expense for amortizable intangible assets and liabilities for the next five years (2018 – 2022) is approximately $17,760,000, $17,395,000, $17,617,000, $17,171,000 and $16,971,000, respectively. As of December 31, 2017, the weighted average amortization period for intangible assets and liabilities was approximately 15 years.

Revenue Recognition. The majority of marine transportation revenue is derived from term contracts, ranging from one to five years, some of which have renewal options, and the remainder is from spot market movements. The majority of the term contracts are for terms of one year. The Company is a provider of marine transportation services for its customers and, in almost all cases, does not assume ownership of the products it transports. A term contract is an agreement with a specific customer to transport cargo from a designated origin to a designated destination at a set rate or at a daily rate. The rate may or may not escalate during the term of the contract, however, the base rate generally remains constant and contracts often include escalation provisions to recover changes in specific costs such as fuel. A spot contract is an agreement with a customer to move cargo from a specific origin to a designated destination for a rate negotiated at the time the cargo movement takes place. Spot contract rates are at the current "market" rate, including fuel, and are subject to market volatility. The Company uses a voyage accounting method of revenue recognition for its marine transportation revenues which allocates voyage revenue based on the percent of the voyage completed during the period. There is no difference in the recognition of revenue between a term contract and a spot contract.

Distribution products and services are generally sold based upon purchase orders or preferential service agreements with the customer that include fixed or determinable prices and that do not include right of return or significant post-delivery performance obligations. Parts sales are recognized when title passes upon shipment to customers or when customer-specific acceptance requirements are met. Service revenue is recognized as the service is provided. Revenue from rental agreements is recognized on a straight-line basis over the rental period. Distribution and services manufacturing and assembly projects revenue is reported on the percentage of completion method of accounting using measurements of progress towards completion appropriate for the work performed.

Stock-Based Compensation. The Company has share-based compensation plans covering selected officers and other key employees as well as the Company's Board of Directors. Stock-based grants made under the Company's stock plans are recorded at fair value on the date of the grant and the cost is recognized ratably over the vesting period of the stock option or restricted stock. Stock option grants are valued at the date of grant as calculated under the Black-Scholes option pricing model. The Company's stock-based compensation plans are more fully described in Note 9, Stock Award Plans.

Taxes on Income. The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Accrued Insurance. Accrued insurance liabilities include estimates based on individual incurred claims outstanding and an estimated amount for losses incurred but not reported ("IBNR") or fully developed based on past experience. Insurance premiums, IBNR losses and incurred claim losses, in excess of the Company's deductible for 2017, 2016 and 2015 were $26,195,000, $23,085,000 and $23,737,000, respectively.

Noncontrolling Interests. The Company has a majority interest in and is the general partner in several affiliated entities. In situations where losses applicable to the minority interest in the affiliated entities exceed the limited partners' equity capital, such excess and any further loss attributable to the minority interest is charged against the Company's interest in the affiliated entities. If future earnings materialize in the respective affiliated entities, the Company's interest would be credited to the extent of any losses previously absorbed.

Treasury Stock. The Company follows the average cost method of accounting for treasury stock transactions.

Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed Of. The Company reviews long-lived assets and certain identifiable intangibles for impairment by vessel class whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

Recoverability on marine transportation assets is assessed based on vessel classes, not on individual assets, because identifiable cash flows for individual marine transportation assets are not available. Projecting customer contract volumes allows estimation of future cash flows by projecting pricing and utilization by vessel class but it is not practical to project which individual marine transportation asset will be utilized for any given contract. Because customers do not specify which particular vessel is used, prices are quoted based on vessel classes not individual assets. Nominations of vessels for specific jobs are determined on a day by day basis and are a function of the equipment class required and the geographic position of vessels within that class at that particular time as vessels within a class are interchangeable and provide the same service. The Company's vessels are mobile assets and equipped to operate in geographic regions throughout the United States and the Company has in the past and expects to continue to move vessels from one region to another when it is necessary due to changing markets and it is economical to do so. Barge vessel classes are based on similar capacities, hull type, and type of product and towing vessels are based on similar hull type and horsepower. Recoverability of the vessel classes is measured by a comparison of the carrying amount of the assets to future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Accounting Standards

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recent federal tax reform legislation. ASU 2018-02 eliminates the stranded tax effects resulting from the recent federal tax reform legislation and will improve the usefulness of information reported to financial statement users. The amendments in ASU 2018-02 will be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the recent federal tax reform legislation is recognized. ASU 2018-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in any interim period, for which financial statements have not yet been made available for issuance. The Company is currently evaluating the impact, if any, that the adoption of this standard will have on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07") which requires employers to include only the service cost component of net periodic pension cost and net periodic postretirement benefit cost in operating expenses. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The standard allows only the service cost component to be eligible for capitalization when applicable. ASU 2017-07 is effective for annual and interim periods beginning after December 15, 2017 with early adoption permitted. This standard shall be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively for the capitalization of the service cost benefit in assets. The Company will adopt the provisions of ASU 2017-07 on January 1, 2018 and the Company does not expect the adoption of ASU 2017-07 to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04") which simplifies the subsequent measurement of goodwill by eliminating Step 2 in the goodwill impairment test that required an entity to perform procedures to determine the fair value of its assets and liabilities at the testing date. An entity instead will perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying value and record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 will be applied prospectively and is effective for annual and interim goodwill impairment tests conducted in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment testing dates after January 1, 2017. The Company is currently evaluating the impact, if any, that the adoption of this standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15") to create consistency in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for annual and interim periods beginning after December 15, 2017. The Company will adopt the provisions of ASU 2016-15 on January 1, 2018 and the Company does not expect the adoption of ASU 2016-15 to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09") which simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, forfeitures, minimum statutory tax withholding requirements, classification as either equity or liabilities, and classification on the statement of cash flows. The Company adopted the provisions of ASU 2016-09 on January 1, 2017. ASU 2016-09 requires all excess tax benefits and tax deficiencies be recognized as income tax expense or benefit in the income statement, thus eliminating additional paid-in capital pools. The Company recognized a cumulative effect adjustment of $8,486,000 to retained earnings on a modified retrospective basis as of January 1, 2017 and will apply the new standard guidance prospectively to all excess tax benefits and tax deficiencies resulting from settlements after January 1, 2017. The standard also requires a policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The Company will elect to account for forfeitures when they occur. Also, the standard requires that excess tax benefits should be classified along with other income tax cash flows as an operating activity on the statement of cash flows, which differs from the Company's historical classification of excess tax benefits as cash inflows from financing activities. The Company elected to apply this provision using the prospective transition method. Additionally, the standard requires cash paid by an employer when directly withholding shares for tax withholding purposes to be classified in the statement of cash flows as a financing activity, which differs from the Company's previous method of classification of such cash payments as an operating activity. The Company applied this provision retrospectively and reclassified $1,756,000 and $2,975,000 during 2016 and 2015, respectively, which increased net cash provided by operating activities and net cash used in financing activities.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”) to increase transparency and comparability among organizations by requiring recognition of lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. A modified retrospective approach is required. The Company has formed a project team to evaluate the impact that the adoption of this standard will have on its consolidated financial statements and disclosures. The project team has completed training on the new standard and has started lease review and documentation, but the Company has not yet determined the effect of ASU 2016-02 on its ongoing financial reporting.

In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes” (“ASU 2015-17”) which requires that deferred tax liabilities and assets be classified as noncurrent on the balance sheet. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by this guidance. The guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company adopted the provisions of ASU 2015-17 on January 1, 2017 on a retrospective basis. The December 31, 2016 current deferred tax assets of $13,604,000 have been reclassified in the consolidated balance sheet from current deferred income taxes asset to noncurrent deferred income taxes liability.

In July 2015, the FASB issued ASU 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory” (“ASU 2015-11”) which applies to inventory that is measured using first-in, first-out (“FIFO”) or average cost. Under the guidance, an entity should measure inventory that is within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim period or annual reporting period. The Company adopted the provisions of ASU 2015-11 on January 1, 2017 and, based on a lower of cost and net realizable value inventory analysis as of December 31, 2016, no adjustments to inventory value were required. The analysis reflected the inventory values are proper within the guidance of ASU 2015-11.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in United States Generally Accepted Accounting Principles when it becomes effective. In July 2015, the FASB voted to delay the effective date of ASU 2014-09 by one year, making it effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted as of the original effective date. ASU 2014-09 permits the use of either the retrospective, modified retrospective or prospective with a cumulative catch-up approach. The Company will adopt ASU 2014-09 on January 1, 2018 with a cumulative adjustment that will decrease retained earnings by approximately $10,000,000 rather than restating previously reported results. The cumulative adjustment will primarily relate to recognition of revenue on certain contract manufacturing activities, primarily construction of new pressure pumping units in the Company’s distribution and services segment. The Company currently recognizes revenue on manufacturing and assembly projects on a percentage of completion method using measurements of progress towards completion appropriate for the work performed. Upon the adoption of ASU 2014-09, the Company will recognize the revenues on contract manufacturing activities upon shipment and transfer of control versus the percentage of completion method.

(2) Acquisitions

On October 20, 2017, San Jac, a subsidiary of the Company, purchased certain assets of Sneed Shipbuilding, Inc. for $14,852,000 in cash including its Channelview, Texas shipyard. San Jac is a builder of marine vessels for both inland and offshore applications as well providing repair and maintenance services. The Company intends to build towboats at the shipyard and use the facilities for routine maintenance.

On September 13, 2017, the Company completed the acquisition of substantially all of the assets of S&S, a global manufacturer and distributor of products and services for the oil and gas, marine, construction, power generation, transportation, mining and agricultural industries. The acquired business, which the Company operates through a newly formed subsidiary renamed Stewart & Stevenson LLC after the closing of the acquisition, was founded in 1902 and serves domestic and global markets with equipment, rental solutions, parts and service through a strategic network of sales and service centers in domestic and international locations.

The total value of the transaction was $758,245,000, before post-closing adjustments and excluding transaction fees, consisting of cash consideration of $377,967,000, the assumption of $13,724,000 of debt and $366,554,000 through the issuance of 5,696,259 shares of Company common stock valued at $64.35 per share, the Company's closing share price on September 13, 2017. On June 26, 2017, in advance of the purchase of S&S, the Company entered into an amendment of its revolving credit facility that increased the borrowing limit from $550,000,000 to $850,000,000 and extended the maturity date to June 26, 2022. The debt assumed consisted of $12,135,000 of term debt and $1,589,000 of short-term secured loans related to the Company's South American operations. The term debt was paid off without penalty in the 2017 fourth quarter.

S&S, headquartered in Houston, Texas with 42 branches across 12 states, is a distributor in certain geographic areas for Allison Transmission, MTU, Detroit Diesel, EMD Power Products ("EMD"), Deutz and several other manufacturers. S&S' principal customers are oilfield service companies, oil and gas operators and producers, and companies in the marine, mining, power generation, on-highway and other commercial and industrial applications.

The Company considers S&S to be a natural extension of the current distribution and services segment, expanding its geographic footprint and capabilities of the distribution and services business.

Total consideration transferred was as follows (in thousands):

Cash consideration paid	$	377,967
Stock consideration through issuance of Company common stock		366,554
Fair value of consideration transferred	$	744,521

The fair values of the assets acquired and liabilities assumed recorded at the acquisition date were as follows (in thousands):

Assets:		
Cash	$	98
Accounts receivable		97,891
Inventories		150,000
Prepaid expenses and other current assets		3,850
Property and equipment		141,885
Goodwill		331,728
Other assets		158,130
Total assets	$	883,582
Liabilities:		
Current portion of long-term debt	$	1,501
Bank notes payable		1,589
Income taxes payable		850
Accounts payable		72,200
Accrued liabilities		31,803
Deferred revenues		18,806
Long-term debt		10,634
Other long-term liabilities		1,678
Total liabilities	$	139,061
Net assets acquired	$	744,521

The analysis of the S&S fair values is substantially complete but all fair values have not been finalized pending obtaining the information necessary to complete the analysis. As additional information becomes known concerning the assets acquired and liabilities assumed, the Company may make adjustments to the opening balance sheet of S&S up to a one year period following the acquisition date.

As a result of the acquisition, the Company recorded $331,728,000 of goodwill and $155,722,000 of net intangibles. The net intangibles have a weighted average amortization period of approximately 16.8 years. The Company expects substantially all of the goodwill will be deductible for tax purposes. Acquisition related costs of $2,119,000, consisting primarily of legal, audit and other professional fees plus other expenses, were expensed as incurred to selling general and administrative expense in 2017.

On July 10, 2017, the Company completed the purchase of certain inland marine assets from an undisclosed competitor for $68,000,000 in cash. The assets purchased consisted of nine specialty pressure tank barges, four 30,000 barrel tank barges and three 1320 horsepower inland towboats. The average age of the 13 inland tank barges was five years. The 13 tank barges transport petrochemicals and refined petroleum products on the Mississippi River System and the Gulf Intracoastal Waterway. As a result of the acquisition, the Company recorded $67,970,000 of property and $30,000 of intangibles with a weighted average amortization period of two years.

During July 2017, the Company purchased four inland tank barges for $1,450,000 as well as a barge fleeting and marine fueling operation business in Freeport, Texas for $3,900,000. The Company had been leasing the barges prior to purchase.

On October 11, 2016, the Company purchased certain assets of Valley Power Systems, Inc. and Valley Power Systems Northwest, Inc. (collectively "VPS") for $11,440,000 in cash. The assets purchased are mainly related to the EMD engine supply and repair business of VPS and include an EMD distributor agreement to sell engines in nine western states. As a result of the acquisition, the Company recorded $8,330,000 of goodwill and $2,070,000 of intangibles with a weighted average amortization period of approximately 15 years. The Company expects all of the goodwill to be deductible for tax purposes.

On June 30, 2016, the Company purchased an 80,000 barrel coastal tank barge from TD Equipment Finance, Inc. ("TD Equipment") for $13,682,000 in cash. The Company had been leasing the barge from TD Equipment prior to its purchase.

On June 2, 2016, the Company purchased four coastal tugboats from Crosby Marine Transportation LLC for $26,450,000 in cash. The four coastal tugboats have an average age of 13 years.

On April 15, 2016, the Company purchased the inland tank barge fleet of SEACOR Holdings Inc. ("Seacor") from subsidiaries of Seacor for a total value of $89,181,000. The assets purchased consisted of 27 inland 30,000 barrel tank barges and 14 inland towboats. The purchase price was comprised of $85,500,000 in cash and the transfer to Seacor of a Florida-based ship docking tugboat with a value of $3,681,000. The average age of the 27 inland tank barges was ten years. Seacor, through its subsidiary, SCF Waxler Marine LLC, transported refined petroleum products, petrochemicals and black oil on the Mississippi River System and the Gulf Intracoastal Waterway. As a result of the acquisition, the Company recorded $985,000 of goodwill and expects all of the goodwill to be deductible for tax purposes. No intangibles other than goodwill were identified in the acquisition.

Pro forma results of the acquisitions made in 2017 and 2016 have not been presented as the pro forma revenues, earnings before taxes on income, net earnings and net earnings per share would not be materially different from the Company's actual results.

(3) Impairment of Long-lived Assets

During the fourth quarter of 2017, the Company recorded a $105,712,000 non-cash pre-tax impairment charge. The after-tax effect of the charge was $66,975,000 or $1.20 per share. The impairment charge was to reduce certain vessels to a fair value of $12,550,000 as the Company decided to put certain older out-of-service vessels up for sale in its marine transportation segment in response to lower equipment utilization, pricing pressure and expensive ballast water treatment system installations required in the next few years on some of the coastal tank barges. Retiring some of the older coastal marine vessels reduces the fleet's age profile and improves the efficiency of the fleet.

The vessels that the Company has committed to dispose of include 12 out-of-service coastal tank barges, 21 inactive coastal tugboats and six inactive inland towboats. The tank barges will be scrapped or sold into international non-competing markets in 2018 and the tugboats and towboats will be sold or scrapped in domestic markets during 2018. The fair market value of the vessels of $12,550,000 is presented in prepaid expenses and other current assets at December 31, 2017.

(4) Inventories

The following table presents the details of inventories as of December 31, 2017 and 2016 (in thousands):

	December 31, 2017	December 31, 2016
Finished goods	$ 242,333	$ 178,740
Work in process	73,396	6,662
	$ 315,729	$ 185,402

(5) Fair Value Measurements

The accounting guidance for using fair value to measure certain assets and liabilities establishes a three tier value hierarchy, which prioritizes the inputs to valuation techniques used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little, if any, market data exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities have carrying values that approximate fair value due to the short-term maturity of these financial instruments. The fair value of the Company's debt instruments is described in Note 6, Long-Term Debt.

Certain assets are measured at fair value on a nonrecurring basis. These assets are adjusted to fair value when there is evidence of impairment. During the years ended December 31, 2017 and 2016, there was no indication that the Company's long-lived assets were impaired, and accordingly, measurement at fair value was not required.

(6) Long-Term Debt

Long-term debt at December 31, 2017 and 2016 consisted of the following (in thousands):

	2017	2016
Long-term debt, including current portion:		
$850,000,000 revolving credit facility due June 26, 2022	$ 495,845	$ 225,986
$150,000,000 senior notes Series A due February 27, 2020	150,000	150,000
$350,000,000 senior notes Series B due February 27, 2023	350,000	350,000
$10,000,000 credit line due June 30, 2019	—	—
Bank notes payable	3	—
	995,848	725,986
Unamortized debt issuance costs	(3,442)	(3,184)
	$ 992,406	$ 722,802

The aggregate payments due on the long-term debt in each of the next five years were as follows (in thousands):

2018	$ 3
2019	—
2020	150,000
2021	—
2022	495,845
Thereafter	350,000
	$ 995,848

On June 26, 2017, the Company entered into an amendment of its Revolving Credit Facility with a syndicate of banks, with JPMorgan Chase Bank, N.A. as the administrative agent bank, that increased the borrowing limit from $550,000,000 to $850,000,000 and extended the maturity date to June 26, 2022. In addition, the credit agreement allows for a $300,000,000 increase in the aggregate commitments of the banks in the form of revolving credit loans or term loans, subject to the consent of each bank that elects to participate in the increased commitment. The variable interest rate spread varies with the Company's senior debt rating and is currently 1.00% over the London Interbank Offered Rate ("LIBOR") or equal to an Alternate Base Rate calculated with reference to the agent bank's prime rate, among other factors. The commitment fee is currently 0.10%. The Revolving Credit Facility contains certain restrictive financial covenants including an interest coverage ratio and a debt-to-capitalization ratio. In addition to financial covenants, the Revolving Credit Facility contains covenants that, subject to exceptions, restrict debt incurrence, mergers and acquisitions, sales of assets, dividends and investments, liquidations and dissolutions, capital leases, transactions with affiliates and changes in lines of business. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, the purchase of existing or new equipment, the purchase of the Company's common stock, or for business acquisitions. As of December 31, 2017, the Company was in compliance with all Revolving Credit Facility covenants and had $495,845,000 of debt outstanding under the Revolving Credit Facility. The average borrowing under the Revolving Credit Facility during 2017 was $270,446,000, computing by averaging the daily balance, and the weighted average interest rate was 2.2%, computed by dividing the interest expense under the Revolving Credit Facility by the average Revolving Credit Facility borrowing. The Revolving Credit Facility includes a $25,000,000 commitment which may be used for standby letters of credit. Outstanding letters of credit under the Revolving Credit Facility were $8,893,000 as of December 31, 2017.

The Company has $500,000,000 of unsecured senior notes ("Senior Notes Series A" and "Senior Notes Series B") with a group of institutional investors, consisting of $150,000,000 of 2.72% Senior Notes Series A due February 27, 2020 and $350,000,000 of 3.29% Senior Notes Series B due February 27, 2023. No principal payments are required until maturity. The Senior Notes Series A and Series B contain certain covenants on the part of the Company, including an interest coverage covenant, a debt-to-capitalization covenant and covenants relating to liens, asset sales and mergers, among others. The Senior Notes Series A and Series B also specify certain events of default, upon the occurrence of which the maturity of the notes may be accelerated, including failure to pay principal and interest, violation of covenants or default on other indebtedness, among others. As of December 31, 2017, the Company was in compliance with all Senior Notes Series A and Series B covenants and had $150,000,000 of Senior Notes Series A outstanding and $350,000,000 of Senior Notes Series B outstanding.

The Company has a $10,000,000 line of credit ("Credit Line") with Bank of America, N.A. ("Bank of America") for short-term liquidity needs and letters of credit, with a maturity date of June 30, 2019. The Credit Line allows the Company to borrow at an interest rate agreed to by Bank of America and the Company at the time each borrowing is made or continued. The Company had no borrowings outstanding under the Credit Line as December 31, 2017. Outstanding letters of credit under the Credit Line were $1,117,000 as of December 31, 2017.

On September 13, 2017, as a result of the S&S acquisition, the Company assumed $12,135,000 of term debt which was paid off without penalty in the 2017 fourth quarter.

The Company also had $3,000 of short-term secured loans outstanding, as of December 31, 2017, related to its South American operations.

The estimated fair value of total debt outstanding at December 31, 2017 and 2016 was $984,017,000 and $715,330,000, respectively, which differs from the carrying amount of $992,406,000 and $722,802,000, respectively, included in the consolidated financial statements. The fair value was determined using an income approach that relies on inputs such as yield curves.

(7) Taxes on Income

Earnings before taxes on income and details of the provision for taxes on income for the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands):

	2017	2016	2015
Earnings (loss) before taxes on income:			
United States	$ 74,267	$ 227,746	$ 361,712
Foreign	(1,253)	—	—
	$ 73,014	$ 227,746	$ 361,712
Provision (benefit) for taxes on income:			
U.S. Federal:			
Current	$ 11,143	$ 28,919	$ 64,707
Deferred	(258,703)	49,685	59,582
	$ (247,560)	$ 78,604	$ 124,289
U.S. State:			
Current	$ 3,861	$ 4,727	$ 6,280
Deferred	2,280	1,611	3,173
	$ 6,141	$ 6,338	$ 9,453
Foreign:			
Current	$ 370	$ —	$ —
Deferred	160	—	—
	$ 530	$ —	$ —
Consolidated:			
Current	$ 15,374	$ 33,646	$ 70,987
Deferred	(256,263)	51,296	62,755
	$ (240,889)	$ 84,942	$ 133,742

On December 22, 2017, U.S. federal tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the “Act”), was signed into law with the primary provisions impacting the Company being the reduction of the U.S. corporate income tax rate from 35% to 21% and an increase in bonus tax deprecation for certain assets through 2026. As a result of the Act, the Company recognized a one-time deferred tax benefit of $269,472,000 in the 2017 fourth quarter due to the remeasurement of the Company’s U.S. deferred tax assets and liabilities based on the 21% corporate tax rate.

The Company regards these amounts as provisional amounts as they are based on reasonable estimates of temporary difference changes in 2017 and the Company’s state tax apportionment ratios. The Company expects to adjust these provisional amounts as the Company prepares its 2017 federal and state tax returns. The Company will complete its analysis of the income tax effects of the Act before the end of the measurement period on December 21, 2018.

The Company’s provision for taxes on income varied from the statutory federal income tax rate for the years ended December 31, 2017, 2016 and 2015 due to the following:

	2017	2016	2015
United States income tax statutory rate	35.0%	35.0%	35.0%
State and local taxes, net of federal benefit	0.9	1.8	1.7
Change due to U.S. tax reform	(369.0)	—	—
Other – net	3.2	0.5	0.3
	(329.9)%	37.3%	37.0%

The tax effects of temporary differences that give rise to significant portions of the non-current deferred tax assets and liabilities at December 31, 2017 and 2016 were as follows (in thousands):

	2017	2016
Non-current deferred tax assets and liabilities:		
Deferred tax assets:		
Compensated absences	$ 432	$ 739
Allowance for doubtful accounts	1,875	2,534
Postretirement health care benefits	1,190	2,234
Insurance accruals	4,599	9,128
Deferred compensation	1,849	11,124
Unrealized loss on defined benefit plans	11,097	28,832
Operating loss carryforwards	15,540	7,846
Pension benefits	549	—
Other	18,474	25,735
	55,605	88,172
Valuation allowances	(15,308)	(7,417)
	40,297	80,755
Deferred tax liabilities:		
Property	(428,947)	(654,751)
Deferred state taxes	(58,366)	(54,812)
Pension benefits	—	(2,799)
Goodwill and other intangibles	(9,015)	(51,551)
Other	(12,420)	(22,295)
	(508,748)	(786,208)
	$ (468,451)	$ (705,453)

The Company has determined that it is more likely than not that all federal deferred tax assets at December 31, 2017 will be realized, including its operating loss carryforwards of $232,000 that expire in various amounts through 2030.

The valuation allowance for state deferred tax assets as of December 31, 2017 and 2016 was $9,289,000 and $7,417,000, respectively, related to the Company’s state net operating loss carryforwards based on the Company’s determination that it is more likely than not that the deferred tax assets will not be realized. Expiration of these state net operating loss carryforwards vary by state through 2037 and none will expire in fiscal 2018.

As of December 31, 2017, the Company had a gross Canadian net operating loss carryforward of $6,019,000 which expires in 2038. A full valuation allowance has been provided for this asset.

The Company or one of its subsidiaries files income tax returns in the United States federal jurisdiction and various state jurisdictions. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the 2014 through 2016 tax years. With few exceptions, the Company and its subsidiaries’ state income tax returns are open to audit under the statute of limitations for the 2011 through 2016 tax years.

As of December 31, 2017, the Company has provided a liability of $2,462,000 for unrecognized tax benefits related to various income tax issues which includes interest and penalties. The amount that would impact the Company’s effective tax rate, if recognized, is $1,947,000, with the difference between the total amount of unrecognized tax benefits and the amount that would impact the effective tax rate being primarily related to the federal tax benefit of state income tax items. It is not reasonably possible to determine if the liability for unrecognized tax benefits will significantly change prior to December 31, 2018 due to the uncertainty of possible examination results.

A reconciliation of the beginning and ending amount of the liability for unrecognized tax benefits for the years ended December 31, 2017, 2016 and 2015, is as follows (in thousands):

	2017	2016	2015
Balance at beginning of year	$ 2,019	$ 1,958	$ 1,171
Additions based on tax positions related to the current year	403	187	339
Additions for tax positions of prior years	273	867	785
Reductions for tax positions of prior years	(908)	(441)	(337)
Settlements	—	(552)	—
Balance at end of year	$ 1,787	$ 2,019	$ 1,958

The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. The Company recognized net expense of $120,000, $88,000 and $216,000 in interest and penalties for the years ended December 31, 2017, 2016 and 2015, respectively. The Company had $675,000, $554,000 and $522,000 of accrued liabilities for the payment of interest and penalties at December 31, 2017, 2016 and 2015, respectively.

(8) Leases

The Company and its subsidiaries currently lease various facilities and equipment under a number of cancelable and noncancelable operating leases. Lease agreements for barges have terms from one to 12 years expiring at various dates through 2023. Lease agreements for towing vessels chartered by the Company have terms from 30 days to ten years expiring at various dates through 2027; however, approximately 75% of the towing vessel charter agreements are for terms of one year or less. Total rental expense for the years ended December 31, 2017, 2016 and 2015 was as follows (in thousands):

	2017	2016	2015
Rental expense:			
Marine equipment — barges	$ 11,550	$ 13,791	$ 14,092
Marine equipment — towing vessels	116,690	137,609	143,067
Other buildings and equipment	15,915	11,182	9,383
Rental expense	$ 144,155	$ 162,582	$ 166,542

Future minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2017 were as follows (in thousands):

	Land, Buildings And Equipment	Marine Equipment		Total
		Barges	Towing Vessels	
2018	$ 18,888	$ 8,711	$ 59,185	$ 86,784
2019	15,153	4,573	8,727	28,453
2020	12,432	3,806	2,578	18,816
2021	11,384	1,567	2,578	15,529
2022	9,436	1,567	2,578	13,581
Thereafter	73,382	896	12,889	87,167
	$ 140,675	$ 21,120	$ 88,535	$ 250,330

(9) Stock Award Plans

The Company has share-based compensation plans which are described below. The compensation cost that has been charged against earnings for the Company's stock award plans and the income tax benefit recognized in the statement of earnings for stock awards for the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands):

	2017	2016	2015
Compensation cost	$ 11,460	$ 11,675	$ 11,104
Income tax benefit	$ 4,333	$ 4,378	$ 4,120

The Company has an employee stock award plan for selected officers and other key employees which provide for the issuance of stock options, restricted stock and performance awards. The exercise price for each option equals the fair market value per share of the Company's common stock on the date of grant. Substantially all stock options outstanding under the plan have terms of seven years and vest ratably over three years. No performance awards payable in stock have been awarded under the plan. At December 31, 2017, 1,805,296 shares were available for future grants under the employee plan and no outstanding stock options under the employee plan were issued with stock appreciation rights.

The following is a summary of the stock option activity under the employee plan described above for the years ended December 31, 2017, 2016 and 2015:

	Outstanding Non-Qualified or Nonincentive Stock Awards	Weighted Average Exercise Price
Outstanding at December 31, 2014	322,956	$ 69.95
Granted	114,894	$ 74.99
Canceled or expired	(7,418)	$ 86.28
Outstanding at December 31, 2015	430,432	$ 71.01
Granted	186,706	$ 53.50
Canceled or expired	(16,017)	$ 80.17
Outstanding at December 31, 2016	601,121	$ 65.33
Granted	123,141	$ 68.46
Exercised	(36,616)	$ 47.95
Canceled or expired	(32,991)	$ 74.07
Outstanding at December 31, 2017	654,655	$ 66.45

Under the employee plan, stock options exercisable were 380,608, 321,942 and 239,518 at December 31, 2017, 2016 and 2015, respectively.

The following table summarizes information about the Company's outstanding and exercisable stock options under the employee plan at December 31, 2017:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Aggregated Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Aggregated Intrinsic Value
$ 46.74 – $51.23	197,776	3.8	$ 50.02		100,806	$ 48.86	
$ 64.65 – $74.99	394,704	4.0	$ 69.68		217,627	$ 70.25	
$ 93.64 – $96.85	33,987	3.1	$ 94.31		33,987	$ 94.31	
$ 101.46 – $104.37	28,188	3.2	$ 102.88		28,188	$ 102.88	
$ 46.74 – $104.37	654,655	3.8	$ 66.45	$ 3,455,000	380,608	$ 69.15	$ 1,883,000

The following is a summary of the restricted stock award activity under the employee plan described above for the years ended December 31, 2017, 2016 and 2015:

	Unvested Restricted Stock Award Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested balance at December 31, 2014	321,453	$ 71.04
Granted	122,740	$ 75.04
Vested	(113,958)	$ 60.73
Forfeited	(18,508)	$ 82.00
Nonvested balance at December 31, 2015	311,727	$ 75.73
Granted	190,610	$ 53.56
Vested	(105,109)	$ 69.93
Forfeited	(19,573)	$ 76.06
Nonvested balance at December 31, 2016	377,655	$ 66.14
Granted	127,255	$ 68.50
Vested	(105,600)	$ 68.91
Forfeited	(35,189)	$ 69.45
Nonvested balance at December 31, 2017	364,121	$ 65.84

The Company has a stock award plan for nonemployee directors of the Company which provides for the issuance of stock options and restricted stock. The director plan provides for automatic grants of restricted stock to nonemployee directors after each annual meeting of stockholders. In addition, the director plan allows for the issuance of stock options or restricted stock in lieu of cash for all or part of the annual director fee at the option of the director. The exercise prices for all options granted under the plan are equal to the fair market value per share of the Company's common stock on the date of grant. The terms of the options are ten years. The restricted stock issued after each annual meeting of stockholders vests six months after the date of grant. Options granted and restricted stock issued in lieu of cash director fees vest in equal quarterly increments during the year to which they relate. At December 31 2017, 510,071 shares were available for future grants under the director plan. The director stock award plan is intended as an incentive to attract and retain qualified independent directors.

The following is a summary of the stock option activity under the director plan described above for the years ended December 31, 2017, 2016, and 2015:

	Outstanding Non-Qualified or Nonincentive Stock Awards		Weighted Average Exercise Price
Outstanding at December 31, 2014	298,334	$	60.01
Exercised	(77,905)	$	47.65
Outstanding at December 31, 2015	220,429	$	64.37
Exercised	(9,000)	$	35.72
Canceled or expired	(6,000)	$	99.52
Outstanding at December 31, 2016	205,429	$	64.60
Granted	3,188	$	70.65
Exercised	(39,000)	$	46.23
Canceled or expired	(12,000)	$	87.35
Outstanding at December 31, 2017	157,617	$	67.54

Under the director plan, options exercisable were 156,820, 205,429 and 220,429 at December 31, 2017, 2016 and 2015, respectively.

The following table summarizes information about the Company's outstanding and exercisable stock options under the director plan at December 31, 2017:

		Options Outstanding						Options Exercisable				
Range of Exercise Prices		Number Outstanding	Weighted Average Remaining Contractual Life in Years		Weighted Average Exercise Price		Aggregate Intrinsic Value	Number Exercisable		Weighted Average Exercise Price		Aggregate Intrinsic Value
$	29.60	6,000	1.3	$	29.60			6,000	$	29.60		
$	41.24 – $56.45	53,276	2.4	$	52.77			53,276	$	52.77		
$	61.89 – $62.48	35,153	4.5	$	62.31			35,153	$	62.31		
$	70.65 – $99.52	63,188	6.0	$	86.50			62,391	$	86.71		
$	29.60 – $99.52	157,617	4.3	$	67.54	$	1,128,000	156,820	$	67.52	$	1,128,000

The following is a summary of the restricted stock award activity under the director plan described above for the years ended December 31, 2017, 2016 and 2015:

	Unvested Restricted Stock Award Shares		Weighted Average Grant Date Fair Value Per Share
Nonvested balance at December 31, 2014	292	$	99.52
Granted	20,350	$	78.52
Vested	(18,851)	$	79.77
Nonvested balance at December 31, 2015	1,791	$	68.73
Granted	23,074	$	64.89
Vested	(24,518)	$	65.17
Nonvested balance at December 31, 2016	347	$	64.89
Granted	21,198	$	70.65
Vested	(21,226)	$	70.56
Nonvested balance at December 31, 2017	319	$	70.65

The total intrinsic value of all stock options exercised under all of the Company's plans was $1,671,000, $266,000 and $2,555,000 for the years ended December 31, 2017, 2016 and 2015, respectively. The actual tax benefit realized for tax deductions from stock option exercises was $632,000, $100,000 and $948,000 for the years ended December 31, 2017, 2016 and 2015, respectively.

The total intrinsic value of all the restricted stock vestings under all of the Company's plans was $8,485,000, $6,928,000 and $10,270,000 for the years ended December 31, 2017, 2016 and 2015, respectively. The actual tax benefit realized for tax deductions from restricted stock vestings was $3,208,000, $2,598,000 and $3,810,000 for the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, there was $3,092,000 of unrecognized compensation cost related to nonvested stock options and $16,947,000 related to restricted stock. The stock options are expected to be recognized over a weighted average period of approximately 1.3 years and restricted stock over approximately 3.0 years. The total fair value of stock options vested was $2,530,000, $2,495,000 and $2,180,000 during the years ended December 31, 2017, 2016 and 2015, respectively. The fair value of the restricted stock vested was $8,485,000, $6,928,000 and $10,270,000 for the years ended December 31, 2017, 2016 and 2015, respectively.

The weighted average per share fair value of stock options granted during the years ended December 31, 2017, 2016 and 2015 was $20.72, $17.30 and $25.18, respectively. The fair value of the stock options granted during the years ended December 31, 2017, 2016 and 2015 was $2,617,000, $3,231,000 and $2,893,000, respectively. The Company currently uses treasury stock shares for restricted stock grants and stock option exercises. The fair value of each stock option was determined using the Black-Scholes option pricing model. The key input variables used in valuing the stock options during the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017	2016	2015
Dividend yield	None	None	None
Average risk-free interest rate	2.0%	1.5%	1.3%
Stock price volatility	27%	30%	33%
Estimated option term	Six years	Six years	Six years

(10) Retirement Plans

The Company sponsors a defined benefit plan for its inland vessel personnel and shore based tankermen. The plan benefits are based on an employee's years of service and compensation. The plan assets consist primarily of equity and fixed income securities.

On April 12, 2017, the Company amended its pension plan to cease all benefit accruals for periods after May 31, 2017 for certain participants. Participants grandfathered and not impacted were those, as of the close of business on May 31, 2017, who either (a) had completed 15 years of pension service or (b) had attained age 50 and completed 10 years of pension service. Participants non-grandfathered are eligible to receive discretionary 401(k) plan contributions. The Company did not incur any one-time charges related to this amendment but the pension plan's projected benefit obligation decreased by $33,433,000.

The fair value of plan assets was $294,995,000 and $257,517,000 at December 31, 2017 and 2016 respectively. As of December 31, 2017 and 2016, these assets were allocated among asset categories as follows:

Asset Category	2017	2016	Current Minimum, Target and Maximum Allocation Policy
U.S. equity securities	51%	51%	30% — 50%— 70%
International equity securities	21%	19%	0% — 20%— 30%
Debt securities	28%	30%	15% — 30%— 55%
Cash and cash equivalents	—%	—%	0% — 0%— 5%
	100%	100%	

The plan assets are invested entirely in common collective trusts. These instruments are public investment vehicles valued using the net asset value provided by the administrator of the fund. The net asset value is classified within Level 2 of the valuation hierarchy as set forth in the accounting guidance for fair value measurements because the net asset value price is quoted on an inactive private market although the underlying investments are traded on an active market.

The Company's investment strategy focuses on total return on invested assets (capital appreciation plus dividend and interest income). The primary objective in the investment management of assets is to achieve long-term growth of principal while avoiding excessive risk. Risk is managed through diversification of investments within and among asset classes, as well as by choosing securities that have an established trading and underlying operating history.

The Company makes various assumptions when determining defined benefit plan costs including, but not limited to, the current discount rate and the expected long-term return on plan assets. Discount rates are determined annually and are based on a yield curve that consists of a hypothetical portfolio of high quality corporate bonds with maturities matching the projected benefit cash flows. The Company assumed that plan assets would generate a long-term rate of return of 7.0% in 2017 and 2016. The Company developed its expected long-term rate of return assumption by evaluating input from investment consultants comparing historical returns for various asset classes with its actual and targeted plan investments. The Company believes that its long-term asset allocation, on average, will approximate the targeted allocation.

The Company's pension plan funding strategy is to make annual contributions in amounts equal to or greater than amounts necessary to meet minimum government funding requirements. The plan's benefit obligations are based on a variety of demographic and economic assumptions, and the pension plan assets' returns are subject to various risks, including market and interest rate risk, making an accurate prediction of the pension plan contribution difficult. The Company's pension plan funding was 91% of the pension plan's ABO at December 31, 2017.

The Company sponsors an unfunded defined benefit health care plan that provides limited postretirement medical benefits to employees who met minimum age and service requirements, and to eligible dependents. The plan limits cost increases in the Company's contribution to 4% per year. The plan is contributory, with retiree contributions adjusted annually. The plan eliminated coverage for future retirees as of December 31, 2011. The Company also has an unfunded defined benefit supplemental executive retirement plan ("SERP") that was assumed in an acquisition in 1999. That plan ceased to accrue additional benefits effective January 1, 2000.

The following table presents the change in benefit obligation and plan assets for the Company's defined benefit plans and postretirement benefit plan (in thousands):

	Pension Benefits				Other Postretirement Benefits	
	Pension Plan		SERP		Postretirement Welfare Plan	
	2017	2016	2017	2016	2017	2016
Change in benefit obligation						
Benefit obligation at beginning of year	$ 337,176	$ 297,325	$ 1,457	$ 1,526	$ 675	$ 891
Service cost	10,677	13,402	—	—	—	—
Interest cost	13,729	14,123	58	65	27	29
Actuarial loss (gain)	34,563	19,120	42	12	52	(198)
Curtailments	(33,433)	—	—	—	—	—
Gross benefits paid	(7,718)	(6,794)	(145)	(146)	(75)	(47)
Benefit obligation at end of year	$ 354,994	$ 337,176	$ 1,412	$ 1,457	$ 679	$ 675
Accumulated benefit obligation at end of year	$ 324,904	$ 272,591	$ 1,412	$ 1,457	$ 679	$ 675
Weighted-average assumption used to determine benefit obligation at end of year						
Discount rate	3.7%	4.2%	3.7%	4.2%	3.7%	4.2%
Rate of compensation increase	Service-based table	Service- based table	—	—	—	—
Health care cost trend rate						
Initial rate	—	—	—	—	7.0%	7.0%
Ultimate rate	—	—	—	—	5.0%	5.0%
Years to ultimate	—	—	—	—	2022	2021
Effect of one-percentage-point change in assumed health care cost trend rate on postretirement obligation						
Increase	$ —	$ —	$ —	$ —	$ 75	$ 74
Decrease	—	—	—	—	(65)	(64)
Change in plan assets						
Fair value of plan assets at beginning of year	$ 257,517	$ 243,588	$ —	$ —	$ —	$ —
Actual return on plan assets	45,196	20,723	—	—	—	—
Employer contribution	—	—	145	146	75	47
Gross benefits paid	(7,718)	(6,794)	(145)	(146)	(75)	(47)
Fair value of plan assets at end of year	$ 294,995	$ 257,517	$ —	$ —	$ —	$ —

The following table presents the funded status and amounts recognized in the Company's consolidated balance sheet for the Company's defined benefit plans and postretirement benefit plan at December 31, 2017 and 2016 (in thousands):

	Pension Benefits				Other Postretirement Benefits	
	Pension Plan		SERP		Postretirement Welfare Plan	
	2017	2016	2017	2016	2017	2016
Funded status at end of year						
Fair value of plan assets	$ 294,995	$ 257,517	$ —	$ —	$ —	$ —
Benefit obligations	(354,994)	(337,176)	(1,412)	(1,457)	(679)	(675)
Funded status and amount recognized at end of year	$ (59,999)	$ (79,659)	$ (1,412)	$ (1,457)	$ (679)	$ (675)
Amounts recognized in the consolidated balance sheets						
Noncurrent asset	$ —	$ —	$ —	$ —	$ —	$ —
Current liability	—	—	(159)	(150)	(54)	(56)
Long-term liability	(59,999)	(79,659)	(1,253)	(1,307)	(625)	(619)
Amounts recognized in accumulated other comprehensive income						
Net actuarial loss (gain)	$ 57,387	$ 87,658	$ 508	$ 494	$ (5,053)	$ (5,773)
Prior service cost (credit)	—	—	—	—	—	—
Accumulated other compensation income	$ 57,387	$ 87,658	$ 508	$ 494	$ (5,053)	$ (5,773)

The projected benefit obligation and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets at December 31, 2017 and 2016 were as follows (in thousands):

	Pension Benefits			
	Pension Plan		SERP	
	2017	2016	2017	2016
Projected benefit obligation in excess of plan assets				
Projected benefit obligation at end of year	$ 354,994	$ 337,176	$ 1,412	$ 1,457
Fair value of plan assets at end of year	294,995	257,517	—	—

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2017 and 2016 were as follows (in thousands):

	Pension Benefits			
	Pension Plan		SERP	
	2017	2016	2017	2016
Accumulated benefit obligation in excess of plan assets				
Projected benefit obligation at end of year	$ 354,994	$ 337,176	$ 1,412	$ 1,457
Accumulated benefit obligation at end of year	324,904	272,591	1,412	1,457
Fair value of plan assets at end of year	294,995	257,517	—	—

The following tables presents the expected cash flows for the Company’s defined benefit plans and postretirement benefit plan at December 31, 2017 and 2016 (in thousands):

	Pension Benefits				Other Postretirement Benefits	
	Pension Plan		SERP		Postretirement Welfare Plan	
	2017	2016	2017	2016	2017	2016
Expected employer contributions						
First year	$ —	$ —	$ 162	$ 153	$ 48	$ 50

	Pension Benefits				Other Postretirement Benefits	
	Pension Plan		SERP		Postretirement Welfare Plan	
	2017	2016	2017	2016	2017	2016
Expected benefit payments (gross)						
Year one	$ 9,483	$ 8,032	$ 162	$ 153	$ 55	$ 58
Year two	10,131	8,835	159	157	56	58
Year three	10,818	9,646	156	155	58	58
Year four	11,608	10,400	152	151	58	58
Year five	12,377	11,201	149	148	46	57
Next five years	75,717	70,419	462	514	214	199

	Pension Benefits				Other Postretirement Benefits	
	Pension Plan		SERP		Postretirement Welfare Plan	
	2017	2016	2017	2016	2017	2016
Expected federal subsidy						
Year one	$ —	$ —	$ —	$ —	$ (7)	$ (7)
Year two	—	—	—	—	(6)	(7)
Year three	—	—	—	—	(6)	(7)
Year four	—	—	—	—	(6)	(7)
Year five	—	—	—	—	(7)	(7)
Next five years	—	—	—	—	(30)	(33)

The components of net periodic benefit cost and other changes in plan assets and benefit obligations recognized in other comprehensive income for the Company's defined benefit plans for the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands):

	Pension Benefits					
	Pension Plan			SERP		
	2017	2016	2015	2017	2016	2015
Components of net periodic benefit cost						
Service cost	$ 10,677	$ 13,402	$ 14,683	$ —	$ —	$ —
Interest cost	13,729	14,123	13,302	58	65	64
Expected return on plan assets	(18,195)	(16,805)	(17,921)	—	—	—
Amortization:						
Actuarial loss	4,400	5,484	7,728	28	26	28
Prior service credit	—	—	—	—	—	—
Net periodic benefit cost	10,611	16,204	17,792	86	91	92
Other changes in plan assets and benefit obligations recognized in other comprehensive income						
Current year actuarial loss (gain)	7,562	15,203	(19,127)	42	12	(30)
Recognition of actuarial loss	(37,833)	(5,484)	(7,728)	(28)	(26)	(28)
Recognition of prior service credit	—	—	—	—	—	—
Total recognized in other comprehensive income	(30,271)	9,719	(26,855)	14	(14)	(58)
Total recognized in net periodic benefit cost and other comprehensive income	$ (19,660)	$ 25,923	$ (9,063)	$ 100	$ 77	$ 34
Weighted average assumptions used to determine net periodic benefit cost						
Discount rate (1)	4.2/4.0%	4.5%	4.1%	4.2%	4.5%	4.1%
Expected long-term rate of return on plan assets	7.0%	7.0%	7.5%	—	—	—
Rate of compensation increase	Service- based table	Service- based table	4.25%	—	—	—

(1) The 2017 benefit cost for the pension plan was determined using a discount rate of 4.2% for the period beginning January 1, 2017 and ending April 11, 2017 and 4.0% for the period beginning April 12, 2017 and ending December 31, 2017.

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2018 are as follows (in thousands):

	Pension Benefits	
	Pension Plan	SERP
Actuarial loss	$ 2,820	$ 23
Prior service credit	—	—
	$ 2,820	$ 23

The components of net periodic benefit cost and other changes in benefit obligations recognized in other comprehensive income for the Company's postretirement benefit plan for the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands):

	Other Postretirement Benefits		
	Postretirement Welfare Plan		
	2017	2016	2015
Components of net periodic benefit cost			
Service cost	$ —	$ —	$ —
Interest cost	27	29	36
Amortization:			
Actuarial gain	(668)	(747)	(793)
Prior service cost	—	—	—
Net periodic benefit cost	(641)	(718)	(757)
Other changes in benefit obligations recognized in other comprehensive income			
Current year actuarial gain	52	(198)	(322)
Recognition of actuarial gain	668	747	793
Recognition of prior service cost	—	—	—
Adjustment for actual Medicare Part D reimbursement	—	(3)	(3)
Total recognized in other comprehensive income	720	546	468
Total recognized in net periodic benefit cost and other comprehensive income	$ 79	$ (172)	$ (289)
Weighted average assumptions used to determine net periodic benefit cost			
Discount rate	4.2%	4.5%	4.1%
Health care cost trend rate:			
Initial rate	7.0%	6.5%	7.0%
Ultimate rate	5.0%	5.0%	5.0%
Years to ultimate	2021	2019	2019
Effect of one-percentage-point change in assumed health care cost trend rate on aggregate service and interest cost			
Increase	$ 3	$ 4	$ 5
Decrease	(3)	(3)	(4)

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2018 are as follows (in thousands):

	Other Postretirement Benefits
	Postretirement Welfare Plan
Actuarial gain	$ (596)
Prior service cost	—
	$ (596)

The Company also contributes to a multiemployer pension plan pursuant to a collective bargaining agreement which covers certain vessel crew members of its coastal operations and expires on April 30, 2018. The Company began participation in the Seafarers Pension Trust (“SPT”) with the Penn Maritime, Inc. acquisition on December 14, 2012.

Contributions to the SPT are made currently based on a per day worked basis and charged to expense as incurred and included in costs of sales and operating expenses in the consolidated statement of earnings. During 2017 and 2016, the Company made contributions of $896,000 and $877,000, respectively, to the SPT. The Company’s contributions to the SPT exceeded 5% of total contributions to the SPT in 2016. Total contributions for 2017 are not yet available. The Company did not pay any material surcharges in 2016 or 2017.

The federal identification number of the SPT is 13-6100329 and the Certified Zone Status is Green at December 31, 2016. The Company’s future minimum contribution requirements under the SPT are unavailable because actuarial reports for the 2017 plan year are not yet complete and such contributions are subject to negotiations between the employers and the unions. The SPT was not in endangered or critical status for the 2016 plan year, the latest period for which a report is available, as the funded status was in excess of 100%. Based on an actuarial valuation performed as of December 31, 2016, there would be no withdrawal liability if the Company chose to withdraw from the SPT although the Company currently has no intention of terminating its participation in the SPT.

The Company also contributes to a multiemployer pension plan pursuant to a collective bargaining agreement which covers certain employees of its distribution and services segment in New Jersey and expires on October 8, 2023. The Company began participation in the Central Pension Fund of the International Union of Operating Engineers and Participating Employers (“CPF”) with the S&S acquisition on September 13, 2017.

Contributions to the CPF are made currently based on a fixed hourly rate for each hour worked or paid basis (in some cases contributions are made as a percentage of gross pay) and charged to expense as incurred and included in costs of sales and operating expenses in the consolidated statement of earnings. During 2017, the Company made contributions of $238,000 to the CPF. Total contributions for the 2017 plan year are not yet available. The Company did not pay any material surcharges in 2017.

The federal identification number of the CPF is 36-6052390 and the Certified Zone Status is Green at January 31, 2017. The Company’s future minimum contribution requirements under the CPF are unavailable because actuarial reports for the 2017 plan year, which ended January 31, 2018, are not yet complete and such contributions are subject to negotiations between the employers and the unions. The CPF was not in endangered or critical status for the 2016 plan year, the latest period for which a report is available, as the funded status was 94%. Based on an actuarial valuation performed as of January 31, 2016, there would be no withdrawal liability if the Company chose to withdraw from the CPF although the Company currently has no intention of terminating its participation in the CPF.

In addition to the defined benefit plans, the Company sponsors various defined contribution plans for substantially all employees. The aggregate contributions to the plans were $17,247,000, $18,213,000 and $24,077,000 in 2017, 2016 and 2015, respectively.

(11) Other Comprehensive Income

The Company's changes in other comprehensive income for the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands):

	2017			2016			2015		
	Gross Amount	Income Tax (Provision) Benefit	Net Amount	Gross Amount	Income Tax (Provision) Benefit	Net Amount	Gross Amount	Income Tax (Provision) Benefit	Net Amount
Pension and postretirement benefits (a):									
Amortization of net actuarial loss	$ 3,760	$ (1,417)	$ 2,343	$ 4,763	$ (1,825)	$ 2,938	$ 6,963	$ (2,667)	$ 4,296
Actuarial gains (losses)	25,776	(9,371)	16,405	(15,013)	5,754	(9,259)	19,482	(7,456)	12,026
Foreign currency translation adjustments	(146)	—	(146)	—	—	—	29	—	29
Total	$ 29,390	$ (10,788)	$ 18,602	$ (10,250)	$ 3,929	$ (6,321)	$ 26,474	$ (10,123)	$ 16,351

(a) Actuarial gains (losses) are amortized into costs of sales and operating expenses or selling, general and administrative expenses as appropriate. (See Note 10 – Retirement Plans)

(12) Earnings Per Share

The following table presents the components of basic and diluted earnings per share for the years ended December 31, 2017, 2016 and 2015 (in thousands, except per share amounts):

	2017	2016	2015
Net earnings attributable to Kirby	$ 313,187	$ 141,406	$ 226,684
Undistributed earnings allocated to restricted shares	(2,213)	(999)	(1,345)
Income available to Kirby common stockholders — basic	310,974	140,407	225,339
Undistributed earnings allocated to restricted shares	2,213	999	1,345
Undistributed earnings reallocated to restricted shares	(2,211)	(997)	(1,343)
Income available to Kirby common stockholders — diluted	$ 310,976	$ 140,409	$ 225,341
Shares outstanding:			
Weighted average common stock issued and outstanding	55,702	53,834	55,056
Weighted average unvested restricted stock	(394)	(380)	(327)
Weighted average common stock outstanding — basic	55,308	53,454	54,729
Dilutive effect of stock options	53	58	97
Weighted average common stock outstanding — diluted	55,361	53,512	54,826
Net earnings per share attributable to Kirby common stockholders:			
Basic	$ 5.62	$ 2.63	$ 4.12
Diluted	$ 5.62	$ 2.62	$ 4.11

Certain outstanding options to purchase approximately 472,000, 240,000 and 227,000 shares of common stock were excluded in the computation of diluted earnings per share as of December 31, 2017, 2016 and 2015, respectively, as such stock options would have been antidilutive.

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(13) Quarterly Results (Unaudited)

The unaudited quarterly results for the year ended December 31, 2017 were as follows (in thousands, except per share amounts):

	Three Months Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Revenues	$ 491,705	$ 473,328	$ 541,274	$ 708,111
Costs and expenses	446,233	425,708	487,753	755,990
Gain (loss) on disposition of assets	99	(139)	(159)	(4,288)
Operating income (loss)	45,571	47,481	53,362	(52,167)
Other income (expense)	(116)	(1)	(113)	469
Interest expense	(4,457)	(4,465)	(5,388)	(7,162)
Earnings before taxes on income	40,998	43,015	47,861	(58,860)
Benefit (provision) for taxes on income	(13,353)	(17,043)	(19,072)	290,357
Net earnings	27,645	25,972	28,789	231,497
Less: Net earnings attributable to noncontrolling interests	(162)	(194)	(182)	(178)
Net earnings attributable to Kirby	$ 27,483	$ 25,778	$ 28,607	$ 231,319
Net earnings per share attributable to Kirby common stockholders:				
Basic	$ 0.51	$ 0.48	$ 0.52	$ 3.88
Diluted	$ 0.51	$ 0.48	$ 0.52	$ 3.87

The unaudited quarterly results for the year ended December 31, 2016 were as follows (in thousands, except per share amounts):

	Three Months Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Revenues	$ 458,733	$ 441,582	$ 434,708	$ 435,650
Costs and expenses	393,399	374,868	378,400	378,684
Gain (loss) on disposition of assets	67	94	(122)	(166)
Operating income	65,401	66,808	56,186	56,800
Other income (expense)	135	179	(120)	47
Interest expense	(4,193)	(4,513)	(4,507)	(4,477)
Earnings before taxes on income	61,343	62,474	51,559	52,370
Provision for taxes on income	(22,859)	(23,365)	(19,206)	(19,512)
Net earnings	38,484	39,109	32,353	32,858
Less: Net earnings attributable to noncontrolling interests	(385)	(167)	(343)	(503)
Net earnings attributable to Kirby	$ 38,099	$ 38,942	$ 32,010	$ 32,355
Net earnings per share attributable to Kirby common stockholders:				
Basic	$ 0.71	$ 0.72	$ 0.59	$ 0.60
Diluted	$ 0.71	$ 0.72	$ 0.59	$ 0.60

Quarterly basic and diluted earnings per share may not total to the full year per share amounts, as the weighted average number of shares outstanding for each quarter fluctuates as a result of the assumed exercise of stock options.

(14) Contingencies and Commitments

In 2009, the Company was named a Potentially Responsible Party ("PRP") in addition to a group of approximately 250 named PRPs under the Comprehensive Environmental Response, Compensation and Liability Act of 1981 ("CERCLA") with respect to a Superfund site, the Portland Harbor Superfund site ("Portland Harbor") in Portland, Oregon. The site was declared a Superfund site in December 2000 as a result of historical heavily industrialized use due to manufacturing, shipbuilding, petroleum storage and distribution, metals salvaging, and electrical power generation activities which led to contamination of Portland Harbor, an urban and industrial reach of the lower Willamette River located immediately downstream of downtown Portland. The Company's involvement arises from four spills at the site after it was declared a Superfund site, as a result of predecessor entities' actions in the area. To date, there is no information suggesting the extent of the costs or damages to be claimed from the 250 notified PRPs. Based on the nature of the involvement at the Portland Harbor site, the Company believes its potential contribution is de minimis; however, to date neither the Environmental Protection Agency ("EPA") nor the named PRPs have performed an allocation of potential liability in connection with the site nor have they provided costs and expenses in connection with the site.

In January 2015, the Company was named as a defendant in a Complaint filed in the U.S. District Court of the Southern District of Texas, *USOR Site PRP Group vs. A&M Contractors, USES, Inc. et al*. This is a civil action pursuant to the provisions of CERCLA and the Texas Solid Waste Disposal Act for recovery of past and future response costs incurred and to be incurred by the USOR Site PRP Group for response activities at the U.S. Oil Recovery Superfund Site. The property was a former sewage treatment plant owned by defendant City of Pasadena, Texas from approximately 1945 until it was acquired by U.S. Oil Recovery in January 2009. Throughout its operating life, the U.S. Oil Recovery facility portion of the USOR Site received and performed wastewater pretreatment of municipal and Industrial Class I and Class II wastewater, characteristically hazardous waste, used oil and oily sludges, and municipal solid waste. Associated operations were conducted at the MCC Recycling facility portion of the USOR Site after it was acquired by U.S. Oil Recovery from the City of Pasadena in January 2009. The EPA and the PRP Group entered into an Administrative Settlement Agreement and Order for Remedial Investigation Study ("Study") in May 2015. The Study has not been completed by EPA to date. The Company filed responsive pleadings in this matter. Based on the nature of the involvement at the USOR Site, the Company believes its potential contribution is de minimis; however, the Study and further review of the Company's activities at the Site remains ongoing.

On October 13, 2016, the Company, as a successor to Hollywood Marine, Inc., was issued a General Notice under CERCLA in which it was named as a PRP for liabilities associated with the SBA Shipyard Site located near Jennings, Louisiana ("Site"). The Site was added to the EPA's National Priorities List of sites under CERCLA in September 2016. SBA used the facility for construction, repair, retrofitting, sandblasting, and cleaning and painting of barges beginning in 1965. Three barge slips and a dry dock are located off the Mermentau River. The slips were used to dock barges during cleaning or repair. In 2001, a group of PRPs that had been former customers of the SBA Shipyard facility formed an organization called the SSIC Remediation, LLC (hereinafter, "the PRP Group Companies") to address removal actions at the Site. In 2002, EPA approved an Interim Measures/Removal Action of Hazardous/Principal Threat Wastes at SBA Shipyards, Inc. (pursuant to RCRA Section 3008(h)) that was proposed by SBA Shipyard and the PRP Group Companies. Interim removal activities were conducted from March 2001 through January 2005 under an EPA 2002 Order and Agreement. In September 2012, the Louisiana Department of Environmental Quality requested EPA address the Site under CERCLA authority. The Company, as a successor to Hollywood Marine, Inc., joined the PRP Group Companies. The PRP Group Companies have submitted a draft Study work plan to EPA for their review and comment. Higman Marine, Inc. and affiliated companies ("Higman") were named as a PRP in connection with its activities at the Site. Higman is not a participant in the PRP Group Companies.

With respect to the above sites, the Company has recorded reserves, if applicable, for its estimated potential liability for its portion of the EPA's past costs claim based on information developed to date including various factors such as the Company's liability in proportion to other responsible parties and the extent to which such costs are recoverable from third parties.

On October 13, 2016, the tug Nathan E. Stewart and barge DBL 55, an articulated tank barge and tugboat unit ("ATB"), ran aground at the entrance to Seaforth Channel on Atholone Island, British Columbia. The grounding resulted in a breach of a portion of the Nathan E. Stewart's fuel tanks causing a discharge of diesel fuel into the water. The USCG and the National Transportation Safety Board ("NTSB") designated the Company as a party of interest in their investigation as to the cause of the incident. The Canadian authorities including Transport Canada and the Canadian Transportation Safety Board investigated the cause of the incident. The Company is subject to potential claims from third parties as well as the provincial and federal government as a result of the incident. The Company has various insurance policies covering liabilities including pollution, property, marine and general liability and believes that it has satisfactory insurance coverage for the cost of cleanup and salvage operations as well as other potential liabilities arising from the incident. The Company believes it has accrued adequate reserves for the incident and does not expect the incident to have a material adverse effect on its business or financial condition.

On March 22, 2014, two tank barges and a towboat (the M/V Miss Susan), owned by Kirby Inland Marine, LP, a wholly owned subsidiary of the Company, were involved in a collision with the M/S Summer Wind on the Houston Ship Channel near Texas City, Texas. The lead tank barge was damaged in the collision resulting in a discharge of intermediate fuel oil from one of its cargo tanks. The USCG and the NTSB named the Company and the Captain of the M/V Miss Susan, as well as the owner and the pilot of the M/S Summer Wind, as parties of interest in their investigation as to the cause of the incident. Sea Galaxy Ltd is the owner of the M/S Summer Wind. The Company is participating in the natural resource damage assessment and restoration process with federal and state government natural resource trustees. The Company believes it has adequate insurance coverage for pollution, marine and other potential liabilities arising from the incident. The Company believes it has accrued adequate reserves for the incident and does not expect the incident to have a material adverse effect on its business or financial condition.

In addition, the Company is involved in various legal and other proceedings which are incidental to the conduct of its business, none of which in the opinion of management will have a material effect on the Company's financial condition, results of operations or cash flows. Management believes that it has recorded adequate reserves and believes that it has adequate insurance coverage or has meritorious defenses for these other claims and contingencies.

Certain Significant Risks and Uncertainties. The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. However, in the opinion of management, the amounts would be immaterial.

The customer base of the marine transportation segment includes major industrial petrochemical and chemical manufacturers, refining companies and agricultural chemical manufacturers operating in the United States. During 2017, approximately 75% of marine transportation's inland revenues were from movements of such products under term contracts, typically ranging from one year to five years, some with renewal options. During 2017, approximately 80% of the marine transportation's coastal revenues were under term contracts. While the manufacturing and refining companies have generally been customers of the Company for numerous years (some as long as 40 years) and management anticipates a continuing relationship, there is no assurance that any individual contract will be renewed. No single customer of the marine transportation segment accounted for 10% of the Company's revenues in 2017, 2016 and 2015.

Major customers of the distribution and services segment include oilfield service companies, oil and gas operators and producers, inland and offshore barge operators, offshore fishing companies, on-highway transportation companies, mining companies, construction companies, the United States government, and power generation, nuclear and industrial companies.

United has maintained continuous exclusive distribution rights for MTU and Allison Transmission products since 1946. United is one of MTU's top five distributors of MTU off-highway engines in North America with exclusive distribution rights in Oklahoma, Arkansas, Louisiana and Mississippi. In addition, as a distributor of Allison Transmission products, United has distribution rights in Oklahoma, Arkansas and Louisiana. Finally, United is also the distributor for parts service and warranty on Daimler Truck North America (DTNA) engines and related equipment in Oklahoma, Arkansas and Louisiana.

S&S is also one of MTU's top five distributors for off-highway engines with exclusive distribution rights in multiple states. S&S also has authorized exclusive distribution rights for Allison Transmission, Detroit Diesel, Deutz, DTNA, EMD, Rolls Royce Power and Volvo Penta diesel engines in multiple key growth states, primarily through the central, south and eastern parts of the United States and strategically located near major oil and gas fields, marine waterways and on-highway transportation routes. In addition, S&S has long-term relationships with numerous smaller suppliers including Donaldson, Freightliner, Generac and John Deere.

Kirby Engine Systems, through Marine Systems and Engine Systems, operates as an authorized EMD distributor throughout the United States. Engine Systems is also the authorized EMD distributor for nuclear power applications worldwide. The relationship with EMD has been maintained for 52 years. The segment also operates factory-authorized full service marine distributorship/dealerships for Cummins, Detroit Diesel and John Deere high-speed diesel engines and Falk, Lufkin and Twin Disc marine gears, as well as an authorized marine dealer for Caterpillar diesel engine in multiple states.

The results of the distribution and services segment are largely tied to the industries it serves and, therefore, can be influenced by the cycles of such industries. No single customer of the distribution and services segment accounted for 10% of the Company's revenues in 2017, 2016 and 2015.

Weather can be a major factor in the day-to-day operations of the marine transportation segment. Adverse weather conditions, such as high or low water, tropical storms, hurricanes, tsunamis, fog and ice, can impair the operating efficiencies of the marine fleet. Shipments of products can be delayed or postponed by weather conditions, which are totally beyond the control of the Company. Adverse water conditions are also factors which impair the efficiency of the fleet and can result in delays, diversions and limitations on night passages, and dictate horsepower requirements and size of tows. Additionally, much of the inland waterway system is controlled by a series of locks and dams designed to provide flood control, maintain pool levels of water in certain areas of the country and facilitate navigation on the inland river system. Maintenance and operation of the navigable inland waterway infrastructure is a government function handled by the Army Corps of Engineers with costs shared by industry. Significant changes in governmental policies or appropriations with respect to maintenance and operation of the infrastructure could adversely affect the Company.

The Company's marine transportation segment is subject to regulation by the USCG, federal laws, state laws and certain international conventions, as well as numerous environmental regulations. The Company believes that additional safety, environmental and occupational health regulations may be imposed on the marine industry. There can be no assurance that any such new regulations or requirements, or any discharge of pollutants by the Company, will not have an adverse effect on the Company.

The Company's marine transportation segment competes principally in markets subject to the Jones Act, a federal cabotage law that restricts domestic marine transportation in the United States to vessels built and registered in the United States, and manned and owned by United States citizens. The Jones Act cabotage provisions occasionally come under attack by interests seeking to facilitate foreign flag competition in trades reserved for domestic companies and vessels under the Jones Act. The Company believes that continued efforts will be made to modify or eliminate the cabotage provisions of the Jones Act. If such efforts are successful, certain elements could have an adverse effect on the Company.

The Company has issued guaranties or obtained standby letters of credit and performance bonds supporting performance by the Company and its subsidiaries of contractual or contingent legal obligations of the Company and its subsidiaries incurred in the ordinary course of business. The aggregate notional value of these instruments is $21,554,000 at December 31, 2017, including $10,238,000 in letters of credit and $11,316,000 in performance bonds. All of these instruments have an expiration date within four years. The Company does not believe demand for payment under these instruments is likely and expects no material cash outlays to occur in connection with these instruments.

(15) Segment Data

The Company's operations are aggregated into two reportable business segments as follows:

Marine Transportation — Provide marine transportation principally by United States flag vessels of liquid cargoes throughout the United States inland waterway system, along all three United States coasts, in Alaska and Hawaii and, to a lesser extent, in United States coastal transportation of dry-bulk cargoes. The principal products transported include petrochemicals, black oil, refined petroleum products and agricultural chemicals.

Distribution and Services — Provides after-market services and parts for engines, transmissions, reduction gears and related equipment used in oilfield service, marine, power generation, mining, on-highway, and other industrial applications. The Company also rents equipment including generators, fork lifts, pumps and compressors for use in a variety of industrial markets, and manufactures and remanufactures oilfield service equipment, including pressure pumping units, for the oilfield service and oil and gas operator and producer markets.

The Company's two reportable business segments are managed separately based on fundamental differences in their operations. The Company's accounting policies for the business segments are the same as those described in Note 1, Summary of Significant Accounting Policies. The Company evaluates the performance of its segments based on the contributions to operating income of the respective segments, and before income taxes, interest, gains or losses on disposition of assets, other nonoperating income, noncontrolling interests, accounting changes, and nonrecurring items. Intersegment revenues, based on market-based pricing, of the distribution and services segment from the marine transportation segment of $20,717,000, $24,672,000 and $26,203,000 in 2017, 2016 and 2015, respectively, as well as the related intersegment profit of $2,072,000, $2,467,000 and $2,620,000 in 2017, 2016 and 2015, respectively, have been eliminated from the tables below.

The following table sets forth by reportable segment the revenues, profit or loss, total assets, depreciation and amortization, and capital expenditures attributable to the principal activities of the Company for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	2017	2016	2015
Revenues:			
Marine transportation	$ 1,324,106	$ 1,471,893	$ 1,663,090
Distribution and services	890,312	298,780	484,442
	$ 2,214,418	$ 1,770,673	$ 2,147,532
Segment profit (loss):			
Marine transportation	$ 136,011	$ 257,102	$ 374,842
Distribution and services	86,585	3,186	18,921
Other	(149,582)	(32,542)	(32,051)
	$ 73,014	$ 227,746	$ 361,712
Total assets:			
Marine transportation	$ 3,485,099	$ 3,613,951	$ 3,444,785
Distribution and services	1,567,085	623,268	632,764
Other	75,243	52,676	63,009
	$ 5,127,427	$ 4,289,895	$ 4,140,558
Depreciation and amortization:			
Marine transportation	$ 178,898	$ 184,291	$ 175,798
Distribution and services	20,387	12,833	12,498
Other	3,596	3,793	3,944
	$ 202,881	$ 200,917	$ 192,240
Capital expenditures:			
Marine transportation	$ 165,421	$ 217,423	$ 311,862
Distribution and services	5,086	5,915	28,907
Other	6,715	7,728	4,706
	$ 177,222	$ 231,066	$ 345,475

The following table presents the details of "Other" segment profit (loss) for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	2017	2016	2015
General corporate expenses	$ (18,150)	$ (14,966)	$ (14,773)
Interest expense	(21,472)	(17,690)	(18,738)
Impairment of long-lived assets	(105,712)	—	—
Gain (loss) on disposition of assets	(4,487)	(127)	1,672
Other income (expense)	239	241	(212)
	$ (149,582)	$ (32,542)	$ (32,051)

The following table presents the details of “Other” total assets as of December 31, 2017, 2016 and 2015 (in thousands):

	2017	2016	2015
General corporate assets	$ 73,353	$ 50,054	$ 60,919
Investment in affiliates	1,890	2,622	2,090
	$ 75,243	$ 52,676	$ 63,009

(16) Related Party Transactions

The Company is a 50% owner of The Hollywood Camp, L.L.C. (“The Hollywood Camp”), a company that owns and operates a hunting and fishing facility used by the Company primarily for customer entertainment. The Hollywood Camp allocates lease and lodging expenses to its members based on their usage of the facilities. The Company paid The Hollywood Camp $3,634,000 in 2017, $3,143,000 in 2016 and $2,830,000 in 2015 for its share of facility expenses.

The Company is a 50% owner of Bolivar Terminal Co., Inc. (“Bolivar”), a company that provides barge fleeting services (temporary barge storage facilities) in the Houston, Texas area. The Company paid Bolivar $581,000 in 2017, $1,314,000 in 2016 and $895,000 in 2015 for barge fleeting services. Such services were in the ordinary course of business of the Company.

The husband of Amy D. Husted, Vice President and General Counsel of the Company, is a partner in the law firm of Strasburger & Price, LLP. The Company paid the law firm $830,000 in 2017, $779,000 in 2016 and $596,000 in 2015 for legal services in connection with matters in the ordinary course of business of the Company.

(17) Subsequent Events

On February 14, 2018, the Company purchased Higman for approximately $419,692,000 in cash, subject to certain post-closing adjustments. Higman’s fleet consisted of 159 inland tank barges, of which two are under construction to be delivered in May 2018 and October 2018, with 4.8 million barrels of capacity, and 75 inland towboats, transporting petrochemicals, black oil, including crude oil and natural gas condensate, and refined petroleum products on the Mississippi River System and the Gulf Intracoastal Waterway.

On February 12, 2018, the Company issued $500,000,000 of 4.2% senior unsecured notes due March 1, 2028 (the “2028 Notes”). The Company used the proceeds from the issuance of the 2028 Notes to fund the acquisition of Higman. The remaining net proceeds of the sale of the 2028 Notes will be used for general corporate purposes, including working capital, the repayment of indebtedness and future acquisitions. Interest payments of $10,500,000 are due semi-annually on March 1 and September 1 of each year, with the exception of the first payment on September 1, 2018, which will be $11,550,000. The 2028 Notes are unsecured and rank equally in right of payment with the Company’s other unsecured senior indebtedness.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

1. *Financial Statements*

Included in Part III of this report:

Report of Independent Registered Public Accounting Firm.

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets, December 31, 2017 and 2016.

Consolidated Statements of Earnings, for the years ended December 31, 2017, 2016 and 2015.

Consolidated Statements of Comprehensive Income, for the years ended December 31, 2017, 2016 and 2015.

Consolidated Statements of Cash Flows, for the years ended December 31, 2017, 2016 and 2015.

Consolidated Statements of Stockholders' Equity, for the years ended December 31, 2017, 2016 and 2015.

Notes to Consolidated Financial Statements, for the years ended December 31, 2017, 2016 and 2015.

2. *Financial Statement Schedules*

All schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

3. *Exhibits*

Exhibit Number	Description of Exhibit
2.1	— Purchase and Sale Agreement, dated as of June 13, 2017, by and between Stewart & Stevenson LLC and Kirby Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on June 15, 2017).
2.2	— Amendment No. 1 to Purchase and Sale Agreement, dated as of June 26, 2017, by and between Stewart & Stevenson LLC and Kirby Corporation (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2017).
2.3	— Amendment No. 2 to Purchase and Sale Agreement, dated as of August 11, 2017, by and between Stewart & Stevenson LLC and Kirby Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 14, 2017).
2.4	— Amendment No. 3 to Purchase and Sale Agreement, dated as of September 13, 2017, by and between Stewart & Stevenson LLC and Kirby Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on September 14, 2017).
2.5*	— Securities Purchase Agreement among Kirby Corporation, Higman Marine, Inc. and the parties named therein dated February 4, 2018. (The exhibits and schedules to the Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will supplementally furnish copies of the omitted exhibits and schedules to the Commission upon request.)

3.1	— Restated Articles of Incorporation of the Company with all amendments to date (incorporated by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014).
3.2	— Bylaws of the Company, as amended to date (incorporated by reference to Exhibit 3.2 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014).
4.1	Long-term debt instruments are omitted pursuant to Item 601(b)(4) of Regulation S-K. The Company will furnish copies of such instruments to the Commission upon request.
10.1	— Credit Agreement dated as of April 30, 2015 among Kirby Corporation, JP Morgan Chase Bank, N.A., as Administrative Agent, and the banks named therein (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on May 5, 2015).
10.2	— First Amendment to Credit Agreement dated as of June 26, 2017 among Kirby Corporation, JP Morgan Chase Bank, N.A., as Administrative Agent, and the banks named therein (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on June 28, 2017).
10. 3†	— Deferred Compensation Plan for Key Employees (incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005).
10.4†	— Annual Incentive Plan Guidelines for 2017 (incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016).
10.5†*	— Annual Incentive Plan Guidelines for 2018.
10.6†	— 2000 Nonemployee Director Stock Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016).
10.7†*	— 2005 Stock and Incentive Plan.
10.8	— Nonemployee Director Compensation Program (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015).

21.1*	— Consolidated Subsidiaries of the Registrant.
23.1*	— Consent of Independent Registered Public Accounting Firm.
31.1*	— Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).
31.2*	— Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).
32*	— Certification Pursuant to 18 U.S.C. Section 1350 (As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002).
101.INS**	— XBRL Instance Document
101.SCH**	— XBRL Taxonomy Extension Schema Document
101.CAL**	— XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	— XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB**	— XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	— XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** These exhibits are furnished herewith. In accordance with Rule 406T of Regulations S-T, these exhibits are not deemed to be filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are not deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

† Management contract, compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities 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/ DAVID W. GRZEBINSKI
David W. Grzebinski
President, Chief Executive Officer and
Chief Financial Officer

Dated: February 26, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ JOSEPH H. PYNE **Joseph H. Pyne**	Chairman of the Board and Director	February 26, 2018
/s/ DAVID W. GRZEBINSKI **David W. Grzebinski**	President, Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer)	February 26, 2018
/s/ RONALD A. DRAGG **Ronald A. Dragg**	Vice President, Controller and Assistant Secretary (Principal Accounting Officer)	February 26, 2018
/s/ ANNE-MARIE N. AINSWORTH **Anne-Marie N. Ainsworth**	Director	February 26, 2018
/s/ RICHARD J. ALARIO **Richard J. Alario**	Director	February 26, 2018
/s/ BARRY E. DAVIS **Barry E. Davis**	Director	February 26, 2018
/s/ C. SEAN DAY **C. Sean Day**	Director	February 26, 2018
/s/ MONTE J. MILLER **Monte J. Miller**	Director	February 26, 2018
/s/ RICHARD R. STEWART **Richard R. Stewart**	Director	February 26, 2018
/s/ WILLIAM M. WATERMAN **William M. Waterman**	Director	February 26, 2018

EXHIBIT INDEX

Exhibit Number		Description of Exhibit
2.5*	—	Securities Purchase Agreement among Kirby Corporation, Higman Marine, Inc. and the parties named therein dated February 4, 2018. (The exhibits and schedules to the Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will supplementally furnish copies of the omitted exhibits and schedules to the Commission upon request.)
10.5†*	—	Annual Incentive Plan Guidelines for 2018.
10.7†*	—	2005 Stock and Incentive Plan
21.1*	—	Consolidated Subsidiaries of the Registrant.
23.1*	—	Consent of Independent Registered Public Accounting Firm.
31.1*	—	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).
31.2*	—	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).
32*	—	Certification Pursuant to 18 U.S.C. Section 1350 (As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002).
101.INS**	—	XBRL Instance Document
101.SCH**	—	XBRL Taxonomy Extension Schema Document
101.CAL**	—	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	—	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB**	—	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	—	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** These exhibits are furnished herewith. In accordance with Rule 406T of Regulation S-T, these exhibits are not deemed to be filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are not deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

† Management contract, compensatory plan or arrangement.

Exhibit 2.5

EXECUTION VERSION

SECURITIES PURCHASE AGREEMENT

by and among

KIRBY CORPORATION,

HIGMAN MARINE, INC.,

ALAMO BARGE LINES LLC,

16530 PENINSULA BLVD. LLC,

EMPTY BARGE LINES, INC.,

EMPTY BARGE LINES II, INC.,

EMPTY BARGE LINES III, INC.,

EBL MARINE I LLC,

EBL MARINE II LLC,

EBL MARINE III LLC,

LARGUS [U.S.], INC.,

THE PERSONS SET FORTH ON EXHIBIT A HERETO AS THE EQUITYHOLDERS OF THE CONSTITUENT COMPANIES AND OF LARGUS [U.S.], INC.,

and

JOHN T. MCMAHAN,

as the EQUITYHOLDERS' REPRESENTATIVE

Dated: February 4, 2018

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Exhibits and Schedules

Schedules

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT, dated as of February 4, 2018 (this "Agreement"), by and among (i) Kirby Corporation, a Nevada corporation ("Buyer"), (ii) Higman Marine, Inc., a Delaware corporation, Alamo Barge Lines LLC, a Delaware limited liability company, 16530 Peninsula Blvd. LLC, a Texas limited liability company, Empty Barge Lines, Inc., a Texas corporation, Empty Barge Lines II, Inc., a Texas corporation, Empty Barge Lines III, Inc., a Texas corporation, EBL Marine I LLC, a Texas limited liability company, EBL Marine II LLC, a Texas limited liability company, and EBL Marine III LLC, a Texas limited liability company (each a "Constituent Company" and collectively, the "Constituent Companies"), (iii) Largus [U.S.], Inc., a Delaware corporation ("Largus"), (iv) the Persons set forth on Exhibit A attached hereto under the column "Name of Equityholder" (each, an "Equityholder", and collectively, the "Equityholders"), and (v) John T. McMahan, in his capacity as Equityholders' Representative. Buyer, the Constituent Companies, Largus, the Equityholders, and the Equityholders' Representative are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, Buyer desires to purchase from the Equityholders, and the Equityholders desire to sell to Buyer, all of the Equityholders' right, title and interest in and to all of the (i) shares of common stock (the "Constituent Company Common Stock") of each Constituent Company that is a corporation, (ii) limited liability company interests (the "Constituent Company LLC Interests") of each Constituent Company that is a limited liability company and (iii) shares of common stock, par value $1.00 per share, of Largus (the "Largus Common Stock"), in each case, set forth opposite such Equityholder's name under the heading "Acquired Equity Securities" on Exhibit A attached hereto (the Constituent Company Common Stock, the Constituent Company LLC Interests and the Largus Common Stock, collectively, the "Acquired Equity Securities"), upon the terms and subject to the conditions hereinafter set forth.

NOW THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements contained in this Agreement, intending to be legally bound hereby, and subject to the terms and conditions set forth herein, the Parties hereto agree as follows:

ARTICLE I
Definitions and Rules of Construction

1.1. Definitions.

As used in this Agreement, the following terms shall have the meanings set forth below:

"Accounting Arbitrator" has the meaning set forth in Section 2.4(d).

"Acquired Companies" means the Constituent Companies and their Subsidiaries, collectively.

"Acquired Equity Securities" has the meaning set forth in the Recitals.

"Acquisition Proposal" has the meaning set forth in Section 6.9(a).

"Adjustment Escrow Account" has the meaning set forth in Section 2.3(b)(ii).

"Adjustment Escrow Amount" means $1,000,000.

"Adjustment Escrow Release Amount" means (a) the amount then held in the Adjustment Escrow Account minus (b) the Net Negative Purchase Price Adjustment Amount (if any); provided, that if this calculation results in a negative number, the Adjustment Escrow Release Amount shall be deemed to be $0.

"Affiliate" means, (a) as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person or (b) as to any Person that is a natural Person, any such Person's spouse, parents, children and siblings, whether by blood, adoption or marriage, residing in such Person's home or any trust or similar entity for the benefit of any of the foregoing Persons. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (i) vote 10% or more of the securities having ordinary voting power for the election of directors or managers of such Person or (ii) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise. Except as otherwise provided herein, the Constituent Companies and their Subsidiaries and Largus shall be deemed for purposes of this Agreement Affiliates of the Equityholders prior to the Closing and of Buyer from and after the Closing.

"Aggregate Cash Consideration" means $427,000,000.

"Aggregate Estimated Consideration" means (a) the sum of (i) the Aggregate Cash Consideration, plus (ii) the Estimated Closing Cash, plus (iii) the Closing Net Working Capital Adjustment Amount (if a positive number) minus (b) the sum of (i) the Estimated Closing Funded Indebtedness, plus (ii) the Estimated Closing Transaction Expenses, plus (iii) if the Closing Net Working Capital Adjustment Amount is a negative number, the absolute value of the Closing Net Working Capital Adjustment Amount, plus (iv) the Equityholders' Representative Expense Amount.

"Agreement" has the meaning set forth in the Preamble.

"Allocation" has the meaning set forth in Section 6.11(c)(i).

"Allocation Statement" has the meaning set forth in Section 6.11(c)(i).

"Alternative RWI Policy" has the meaning set forth in Section 6.3(d).

"Ancillary Documents" means the documents, agreements, exhibits, schedules, statements or certificates being executed and delivered in connection with this Agreement and the Contemplated Transactions, including the Escrow Agreement.

"Antitrust Division" means the Antitrust Division of the United States Department of Justice.

"Antitrust Laws" means the Sherman Antitrust Act, as amended, the Clayton Antitrust Act, as amended, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the Federal Trade Commission Act, as amended, and all other applicable federal, state, or foreign statutes, rules, regulations, Orders, decrees, administrative and judicial doctrines, and all other applicable Laws that are designed or intended to prohibit, restrict or regulate (i) foreign investment or (ii) actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger and acquisition.

"Applicable Portion" means, with respect to any Equityholder, the percentage set forth opposite such Equityholder's name under the heading "Applicable Portion" on Exhibit A attached hereto.

"Audited Financial Statements" has the meaning set forth in Section 4.6(a).

"Balance Sheet Date" has the meaning set forth in Section 4.6(a).

"Books and Records" has the meaning set forth in Section 6.6(a).

"Business Day" means any day other than a Saturday, Sunday or day on which banks are closed in New York, New York.

"Business Records" means all data and records of the respective businesses of the Constituent Companies and their Subsidiaries on whatever media and wherever located.

"Buyer" has the meaning set forth in the Preamble.

"Buyer Benefit Plan" has the meaning set forth in Section 6.4(b).

"Buyer Material Adverse Effect" means (i) a material adverse effect on the ability of Buyer to consummate the Contemplated Transactions and fulfill its obligations hereunder or (ii) any fact, event or circumstance that would be reasonably likely to prevent or delay in any material respect the consummation of the Contemplated Transactions.

"Buyer Party" or "Buyer Parties" has the meaning set forth in Section 9.2.

"Buyer Taxes" means any and all Taxes (a) imposed on any of the Acquired Companies for any Post-Closing Tax Period; (b) for a Straddle Period, other than those Taxes attributable to the portion of the Straddle Period ending on and including the Closing Date (as determined in accordance with Section 6.11(d)); (c) resulting from or attributable to a breach by Buyer or any of its Affiliates of any covenant set forth in Section 6.11; (d) resulting from or attributable to transactions occurring on the Closing Date after the Closing that are outside the ordinary course of business of the Acquired Companies, are not contemplated by this Agreement, and are the result of an action taken by Buyer or any Affiliate of Buyer; or (e) that are Transfer Taxes for which Buyer is responsible pursuant to Section 6.11(g); provided, however, that "Buyer Taxes" shall not include any Taxes or Losses that result from a breach of the representation made in Section 4.19(n).

"Cap" has the meaning set forth in Section 9.2.

“Cash” means the aggregate amount of cash and cash equivalents of the Constituent Companies and their Subsidiaries, in each case, determined in accordance with GAAP.

“Claim” has the meaning set forth in Section 9.5(a).

“Closing” has the meaning set forth in Section 2.1.

“Closing Cash” means the aggregate amount of Cash as of 11:59 P.M. on the date immediately prior to the Closing Date.

“Closing Date” has the meaning set forth in Section 2.1.

“Closing Date Net Working Capital” means (a) the sum of the total current assets of the Constituent Companies and their Subsidiaries on a consolidated basis as of 11:59 P.M. on the date immediately prior to the Closing Date minus (b) the sum of the total current liabilities of the Constituent Companies and their Subsidiaries on a consolidated basis as of 11:59 P.M. on the date immediately prior to the Closing Date, each as calculated in accordance with GAAP Consistently Applied and as such calculation is set forth in Schedule 1.1(a); provided, that for purposes of calculating the Closing Date Net Working Capital, current assets shall exclude Cash, current liabilities shall exclude any amounts associated with Transaction Expenses and Indebtedness, and current assets and current liabilities shall exclude all deferred Tax assets and reserves for deferred Tax liabilities established to reflect timing differences between book and Tax income.

“Closing Date Statement” has the meaning set forth in Section 2.3(a)(i).

“Closing Funded Indebtedness” means the aggregate amount of all Funded Indebtedness as of 11:59 P.M. on the date immediately prior to the Closing Date.

“Closing Net Working Capital Adjustment Amount” means the amount equal to (a) the Estimated Closing Date Net Working Capital as shown on the Closing Date Statement, minus (b) the Target Working Capital, expressed as (i) a positive number if the Estimated Closing Date Net Working Capital exceeds the Target Working Capital or (ii) a negative number if the Estimated Closing Date Net Working Capital is less than the Target Working Capital.

“Closing Transaction Expenses” means the aggregate amount of all Transaction Expenses to be paid at the Closing.

“Code” means the Internal Revenue Code of 1986, as amended.

“Combined Group” means any “affiliated group” (as defined in Section 1504(a) of the Code) that, at any time at or before the Closing Date, includes or has included any of the Acquired Companies or any predecessor of any of the Acquired Companies, or any other group of Persons that, at any time at or before the Closing Date, files or has filed Tax Returns on a combined, consolidated or unitary basis with any of the Acquired Companies or any predecessor to any of the Acquired Companies.

"Commercial Software" means commercially-available Software licensed pursuant to a standard license agreement.

"Confidentiality Agreement" means the Confidentiality Agreement, dated September 5, 2017, by and between Higman Marine, Inc. and Kirby Inland Marine, LP.

"Constituent Company" or "Constituent Companies" has the meaning set forth in the Preamble.

"Constituent Company Common Stock" has the meaning set forth in the Recitals.

"Constituent Company Disclosure Schedule" means the disclosure schedule, dated as of the date hereof, delivered by the Constituent Companies to Buyer in connection with the execution and delivery of this Agreement.

"Constituent Company Employees" has the meaning set forth in Section 6.4(a).

"Constituent Company Intellectual Property" means all Intellectual Property owned by the Constituent Companies or any of their Subsidiaries in connection with their respective businesses as currently conducted.

"Constituent Company IP Agreements" means all licenses of Intellectual Property to which the Constituent Companies or any of their Subsidiaries is a Party, other than (a) licenses concerning Commercial Software and (b) non-exclusive licenses to customers granted in the ordinary course of business.

"Constituent Company LLC Interests" has the meaning set forth in the Recitals.

"Constituent Company Material Adverse Effect" means any event, change, development, effect, condition, circumstance, matter, occurrence, or state of fact ("Effect") that has had or is reasonably expected to have, individually or in the aggregate, a material adverse effect on (a) the business, assets, operations or financial condition of the Constituent Companies and their Subsidiaries taken as a whole or (b) the ability of the Constituent Companies or Equityholders to perform their respective obligations under this Agreement or to consummate the Contemplated Transactions; provided, that none of the following Effects, whether alone or in combination, shall be taken into account in determining whether there has been or may reasonably be expected to be a Constituent Company Material Adverse Effect: (i) any change or development in global or national economic, monetary or financial conditions, including changes or developments in prevailing interest rates, credit markets, securities markets, general economic or business conditions or currency exchange rates, or political or regulatory conditions, (ii) any act of God, natural disasters or calamities, war, armed hostilities or terrorism or any escalation or worsening thereof, (iii) any change or development in any of the industries in which the Constituent Companies or their Subsidiaries operate, (iv) any change in Law or applicable accounting regulations or principles or the interpretation or enforcement of either, (v) the negotiation, execution, delivery, performance, or public announcement of this Agreement and the Contemplated Transactions, including any termination of, reduction in or similar negative impact on relationships, contractual or otherwise, with any customers, suppliers, distributors, partners or employees of the Constituent Companies and their Subsidiaries, (vi) any change resulting from any action taken or failed to be taken by the Constituent Companies or its Affiliates at the request of Buyer, (vii) any action taken by the Constituent Companies, or which the Constituent Companies should cause to be taken by any of their Subsidiaries, in each case which is required or permitted by or resulting from or arising in connection with this Agreement, (viii) any existing Effect of which Buyer has knowledge as of the date hereof, or (ix) any failure of the Constituent Companies or any of their Subsidiaries to meet, with respect to any period or periods, any internal or industry analyst projections, forecasts, estimates of earnings or revenues, or business plans (it being understood that the facts and circumstances giving rise or contributing to any such failure may, unless otherwise excluded by another clause in this definition of "Constituent Company Material Adverse Effect," be taken into account in determining whether a "Constituent Company Material Adverse Effect" has occurred or could be reasonably be expected to occur), so long as in the case of clauses (i), (iii) and (iv) such Effects do not materially and adversely affect the Constituent Companies and their Subsidiaries in a materially disproportionate manner relative to other participants in the industry in which the Constituent Companies and their Subsidiaries operate. For the avoidance of doubt, a Constituent Company Material Adverse Effect shall be measured only against past performance of the Constituent Companies and their Subsidiaries, and not against any forward looking statements, financial projections or forecasts of the Constituent Companies and their Subsidiaries.

"Constituent Company Personnel Contract" has the meaning set forth in Section 4.18(a).

"Constituent Company Real Property" means all real property or material interests in real property owned, leased or subleased by a Constituent Company or any of its Subsidiaries as of the date hereof.

"Constituent Company Related Person" has the meaning set forth in Section 4.22.

"Contemplated Transactions" means the transactions contemplated by this Agreement and the Ancillary Documents.

"Contract" means any written agreement, license, contract, arrangement, understanding, obligation or commitment to which a Party is bound, in each case, other than purchase orders.

"Covered Employees" has the meaning set forth in Section 6.1(a) of the Constituent Company Disclosure Schedule.

"D&O Indemnified Parties" has the meaning set forth in Section 6.5(a).

"Deductible" has the meaning set forth in Section 9.2.

"EBL Companies" means Empty Barge Lines, Inc., a Texas corporation; Empty Barge Lines II, Inc., a Texas corporation; Empty Barge Lines III, Inc., a Texas corporation; EBL Marine I LLC, a Texas limited liability company; EBL Marine II LLC, a Texas limited liability company; and EBL Marine III LLC, a Texas limited liability company.

"Employee Representative" has the meaning set forth in Section 4.17(c).

"Environmental Laws" means all applicable federal, state or local Laws governing Environmental Matters, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, 42 U.S.C. Sec. 9601 et seq., the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. Sec. 6901 et seq., the Federal Water Pollution Control Act, as amended by the Clean Water Act, 33 U.S.C. Sec. 1251 et seq., the Clean Air Act, 42 U.S.C. Sec.7401 et seq., the Toxic Substances Control Act, 15 U.S.C. Sec. 2601 et seq., the Oil Pollution Act, 33 U.S.C. Sec. 2701 et seq., and any similar state or local statutes.

"Environmental Matters" means any matters arising out of or relating to pollution, protection of the environment or the use, generation, transport, treatment, storage, or disposal of any Hazardous Substance.

"Environmental Permits" has the meaning set forth in Section 4.13(b).

"Equity Securities" of any Person means any and all shares of capital stock, partnership interests, membership interests, other equity interests or options of such Person, and all securities exchangeable for or convertible or exercisable into, any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time, as well as any rules and regulations promulgated thereunder and any corresponding provisions of subsequent superseding federal Laws relating to retirement matters, as from time to time in effect.

"ERISA Affiliate" means all employers (whether or not incorporated) that would be treated together with any Constituent Company or any of its Subsidiaries as a "single employer" within the meaning of Section 414 of the Code.

"Equityholder(s)" has the meaning set forth in the Preamble.

"Equityholder Material Adverse Effect" means a material adverse effect on the ability of an applicable Equityholder to consummate the Contemplated Transactions and to timely fulfill such Equityholder's obligations hereunder.

"Equityholder Parties" has the meaning set forth in Section 9.3.

"Equityholders Cap" has the meaning set forth in Section 9.3.

"Equityholders Deductible" has the meaning set forth in Section 9.3.

"Equityholders' Representative" has the meaning set forth in Section 10.1(a).

"Equityholders' Representative Expense Amount" means $500,000.

"Equityholders' Representative Expenses" has the meaning set forth in Section 10.1(e).

"Escrow Agent" means JPMorgan Chase Bank, N.A.

"Escrow Agreement" has the meaning set forth in Section 2.3(b)(ii).

"Estimated Closing Cash" has the meaning set forth in Section 2.3(a)(i).

"Estimated Closing Date Net Working Capital" has the meaning set forth in Section 2.3(a)(i).

"Estimated Closing Funded Indebtedness" has the meaning set forth in Section 2.3(a)(i).

"Estimated Closing Transaction Expenses" has the meaning set forth in Section 2.3(a)(i).

"Financing" means any offering of any debt or equity securities by Buyer or its Affiliates after the date hereof.

"Final Closing Cash" has the meaning set forth in Section 2.4(d).

"Final Closing Date Net Working Capital" has the meaning set forth in Section 2.4(d).

"Final Closing Funded Indebtedness" has the meaning set forth in Section 2.4(d).

"Final Closing Transaction Expenses" has the meaning set forth in Section 2.4(d).

"Final Purchase Price Adjustment Statement" has the meaning set forth in Section 2.4(d).

"Financial Statements" has the meaning set forth in Section 4.6(a).

"Fried Frank" has the meaning set forth in Section 10.19.

"FTC" means the United States Federal Trade Commission.

"Fundamental Representations" has the meaning set forth in Section 9.1.

"Funded Indebtedness" means the aggregate Indebtedness (other than Indebtedness included in sections (c) and (d) of the definition of Indebtedness) of the Constituent Companies and their Subsidiaries (including principal, interest, prepayment penalties or fees, premiums, breakage amounts or other amounts payable in connection with prepayment), that remains unpaid as of the close of business on the date immediately prior to the Closing Date, which would be required to be repaid in full in order to terminate all obligations under any such Indebtedness of the Constituent Companies and any of their Subsidiaries outstanding as of the close of business on the date immediately prior to the Closing Date.

"GAAP" means United States generally accepted accounting principles and practices in effect from time to time.

"GAAP Consistently Applied" has the meaning set forth in Section 2.4(b).

"Governmental Authority" means any nation or government, any supranational, foreign or domestic federal, state, county, municipal or other political instrumentality or subdivision thereof and any supranational, foreign or domestic entity or body exercising executive, legislative, judicial, regulatory, administrative or taxing functions of or pertaining to government, including any court.

"Governmental Consents" has the meaning set forth in Section 3.5.

"Hazardous Substances" means any material, substance or waste defined or regulated as hazardous or toxic under any Environmental Law, as applicable.

"Higman Marine, Inc. Combined Group" means any Combined Group of which Higman Marine, Inc. is or was the common parent.

"Indebtedness" means all indebtedness, principal, interest, premiums, penalties or other obligations of the Constituent Companies or any of their Subsidiaries (a) for borrowed money, (b) evidenced by bonds, debentures, notes or other similar instruments or debt securities, (c) for the deferred purchase price of property or services other than accounts payable in the ordinary course of business and consistent with past practice, (d) as lessee or lessees under leases that have been, in accordance with GAAP, recorded as capital leases, (e) reimbursement obligations under letters of credit or similar credit transactions, (f) obligations under any interest rate or currency swap or other hedging transaction, and (g) for Indebtedness of the type referred to in clauses (a) through (f) above guaranteed directly or indirectly in any manner by the Constituent Companies or any of their Subsidiaries; provided, that Indebtedness shall not include (i) accounts payable to trade creditors and accrued expenses to the extent included as a current liability in the calculation of the Closing Date Net Working Capital, (ii) the endorsement of negotiable instruments for collection in the ordinary course of business, (iii) indebtedness owing from any Constituent Companies to any of its wholly-owned Subsidiaries or from any of the Subsidiaries of a Constituent Company to such Constituent Companies, (iv) any obligations relating to the Pension Plan or (v) obligations under letters of credit or similar instruments to the extent undrawn.

"Indemnified Party" has the meaning set forth in Section 9.4(b).

"Indemnifying Parties" has the meaning set forth in Section 9.5(a).

"Indemnity Escrow Account" has the meaning set forth in Section 2.3(b)(iii).

"Indemnity Escrow Amount" means $3,000,000.

"Intellectual Property" means (a) patents and patent applications, (b) trademarks, service marks, trade names and trade dress, together with the goodwill connected with the use thereof and symbolized thereby, (c) copyrights, (d) registrations and applications for registration of any of the foregoing in (a)-(c), and (e) trade secrets.

"IRS" has the meaning set forth in Section 4.18(b).

"Joint Direction" means joint written instructions of Buyer and the Equityholders' Representative instructing, as applicable, the Escrow Agent or Escrow Agent to make a payment out of the Adjustment Escrow Account or the Indemnity Escrow Account, respectively.

"Knowledge of Buyer" means the knowledge of any of the following personnel of Buyer after reasonable inquiry within the scope of their employment responsibilities: David W. Grzebinski; Amy D. Husted; Ronald A. Dragg; Mark R. Buese.

"Knowledge of the Constituent Companies" means the knowledge of any of the following personnel of the Constituent Companies after reasonable inquiry within the scope of their employment responsibilities: John T. McMahan; Mac McDaniel; George Thomas; Gretchen Carraway.

"Knowledge of Largus" means the knowledge of any of the following personnel of Largus after reasonable inquiry within the scope of their employment responsibilities: Erik Salen.

"Largus" has the meaning set forth in the Preamble.

"Largus Common Stock" has the meaning set forth in the Recitals.

"Largus Seller" means Largus AB, a private limited liability company incorporated in Sweden.

"Largus Taxes" means any and all Taxes (a) imposed on Largus for any Pre-Closing Tax Period and for the portion of any Straddle Period ending on and including the Closing Date (determined in accordance with Section 6.11(d)); (b) for which Largus is liable as a result of having been a member of an "affiliated group" (as defined in Section 1504(a) of the Code) on or prior to the Closing Date, including pursuant to Treasury Regulation Section 1.1502-6 or similar provisions of state, local or foreign Law; (c) resulting from or attributable to (i) a breach of any representation or warranty set forth in Section 4.24(h) (determined without regard to any "materiality" or "Knowledge" qualifiers or any scheduled items) or (ii) a breach by Largus, Seller or the Equityholders' Representative of any covenant set forth in Section 6.11; (d) of any other Person for any Pre-Closing Tax Period for which Largus is or has been liable as a transferee or successor, by contract or otherwise; or (e) that are Transfer Taxes relating to Largus for which the Equityholders are responsible pursuant to Section 6.11(g).

"Laws" means all laws, Orders, statutes, codes, regulations, ordinances, orders, decrees, rules, or other requirements with similar effect of any Governmental Authority.

"Leased Real Property" has the meaning set forth in Section 4.9(a).

"Liability" means any material direct or indirect debts, obligations or liabilities of any nature, whether absolute, accrued, contingent, liquidated or otherwise, and whether due or to become due, asserted or unasserted that are required to be set forth on a balance sheet in accordance with GAAP.

"Lien" means any lien, security interest, pledge or other similar encumbrance.

"Litigation" has the meaning set forth in Section 4.16.

"Losses" has the meaning set forth in Section 9.2.

"Material Contracts" has the meaning set forth in Section 4.11(a).

"Net Negative Purchase Price Adjustment Amount" has the meaning set forth in Section 2.4(f).

"Net Positive Purchase Price Adjustment Amount" has the meaning set forth in Section 2.4(e).

"Objection Dispute" has the meaning set forth in Section 2.4(c).

"Orders" means all judgments, orders, writs, injunctions, decisions, rulings, decrees and awards of any Governmental Authority.

"Partnership" has the meaning set forth in Section 4.19(k).

"Partnership Constituent Companies" means Alamo Barge Lines LLC, a Delaware limited liability company, 16530 Peninsula Blvd. LLC, a Texas limited liability company, EBL Marine I LLC, a Texas limited liability company, EBL Marine II LLC, a Texas limited liability company, and EBL Marine III LLC, a Texas limited liability company.

"Party" or "Parties" has the meaning set forth in the Preamble.

"Payoff Letters" means letters from each Person to whom any Funded Indebtedness is owed by any of the Constituent Companies or any of their respective Subsidiaries (i) specifying the total amount of Indebtedness owed to such Person by the Constituent Companies or any of their respective Subsidiaries to be repaid at Closing, (ii) stating that payment of such amount will constitute the payment in full of all outstanding Indebtedness owed to such Person by the Constituent Companies or any of their respective Subsidiaries, (iii) providing for the termination, upon payment of the amount specified in such letter, of all obligations of the Constituent Companies and their respective Subsidiaries under any documents related to Indebtedness owed to such Person and (iv) providing for the automatic release, upon payment of the amount specified in such letter, of all Liens securing any such obligation of the Constituent Companies or any of their respective Subsidiaries to such Person and all guaranties supporting such Indebtedness of the Constituent Companies or any of their respective Subsidiaries to such Person.

"PBGC" has the meaning set forth in Section 4.18(b).

"Pension Plan" means the Higman Marine, Inc. Pension Plan.

"Permits" has the meaning set forth in Section 4.12(b).

"Permitted Business" means any business conducted by the Constituent Companies or any of their Subsidiaries on the date hereof and the ownership or operation of Vessels and any activities within the marine tank barge and logistics business or any other business which, in the good faith judgment of the Constituent Companies and their Subsidiaries, is reasonably related, ancillary, supplementary or complementary thereto, or a reasonable extension, development or expansion of any business in which the Constituent Companies and their Subsidiaries are engaged on the date hereof.

"Permitted Lien" means any (i) Lien in respect of Taxes not yet due and delinquent (or which may be paid without interest or penalties) or the validity or amount of which is being contested in good faith by appropriate proceedings disclosed in Section 4.19 of the Constituent Company Disclosure Schedule and with respect to which adequate reserves have been established in the Unaudited Financial Statements, (ii) mechanics', carriers', workmen's, repairmen's, landlords', warehousemans' or other like Liens arising or incurred in the ordinary course of business, (iii) with respect to leasehold interests, mortgages and other liens incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the Leased Real Property, (iv) zoning, entitlement, conservation restriction and other land use and environmental regulations promulgated by Governmental Authorities, (v) easements, conditions, covenants, restrictions, rights of way, or other similar encumbrances on Constituent Company Real Property, including those identified on title policies or preliminary title reports, (vi) matters that would be disclosed by an accurate survey or inspection of any Constituent Company Real Property, (vii) limitations on the rights of the Constituent Companies under any Material Contract that are expressly set forth in such contract, (viii) Liens granted to any lender at the Closing in connection with any financing by Buyer of the Contemplated Transactions, (ix) Liens that are released at or prior to the Closing, (x) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business, (xi) Liens involving restrictions on transfer of Equity Securities arising under the organizational documents of the issuer of such Equity Securities, including the Stockholders Agreement, or under federal or state securities Laws, (xii) Liens arising from Uniform Commercial Code financing statements filings or other applicable similar filings regarding operating leases and vessel charters entered into by the Constituent Companies or any of their Subsidiaries in the ordinary course of business, (xiii) Liens incurred in the ordinary course of business of the Constituent Companies or any of their Subsidiaries arising from Vessel chartering, drydocking, maintenance, repair, refurbishment or replacement, the furnishing of supplies and bunkers to Vessels and Related Business Assets in respect of Vessels, repairs and improvements to Vessels and Related Business Assets in respect of the Vessels, including ports, masters', officers' or crews' wages and maritime Liens and any other Liens (other than Liens in respect of Indebtedness) incurred in the ordinary course of operations of a Vessel, (xiv) Liens for general average and salvage and (xv) any other Lien which would not reasonably be expected to materially detract from the value of, or materially impair the existing use of, the property or assets affected by the applicable Lien.

"Person" means any individual, person, entity, general partnership, limited partnership, limited liability partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, association, foreign trust or foreign business organization.

"Plan" or "Plans" has the meaning set forth in Section 4.18(a).

"Post-Closing Tax Period" means a Tax period or portion thereof beginning after the Closing Date, including the portion of any Straddle Period that begins on the day after the Closing Date.

"Pre-Closing Equityholder Tax Returns" shall have the meaning set forth in Section 6.11(e)(ii).

"Pre-Closing Tax Matter" shall have the meaning set forth in Section 6.11(k)(i).

"Pre-Closing Tax Period" means a Tax period or portion thereof ending on or before the Closing Date, including the portion of any Straddle Period that ends on the Closing Date.

"Property Tax" has the meaning set forth in Section 6.11(d)(ii).

"Purchase Price Adjustment Statement" has the meaning set forth in Section 2.4(a).

"Real Property Leases" has the meaning set forth in Section 4.9(a).

"Related Business Asset" means any assets used, established or maintained or used in a Permitted Business, including without limitation (i) any insurance policies and contracts from time to time in force with respect to a Vessel, (ii) the Equity Securities of any Constituent Company or any of their respective Subsidiaries owning a Vessel and related assets, (iii) any requisition compensation payable in respect of any compulsory acquisition of a Vessel, (iv) any earnings derived from the use or operation of a Vessel and/or any earnings account with respect to such earnings, (v) any charters, operating leases, contracts of affreightment, purchase options and related agreements entered and any security or guarantee in respect of the charterer's or lessee's obligations under such charter, lease, purchase option or agreement, (vi) any cash collateral account established with respect to a Vessel pursuant to the financing arrangement with respect thereto, (vii) any building, conversion or repair contracts relating to a Vessel and any security or guarantee in respect of the builder's obligations under such contract, (viii) any security interest in, or agreement or assignment relating to, any of the foregoing or any mortgage in respect of a Vessel and any asset reasonably related, ancillary or complementary thereto, and (ix) storage tanks and terminals, salvage, port facilities and services, pipelines and loading and discharging facilities and drying and conditioning facilities and equipment related thereto (including any investment in real estate in respect of the foregoing).

"RWI Conditions to Effectiveness" has the meaning set forth in Section 7.1(b).

"RWI Costs" means the premium and other expenses charged by the RWI Insurer in connection with obtaining the RWI Policy including any fees or expenses incurred by the RWI Insurer that are required to be reimbursed by the Buyer, together, for the avoidance of doubt, with all brokerage, premium taxes and stamping fees charged to Buyer, but excluding underwriting fees. For purposes of Section 2.3(b)(v), RWI Costs shall be deemed to equal RWI Costs paid prior to the Closing plus the amount shown in an invoice from the RWI Insurer or broker showing all RWI Costs to be paid at or after the Closing.

"RWI Excluded Matter" means any matter falling within the scope of indemnification under Section 9.2 but which: (a) is outside the scope of the insuring agreement under the RWI Policy; (b) is excluded by the terms and conditions of the RWI Policy; or (c) results in Losses in excess of the available limits of the RWI Policy, but only to the extent of such excess Losses.

"RWI Insurer" means certain underwriters at Lloyd's as stated on the declarations page attached to the RWI Policy, acting through CFC Underwriting Limited.

"RWI Parallel Claim" has the meaning set forth in Section 9.5(b).

"RWI Parallel Claim Excess Amount" has the meaning set forth in Section 9.5(b).

"RWI Policy" means a Buyer-Side Representations and Warranties Insurance Policy issued by the RWI Insurer to the Buyer in the form attached as Exhibit B, subject only to such ministerial revisions as are necessary to the finalization and effectiveness of the policy.

"S Corporation Constituent Companies" means Empty Barge Lines, Inc., a Texas corporation, Empty Barge Lines II, Inc., a Texas corporation, and Empty Barge Lines III, Inc., a Texas corporation.

"Section 2 of the Merchant Marine Act of 1916" means 46 U.S.C. Sec. 50501, as amended, together with the rules and regulations promulgated thereunder.

"Seller Taxes" means any and all Taxes (a) imposed on any of the Acquired Companies for any Pre-Closing Tax Period and for the portion of any Straddle Period ending on and including the Closing Date (determined in accordance with Section 6.11(d)); (b) for which any of the Acquired Companies is liable as a result of having been a member of a Combined Group on or prior to the Closing Date, including pursuant to Treasury Regulation Section 1.1502-6 or similar provisions of state, local or foreign Law; (c) resulting from or attributable to (i) a breach of any representation or warranty set forth in Section 4.19(k), (l), (m) or (n) (determined without regard to any "materiality" or "Knowledge" qualifiers or any scheduled items) or (ii) a breach by the Equityholders or the Equityholders' Representative of any covenant set forth in Section 6.11; (d) of any other Person for any Pre-Closing Tax Period for which any of the Acquired Companies is or has been liable as a transferee or successor, by contract or otherwise; or (e) that are Transfer Taxes for which the Equityholders are responsible pursuant to Section 6.11(g).

"Securities Act" means the Securities Act of 1933, as amended.

"Software" means computer software and databases, together with, as applicable, object code, source code, firmware and embedded versions thereof and documentation related thereto.

"Specified Employees" has the meaning set forth in Section 6.13(b).

"Statement" has the meaning set forth in Section 6.11(e)(i).

"Stockholders Agreement" means that certain Stockholders Agreement of Lasco Energy Inc., dated as of December 17, 1986, by and among Largus Exploration, Inc., George H. Thomas and John T. McMahan.

"Straddle Period" means any Tax period beginning on or before and ending after the Closing Date.

"Subsidiary" means, with respect to any Person, any corporation or other organization, whether incorporated or unincorporated, (a) of which such Person or any other Subsidiary of such Person is a general partner (excluding partnerships, the general partnership interests of which held by such Person or any Subsidiary of such Person do not have a majority of the voting interests in such partnership), or (b) at least a majority of the Equity Securities of which having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of their Subsidiaries, or by such Person and one or more of their Subsidiaries.

"Target Working Capital" means $4,000,000.

"Tax" or "Taxes" means (i) any and all federal, state, local and foreign taxes or similar assessments, governmental charges, duties, impositions and liabilities imposed by any Taxing Authority, including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, environmental, recapture, employment, disability, occupancy, excise and property taxes or other tax of any kind whatsoever, whether disputed or not, together with all interest, penalties and additions imposed with respect thereto; (ii) any liability for the payment of any item described in clause (i) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period, including pursuant to Treasury Regulations section 1.1502-6 or any analogous or similar state, local or foreign Law; (iii) any liability for the payment of any item described in clause (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of any obligations under any agreements or arrangements with any other Person with respect to such item; or (iv) any successor liability for the payment of any item described in clause (i), (ii) or (iii) of any other Person, including by reason of being a party to any merger, consolidation, conversion or otherwise.

"Tax Representations" has the meaning set forth in Section 9.1.

"Tax Proceeding" means any audit, examination, contest, dispute, claim, adjustment, litigation or other proceeding with respect to Taxes.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement filed or to be filed with a Taxing Authority relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Taxing Authority" means, with respect to any Tax, the Governmental Authority or political subdivision thereof that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such Governmental Authority or subdivision, including the IRS.

"Treasury Regulations" means the income Tax regulations, including temporary regulations, promulgated under the Code.

"Termination Date" has the meaning set forth in Section 8.1(d).

"Top Customers" has the meaning set forth in Section 4.23.

"Transaction Expenses" means all out-of-pocket fees and expenses incurred by the Constituent Companies and their Subsidiaries in connection with the Contemplated Transactions, including, but not limited to, (a) the fees and expenses of investment bankers, legal counsel, accountants and other advisors, (b) all fees, costs and expenses incurred in connection with or by virtue of the negotiation, preparation and review of this Agreement (including the Exhibits and the Constituent Company Disclosure Schedule hereto) and all Ancillary Documents and (c) all transaction-related bonuses (but, for the avoidance of doubt, not regular performance bonuses), or change-in-control payments payable to employees or other service providers of the Constituent Companies and their Subsidiaries that become payable solely as a result of the Contemplated Transactions and are paid upon consummation of the Contemplated Transactions, including the employer portion of any payroll or employment Taxes due with respect to such bonuses or payments described in this clause (c). Transaction Expenses shall not include (i) any of the foregoing paid prior to the Closing, (ii) any liabilities included in Closing Date Net Working Capital and (iii) any Indebtedness.

"Transfer Taxes" has the meaning set forth in Section 6.11(g).

"U.S. Coastwise Trade" means the carriage or transport of merchandise and/or other materials and/or passengers in the coastwise trade of the United States of America within the meaning of Chapter 551 of Title 46 of the United States Code.

"Unaudited Financial Statements" has the meaning set forth in Section 4.6(a).

"Vessel" means a vessel owned, leased or operated by a Constituent Company or any of its Subsidiaries, including towboats, tugs and barges, and used or held for use in the conduct of the business as presently conducted or presently proposed to be conducted as of the date hereof.

"WARN" means the Workers Adjustment and Retraining Notification Act of 1988 or any similar state statute.

1.2. Rules of Construction.

Unless the context otherwise requires:

(a) a capitalized term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) references in the singular or to "him," "her," "it," "itself," or other like references, and references in the plural or the feminine or masculine reference, as the case may be, shall also, when the context so requires, be deemed to include the plural or singular, or the masculine or feminine reference, as the case may be;

(d) references to Articles, Sections, Schedules and Exhibits shall refer to articles, sections, schedules and exhibits of this Agreement, unless otherwise specified;

(e) the headings in this Agreement are for convenience and identification only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision thereof;

(f) this Agreement shall be construed without regard to any presumption or other rule requiring construction against the Party that drafted and caused this Agreement to be drafted;

(g) all monetary figures shall be in United States dollars unless otherwise specified;

(h) if any period expires on a day which is not a Business Day or any event or condition is required by the terms of this Agreement to occur or be fulfilled on a day which is not a Business Day, such period shall expire or such event or condition shall occur or be fulfilled, as the case may be, on the next succeeding Business Day;

(i) references to "including" in this Agreement shall mean "including, without limitation," whether or not so specified; and

(j) the word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other theory extends and such phrase shall not mean "if."

ARTICLE II
Purchase and Sale

2.1. Closing.

Subject to the terms and conditions of this Agreement, the closing of the Contemplated Transactions (the "Closing") shall take place remotely via email exchange of .pdf or otherwise scanned documents and signature pages, (i) at 10:00 a.m. Eastern Time on the earlier of (x) March 21, 2018, or (y) the seventh (7^{th}) Business Day following the consummation of the Financing; provided, in each case, that the last of the conditions to the obligations of the Parties set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions) shall have been satisfied or waived in accordance with this Agreement or, if at such time the conditions to the obligations of the Parties set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions) shall not have been satisfied or waived in accordance with this Agreement, three (3) Business Days after the day on which the last of the conditions to the obligations of the Parties set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions) shall have been satisfied or waived in accordance with this Agreement, or (ii) at such other date, place and time as Buyer, the Constituent Companies, Largus and the Equityholders' Representative shall otherwise mutually agree. The date on which the Closing actually occurs in compliance with this Section 2.1 is the "Closing Date".

2.2. Purchase and Sale.

Subject to the terms and conditions set forth in this Agreement, at the Closing, Buyer shall purchase from the Equityholders, and the Equityholders shall sell, transfer and assign to Buyer, all of the Acquired Equity Securities.

2.3. Payments and Deliveries at the Closing.

(a) At least three (3) Business Days prior to the Closing Date, the Constituent Companies shall:

(i) deliver to Buyer a written statement (the "Closing Date Statement") setting forth in reasonable detail the Constituent Companies' good faith estimate of (1) the Closing Date Net Working Capital (the "Estimated Closing Date Net Working Capital"), (2) the Closing Cash (the "Estimated Closing Cash"), (3) the Closing Funded Indebtedness (the "Estimated Closing Funded Indebtedness"), (4) the Closing Transaction Expenses (the "Estimated Closing Transaction Expenses"), and (5) the Equityholders' Representative Expense Amount.

(ii) notify Buyer in writing of the respective amounts and bank accounts to which each of the amounts payable pursuant to Section 2.3(b)(i) through Section 2.3(b)(vi) shall be paid. Any payments required to be made by Buyer pursuant to this Article II shall be made by wire transfer of immediately available funds unless otherwise designated by the payee thereof.

(b) At the Closing, Buyer shall make the following payments:

(i) to the account of each Person to whom any Funded Indebtedness is owed, on behalf of the Constituent Companies, an amount equal to the portion of the Funded Indebtedness owing to such Person in each case as set forth in pay-off letters provided to Buyer;

(ii) to an account designated by the Escrow Agent, an amount equal to the Adjustment Escrow Amount, which amount shall be held by the Escrow Agent pursuant to an escrow agreement in a form to be mutually agreed by the Buyer and the Equityholders' Representative (the "Escrow Agreement") in a separate account (the "Adjustment Escrow Account");

(iii) to an account designated by the Escrow Agent, an amount equal to the Indemnity Escrow Amount, which amount shall be held by the Escrow Agent pursuant to the Escrow Agreement in a separate account (the "Indemnity Escrow Account");

(iv) to the account of each Person to whom Transaction Expenses are owed, an amount equal to the portion of the Estimated Closing Transaction Expenses owing to such Person;

(v) to an account designated by the Equityholders' Representative, the Equityholders' Representative Expense Amount; and

(vi) to the account of each Equityholder in consideration for such Equityholder's Acquired Equity Securities, an amount equal to such Equityholder's Applicable Portion of (a) the Aggregate Estimated Consideration minus (b) the sum of (w) the Adjustment Escrow Amount, (x) the Indemnity Escrow Amount, (y) one-half of the RWI Costs and (z) any amounts previously paid by Buyer or any third party, as applicable, to the Constituent Companies to purchase the equipment set forth on Schedule 2.3(b)(vi).

(c) At or prior to the Closing, the Constituent Companies will deliver to Buyer:

(i) a termination agreement, in the form as reasonably agreed between the Equityholders' Representative and Buyer, terminating the Stockholders Agreement; and

(ii) resignation letters, dated as of the Closing Date, of the officers and directors of the Constituent Companies, their Subsidiaries and Largus as requested by Buyer no later than five (5) Business Days prior to the Closing Date.

(d) At or prior to Closing, each Equityholder will deliver or cause to be delivered to the Constituent Companies or Largus, as applicable, and the Constituent Companies, or Largus, as applicable, will deliver to Buyer:

(i) in the case of holders of Constituent Company Common Stock or Largus Common Stock, the stock certificates representing the shares of Constituent Company Common Stock or Largus Common Stock, as applicable, duly endorsed for transfer or accompanied by a duly executed stock power in proper form for transfer, or alternatively, if any such stock certificate shall have been lost, stolen or destroyed, such Equityholder will deliver or cause to be delivered to the Constituent Companies or Largus, as applicable, and the Constituent Companies or Largus, as applicable, will deliver to Buyer, an affidavit of that fact by the Person claiming such stock certificate to be lost, stolen or destroyed in form and substance reasonably acceptable to the Constituent Companies or Largus, as applicable; and

(ii) in the case of holders of Constituent Company LLC Interests, an assignment agreement duly executed in blank, or such other instruments or documentation reasonably evidencing the assignment and conveyance of all of such Equityholder's membership interests in each respective limited liability company to Buyer, and resigning and withdrawing as a member of each such limited liability company.

(e) At the Closing, each Equityholder (other than Largus Seller) will deliver or cause to be delivered to the Constituent Companies, and the Constituent Companies will deliver to Buyer, a statement, in a form reasonably satisfactory to Buyer, executed by such Equityholder pursuant to Section 1.1445-2(b)(2) of the Treasury Regulations certifying that such Equityholder is not a foreign person.

(f) At the Closing, Largus will deliver to Buyer (i) a notice to the IRS conforming to the requirements of Treasury Regulation Section 1.897-2(h)(2), in a form reasonably satisfactory to Buyer, dated as of the Closing Date and executed by a duly authorized signatory of Largus, and (ii) a statement, in a form reasonably satisfactory to Buyer, dated as of the Closing Date, executed by a duly authorized signatory of Largus, certifying that the Largus Common Stock is not a U.S. real property interest, and conforming to the requirements of Treasury Regulation Sections 1.1445-2(c)(3) and 1.897-2(h).

2.4. Purchase Price Adjustment.

(a) Within forty-five (45) days after the Closing Date, Buyer shall prepare and deliver to the Equityholders' Representative a written statement (the "Purchase Price Adjustment Statement") setting forth Buyer's good faith calculation of the Closing Date Net Working Capital, the Closing Cash, the Closing Funded Indebtedness and the Closing Transaction Expenses together with such schedules and data with respect to the determination thereof as may be appropriate to support the calculations set forth in the Purchase Price Adjustment Statement.

(b) Following the delivery of the Purchase Price Adjustment Statement, Buyer shall provide the Equityholders' Representative and its representatives with reasonable access to the Business Records and relevant personnel and properties of the Constituent Companies to verify the accuracy of such amounts, all to the extent deemed reasonably necessary by the Equityholders' Representative. For the purposes of this Agreement, the Closing Date Net Working Capital shall be calculated in accordance with this Agreement (including the calculations set forth on Section 1.1(a) of the Constituent Company Disclosure Schedule) and with GAAP applied using the same accounting methods, policies, practices and procedures, with consistent classifications, judgments and estimation methodology, as were used in the preparation of the Financial Statements; provided, that if Section 1.1(a) of the Constituent Company Disclosure Schedule is inconsistent with GAAP, this Agreement and/or Section 1.1(a) of the Constituent Company Disclosure Schedule (as applicable) shall control ("GAAP Consistently Applied").

(c) If the Equityholders' Representative disagrees with the calculation of any of the items set forth in the Purchase Price Adjustment Statement, the Equityholders' Representative shall notify Buyer in writing of such disagreement (an "Objection Dispute") within forty-five (45) days after receipt of the Purchase Price Adjustment Statement by the Equityholders' Representative. Any Objection Dispute shall specify in reasonable detail the nature of any disagreement so asserted, and include all supporting schedules, analyses, working papers and other documentation. If the Equityholders' Representative fails to deliver written notice of an Objection Dispute to Buyer within forty-five (45) days after delivery of the Purchase Price Adjustment Statement to the Equityholders' Representative, the Purchase Price Adjustment Statement shall be deemed final and binding on Buyer, the Constituent Companies, the Equityholders' Representative and the Equityholders for purposes of this Agreement.

(d) If the Equityholders' Representative timely delivers a notice of an Objection Dispute pursuant to Section 2.4(c), Buyer and the Equityholders' Representative shall negotiate in good faith to resolve any Objection Dispute and any resolution agreed to in writing by Buyer and the Equityholders' Representative shall be final and binding upon the Parties. If Buyer and the Equityholders' Representative are unable to resolve all Objection Disputes within twenty (20) days of delivery of written notice of such Objection Disputes by the Equityholders' Representative to Buyer, then the disputed matters shall, at the request of either the Equityholders' Representative or Buyer, be referred for final determination to an Accounting Arbitrator from an accounting firm of national standing, that has no material relationships with any of the Parties, jointly selected by Buyer and the Equityholders' Representative (the "Accounting Arbitrator") within fifteen (15) days thereafter. If Buyer and the Equityholders' Representative are unable to agree upon an Accounting Arbitrator within such time period, then the Accounting Arbitrator shall be an accounting firm of national standing designated by the American Arbitration Association in New York, New York. The Accounting Arbitrator shall only consider those items and amounts set forth on the Purchase Price Adjustment Statement as to which Buyer and the Equityholders' Representative have disagreed within the time periods and amounts and on the terms specified in Section 2.4(c) and this Section 2.4(d) and must resolve all unresolved Objection Disputes in accordance with the terms and provisions of this Agreement. The Accounting Arbitrator shall deliver to Buyer and the Equityholders' Representative, as promptly as practicable and in any event within sixty (60) days after its appointment, a written report setting forth the resolution of any unresolved Objection Disputes determined in accordance with the terms herein. In resolving any disputed item, the Accounting Arbitrator shall be bound by the principles set forth in this Section 2.4. The Accounting Arbitrator resolution shall be based solely on presentations and supporting material provided by the Parties and not pursuant to any independent review, shall not assign a value to any item greater than the greatest value for such item claimed by either Buyer or the Equityholders' Representative or less than the smallest value for such item claimed by either Buyer or the Equityholders' Representative. Such report shall be final and binding upon all of the Parties to this Agreement. Upon the agreement of Buyer and the Equityholders' Representative or the decision of the Accounting Arbitrator, or if the Equityholders' Representative fails to deliver written notice of disagreement to Buyer within the forty-five (45) day period provided in Section 2.4(c), the Purchase Price Adjustment Statement, as adjusted (if necessary) pursuant to the terms of this Agreement, shall be deemed to be the final Purchase Price Adjustment Statement for purposes of this Section 2.4 (the "Final Purchase Price Adjustment Statement") and shall be deemed to be final and binding on Buyer, the Constituent Companies, Largus, the Equityholders' Representative and the Equityholders for purposes of this Agreement. The Closing Date Net Working Capital, the Closing Cash, the Closing Funded Indebtedness and the Closing Transaction Expenses, each as shown on the Final Purchase Price Adjustment Statement, shall be referred to as the "Final Closing Date Net Working Capital," the "Final Closing Cash," the "Final Closing Funded Indebtedness" and the "Final Closing Transaction Expenses" respectively. The fees, expenses and costs of the Accounting Arbitrator shall be borne by Buyer and the Equityholders' Representative, respectively, in the proportion that the aggregate dollar amount of the disputed items submitted to the Accounting Arbitrator by such Party that are unsuccessfully disputed by such Party (as finally determined by the Accounting Arbitrator) bears to the aggregate dollar amount of disputed items submitted by Buyer and the Equityholders' Representative.

(e) If (i) (A) the sum of the Final Closing Date Net Working Capital, plus the Final Closing Cash, minus (B) the sum of the Final Closing Funded Indebtedness plus the Final Closing Transaction Expenses, exceeds (ii) (A) the sum of the Estimated Closing Date Net Working Capital, plus the Estimated Closing Cash, minus (B) the sum of the Estimated Closing Funded Indebtedness, plus the Estimated Closing Transaction Expenses by an amount greater than $500,000 (the sum of such excess plus $500,000, the "Net Positive Purchase Price Adjustment Amount"), then Buyer shall pay the Net Positive Purchase Price Adjustment Amount in cash in accordance with Section 2.4(g) to the account of each Equityholder as designated by the Equityholders' Representative and by wire transfer of immediately available funds. In addition, the Equityholders will be entitled to receive the amount then held in the Adjustment Escrow Account and Buyer and the Equityholders' Representative shall deliver a Joint Direction instructing to the Escrow Agent to make payment of such amount out of the Adjustment Escrow Account in accordance with Section 2.4(h) to the account of each Equityholder as designated by the Equityholders' Representative and by wire transfer of immediately available funds.

(f) If (i) (A) the sum of the Estimated Closing Date Net Working Capital, plus the Estimated Closing Cash, minus (B) the sum of the Estimated Closing Funded Indebtedness, plus the Estimated Closing Transaction Expenses, exceeds (ii) (A) the sum of the Final Closing Date Net Working Capital, plus the Final Closing Cash, minus (B) the sum of the Final Closing Funded Indebtedness, plus the Final Closing Transaction Expenses by an amount greater than $500,000 (such excess plus $500,000, the "Net Negative Purchase Price Adjustment Amount"), then Buyer shall be entitled to receive a payment in cash out of the Adjustment Escrow Account in an amount equal to the lesser of the Net Negative Purchase Price Adjustment Amount and the Adjustment Escrow Amount, and Buyer and the Equityholders' Representative shall deliver a Joint Direction instructing the Escrow Agent to make a payment to Buyer in an amount equal to the lesser of the Net Negative Purchase Price Adjustment Amount and the Adjustment Escrow Amount. Recovery from the Adjustment Escrow Account shall be the sole and exclusive remedy with respect to any claims arising out of or relating to the Net Negative Purchase Price Adjustment Amount and neither Buyer nor the Constituent Companies, Largus or any of their respective Affiliates shall have any claim against any Equityholder in respect thereof. In addition, if the amount of the Adjustment Escrow Amount is greater than the Net Negative Purchase Price Adjustment Amount, then Buyer and the Equityholders' Representative shall deliver a Joint Direction instructing the Escrow Agent to make an aggregate payment equal to the difference between the Adjustment Escrow Amount and the Net Negative Purchase Price Adjustment Amount for distribution in accordance with Section 2.4(h) to the account of each Equityholder as designated by the Equityholders' Representative and by wire transfer of immediately available funds.

(g) If it is determined pursuant to (i) Section 2.4(e) that the Net Positive Purchase Price Adjustment is $500,000 or less and (ii) Section 2.4(f) that the Net Negative Purchase Price Adjustment is $500,000 or less, then Buyer and the Equityholders' Representative shall deliver a Joint Direction instructing the Escrow Agent to make an aggregate payment equal to the amount then held in the Adjustment Escrow Account for distribution in accordance with Section 2.4(h) to the account of each Equityholder as designated by the Equityholders' Representative and by wire transfer of immediately available funds.

(h) Within two (2) Business Days following determination of the Final Purchase Price Adjustment Statement, Buyer shall pay the Net Positive Purchase Price Adjustment Amount, if any, and/or Buyer and the Equityholders' Representatives shall cause the Escrow Agent to promptly pay from the Adjustment Escrow Account pursuant to the last sentence of Section 2.4(e), Section 2.4(f) or Section 2.4(g), as applicable, to each Equityholder, an amount equal to the sum of (A) such Equityholder's Applicable Portion of the Net Positive Purchase Price Adjustment Amount, if any, plus (B) such Equityholder's Applicable Portion of the Adjustment Escrow Release Amount.

(i) The Parties hereto agree to treat any payment made pursuant to this Section 2.4 as an adjustment to the purchase price for federal, state, local and foreign income Tax purposes.

2.5. Purchase Price Allocation.

(a) Set forth on Schedule 2.5(a) is the agreement of Buyer and the Equityholders of the allocation of the Aggregate Cash Consideration less the amounts referenced in clause (z) of Section 2.3(b)(vi) among the Equity Securities of each of the EBL Companies.

(b) No less than ten (10) days prior to the Closing, Buyer will provide a schedule to the Equityholders' Representative (i) allocating the Aggregate Cash Consideration (less the amounts referenced in clause (z) of Section 2.3(b)(vi) and less the amounts allocated among the EBL Companies as set forth on Schedule 2.5(a)) among the Equity Securities of each of the Constituent Companies. Any dispute between Buyer and the Equityholders' Representative regarding the allocation referenced in this Section 2.5(b) shall be referred to the Accounting Arbitrator for final resolution, such resolution to be reached no later than two (2) days prior to the Closing.

ARTICLE III
Representations and Warranties of the Equityholders

Each Equityholder (solely with respect to itself and not with respect to any other Equityholder) hereby represents and warrants to Buyer as follows:

3.1. Organization and Power.

Each Equityholder that is not a natural person has been duly formed and is validly existing and in good standing under the Laws of its jurisdiction of formation and has the requisite power and authority to own or lease its properties and assets and to conduct its business as it is now being conducted. Each Equityholder who is a natural person has full legal capacity, rights and authority to perform his or her obligations under this Agreement and the Ancillary Documents to which such Equityholder is a Party and to consummate the Contemplated Transactions that are required to be performed by such Equityholder.

3.2. Authorization and Enforceability.

The execution and delivery of this Agreement and the Ancillary Documents to which such Equityholder is a Party and the performance by the Equityholder of the Contemplated Transactions that are required to be performed by such Equityholder have been duly authorized by such Equityholder and, to the extent such Equityholder is not a natural Person, no other corporate proceedings on the part of such Equityholder are necessary to authorize the execution, delivery and performance of this Agreement and the Ancillary Documents to which such Equityholder is a Party or the consummation of the Contemplated Transactions that are required to be performed by such Equityholder. This Agreement and each of the Ancillary Documents to be executed and delivered at the Closing by such Equityholder will be, at the Closing, duly authorized, executed and delivered by such Equityholder and constitutes, or as of the Closing Date will constitute, a valid and legally binding agreement of such Equityholder, enforceable against such Equityholder, in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

3.3. Title.

Such Equityholder has good and valid title to the Acquired Equity Securities held by such Equityholder set forth on Exhibit A attached hereto, free and clear of any Liens, other than restrictions on transfer that may be imposed by generally applicable securities Laws, restrictions under the Stockholders Agreement and the agreements entered into by Buyer incident to this Agreement. Such Equityholder has the power and authority to sell, transfer, assign, convey and deliver such Acquired Equity Securities, and such delivery will convey to Buyer at the Closing good and valid title to such Acquired Equity Securities, free and clear of all Liens, other than restrictions on transfer that may be imposed by generally applicable securities Laws and the agreements entered into by Buyer incident to this Agreement.

3.4. No Violation.

The execution and delivery by such Equityholder of this Agreement and the Ancillary Documents to which such Equityholder is a Party, consummation of the Contemplated Transactions that are required to be performed by such Equityholder and compliance with the terms of this Agreement and the Ancillary Documents to which such Equityholder is a Party will not (a) to the extent such Equityholder is not a natural Person, conflict with or violate any provision of the certificate or articles of incorporation, bylaws or other similar organizational documents of such Equityholder, (b) assuming that all consents, approvals and authorizations contemplated by Section 3.5 have been obtained, conflict with or violate in any material respect any applicable Law or Order, (c) violate or result in a breach of or constitute a default under, or require the consent of any third party under, or result in or permit the termination or amendment of any provision of, or result in or permit the acceleration of the maturity or cancellation of performance of any obligation under, or result in the creation or imposition of any Lien (other than any Permitted Lien) of any nature whatsoever upon any assets or property or give to others any interests or rights therein under, any material Contract to which such Equityholder is a Party or by which such Equityholder may be bound or (d) result in the creation of, or require the creation of, any material Lien upon any shares of Equity Securities of the Constituent Companies, except, in the case of clause (c), to the extent such violation, breach, default, required consent, termination, acceleration, material Lien or right would not, individually or in the aggregate, adversely affect the ability of such Equityholder to consummate the Contemplated Transactions and fulfill its obligations hereunder.

3.5. Governmental Authorizations and Consents.

No consents, licenses, approvals or authorizations of, or registrations, declarations or filings with, any Governmental Authority ("Governmental Consents") are required to be obtained or made by such Equityholder in connection with the execution, delivery and performance of this Agreement or any Ancillary Documents to which such Equityholder is, or is to be, a Party or the consummation by such Equityholder of the Contemplated Transactions that are required to be performed by such Equityholder, except for those for which the failure to obtain such Governmental Consents would not, individually or in the aggregate, be material to the Constituent Companies and their Subsidiaries taken as a whole.

3.6. No Brokers.

Except as set forth in Section 4.21 of the Constituent Company Disclosure Schedule, such Equityholder has not employed or incurred any liability to any broker, finder or agent for any brokerage fees, finder's fees, commissions or other amounts with respect to this Agreement, the Ancillary Documents or the Contemplated Transactions, in each case which would constitute a liability of the Constituent Companies.

3.7. Disclaimer.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, NEITHER THE CONSTITUENT COMPANIES, LARGUS THE EQUITYHOLDERS NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AFFILIATES, REPRESENTATIVES OR ADVISORS HAS MADE, OR SHALL BE DEEMED TO HAVE MADE, TO BUYER OR ANY OTHER PERSON ANY REPRESENTATION OR WARRANTY OTHER THAN THOSE EXPRESSLY SET FORTH IN THIS ARTICLE III AND ARTICLE IV. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE III AND ARTICLE IV, NO REPRESENTATION OR WARRANTY HAS BEEN MADE OR IS BEING MADE, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY HEREIN TO BUYER OR ANY OTHER PERSON (I) IN RESPECT OF THE CONSTITUENT COMPANIES OR ANY SUBSIDIARY OR LARGUS OR ANY OF THEIR RESPECTIVE ASSETS, LIABILITIES OR OPERATIONS, INCLUDING AS TO MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR QUALITY, WITH RESPECT TO ANY TANGIBLE ASSETS OR AS TO THE CONDITION OR WORKMANSHIP THEREOF OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT (OR ANY OTHER REPRESENTATION OR WARRANTY REFERRED TO IN SECTION 2-312 OF THE UNIFORM COMMERCIAL CODE OF ANY APPLICABLE JURISDICTION), (II) WITH RESPECT TO ANY PROJECTIONS, FORECASTS, BUSINESS PLANS, ESTIMATES OR BUDGETS DELIVERED TO OR MADE AVAILABLE TO BUYER OR ANY OTHER PERSON, OR (III) WITH RESPECT TO ANY OTHER INFORMATION OR DOCUMENTS MADE AVAILABLE AT ANY TIME TO BUYER OR ANY OTHER PERSON, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED. BUYER HEREBY ACKNOWLEDGES AND AGREES THAT, EXCEPT TO THE EXTENT SPECIFICALLY SET FORTH IN THIS ARTICLE III AND ARTICLE IV, BUYER IS ACQUIRING THE EQUITY SECURITIES ON AN "AS IS, WHERE IS" BASIS. THE DISCLOSURE OF ANY MATTER OR ITEM IN ANY SCHEDULE HERETO WILL NOT BE DEEMED TO CONSTITUTE AN ACKNOWLEDGMENT THAT ANY SUCH MATTER IS REQUIRED TO BE DISCLOSED.

ARTICLE IV
Representations and Warranties of the Constituent Companies and Largus

Except as set forth in the Constituent Company Disclosure Schedule, the Constituent Companies (with respect to the Constituent Companies only) and Largus (with respect to Largus only) hereby represent and warrant to Buyer as follows:

4.1. Organization and Power.

(a) Each Constituent Company and each of its Subsidiaries is a corporation or limited liability company duly incorporated or organized, validly existing and, where relevant, in good standing under the Laws of its respective jurisdiction of organization. Each Constituent Company has full power and authority to execute, deliver and perform this Agreement and the Ancillary Documents to which it is a Party and to consummate the Contemplated Transactions. Each Constituent Company and each of its Subsidiaries has all power and authority, and possesses all governmental licenses and permits necessary to enable it to own or lease and to operate its properties and assets and carry on its business as currently conducted, except such licenses and permits the absence of which would not, individually or in the aggregate, be material to the Constituent Companies and their Subsidiaries taken as a whole.

(b) Each Constituent Company and each of its Subsidiaries is duly qualified to do business as a foreign corporation in each jurisdiction in which the nature of the business transacted by it or the character of the properties owned or leased by it require such qualification, except where the failure to be so qualified would not, individually or in aggregate, be material to the Constituent Companies and their Subsidiaries taken as a whole. True and complete copies of the certificate or articles of incorporation, bylaws, certificate of formation, limited liability company operating agreement or other organizational or governance documents of the Constituent Companies and their Subsidiaries, all as amended to date of this Agreement, have been previously made available to Buyer.

(c) Each Constituent Company and its Subsidiaries is a "citizen of the United States" as such term is defined in the Section 2 of the Merchant Marine Act of 1916 and has been for as long as it has owned or operated any of the Vessels in U.S. Coastwise Trade.

4.2. Authorization and Enforceability.

The execution and delivery of this Agreement and the Ancillary Documents to which any of the Constituent Companies is a Party and the performance by the Constituent Companies of the Contemplated Transactions that are required to be performed by the Constituent Companies have been duly authorized by the Constituent Companies and no other corporate or limited liability company proceedings on the part of the Constituent Companies are necessary to authorize the execution, delivery and performance of this Agreement and the Ancillary Documents to which any of the Constituent Companies is a Party or the consummation of the Contemplated Transactions that are required to be performed by the Constituent Companies. This Agreement and each of the Ancillary Documents to be executed and delivered at the Closing by the Constituent Companies will be, at the Closing, duly authorized, executed and delivered by the Constituent Companies and constitutes, or as of the Closing Date will constitute, a valid and legally binding agreement of the Constituent Companies enforceable against the Constituent Companies in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

4.3. Capitalization of the Constituent Companies and their Subsidiaries.

(a) The Constituent Companies. Section 4.3(a)(i) of the Constituent Company Disclosure Schedule sets forth for each Constituent Company a true and correct list of its authorized Equity Securities, the number and type of its issued and outstanding Equity Securities and the current record and beneficial ownership of such Constituent Company's Equity Securities. All issued and outstanding Constituent Company Equity Securities are duly authorized, have been validly issued and are fully paid and non-assessable, have not been issued in violation of any preemptive or similar rights and were issued in compliance with applicable securities Laws or exemptions therefrom. Except as set forth on Section 4.3(a)(i) of the Constituent Company Disclosure Schedule, at the close of business on the date hereof, no shares of capital stock or other Equity Securities of the Constituent Companies were issued, reserved for issuance or outstanding. No Constituent Company has any outstanding options or other securities convertible into or exchangeable or exercisable for any shares of its Equity Securities or any rights to subscribe for or to purchase, or any agreements providing for the issuance (contingent or otherwise) of any shares of its Equity Securities. Except as set forth in Section 4.3(a)(iii) of the Constituent Company Disclosure Schedule, none of the Constituent Companies are Parties to any right of first refusal, right of first offer, proxy, voting agreement, voting trust, registration rights agreement or stockholders agreement, whether or not a Constituent Company is a Party thereto, with respect to the sale or voting of any Equity Securities of the Constituent Companies, or any securities convertible into or exchangeable or exercisable for any Equity Securities of the Constituent Companies.

(b) Subsidiaries. Section 4.3(b)(i) of the Constituent Company Disclosure Schedule sets forth a true, correct and complete list of all Subsidiaries of the Constituent Companies, listing for each Subsidiary its name, its jurisdiction of organization, its authorized Equity Securities and the ownership of all issued and outstanding Equity Securities. All the outstanding Equity Securities of each of the Constituent Companies' Subsidiaries are validly issued, fully paid and nonassessable, have not been issued in violation of any preemptive or similar rights, and are owned, directly or indirectly, by the Constituent Companies. Except as set forth in Section 4.3(b)(i) of the Constituent Company Disclosure Schedule, there are no outstanding securities convertible into or exchangeable or exercisable for any Equity Securities of any of the Constituent Companies' Subsidiaries or any rights to subscribe for or to purchase, or any agreements providing for the issuance (contingent or otherwise) of any Equity Securities of any of the Constituent Companies' Subsidiaries. Except as set forth in Section 4.3(b)(iii) of the Constituent Company Disclosure Schedule, none of the Constituent Companies' Subsidiaries are a Party to any right of first refusal, right of first offer, proxy, voting agreement, voting trust, registration rights agreement or stockholders agreement, whether or not a Subsidiary of any of the Constituent Companies is a Party thereto, with respect to the sale or voting of any Equity Securities of the Subsidiaries of the Constituent Companies or any securities convertible into or exchangeable or exercisable for any Equity Securities of the Subsidiaries of the Constituent Companies.

4.4. No Violation.

The execution and delivery by the Constituent Companies of this Agreement and the Ancillary Documents to which any of the Constituent Companies is a Party, the consummation of the Contemplated Transactions by the Constituent Companies and compliance with the terms of this Agreement and the Ancillary Documents to which the Constituent Companies are a Party will not (a) conflict with or violate any provision of the certificate or articles of incorporation, bylaws or other similar organizational documents of the Constituent Companies or any of their Subsidiaries, (b) assuming that all consents, approvals and authorizations contemplated by Section 4.5 have been obtained, conflict with or violate in any material respect any Law or Order applicable to the Constituent Companies or to any of their Subsidiaries or by which their or any of their respective properties are bound or affected (c) except as disclosed on Section 4.4 of the Constituent Company Disclosure Schedule, violate or result in a breach of or constitute a default under, or require the consent of any third party under, or result in or permit the termination or amendment of any provision of, or result in or permit the acceleration of the maturity or cancellation of performance of any obligation under, or result in the creation or imposition of any Lien (other than any Permitted Lien) of any nature whatsoever upon any assets or property or give to others any interests or rights therein under, any Material Contract or (d) result in the creation of, or require the creation of, any material Lien upon any Equity Securities of the Constituent Companies.

4.5. Governmental Authorizations and Consents.

No Governmental Consents are required to be obtained or made by the Constituent Companies in connection with the execution, delivery and performance of this Agreement or any Ancillary Documents to which any of the Constituent Companies is, or is to be, a Party or the consummation by the Constituent Companies of the Contemplated Transactions, except for those for which the failure to obtain such Governmental Consents would not, individually or in the aggregate, be material to the Constituent Companies and their Subsidiaries taken as a whole. All representations, warranties, statements or other communications, whether express or implied, made by any of the Constituent Companies to any Governmental Authority in connection with any Governmental Consents shall be true and correct, except for those for which the failure to true and correct would not, individually or in the aggregate, be material to the Constituent Companies and their Subsidiaries taken as a whole.

4.6. Financial Statements.

(a) Section 4.6(a) of the Constituent Company Disclosure Schedule sets forth the following financial statements (the "Financial Statements"): (i) the audited consolidated balance sheet of Higman Marine, Inc. and its Subsidiaries as of December 31, 2015 and December 31, 2016 and the related consolidated statements of income and cash flows for the years ending December 31, 2015 and December 31, 2016 (the "Audited Financial Statements"), (ii) the unaudited consolidated balance sheet of Higman Marine, Inc. and its Subsidiaries as of September 30, 2017 (the "Balance Sheet Date"), and the related unaudited consolidated statements of income and cash flows for the nine-month period ending on such date and (iii) the unaudited balance sheets of each of the EBL Companies, of 16530 Peninsula Blvd. LLC and of Alamo Barge Lines LLC, as of September 30, 2017 and the related income statements for the nine-month period ending on September 30, 2017 (the financial statements referenced in clauses (ii) and (iii), collectively, the "Unaudited Financial Statements").

(b) Except as set forth in Section 4.6(b) of the Constituent Company Disclosure Schedule, the Financial Statements have been prepared in accordance with GAAP applied on a basis consistent with prior periods and fairly present in all material respects the consolidated financial condition of the Constituent Companies and their Subsidiaries as of its respective date and the consolidated results of operations and stockholders' equity, or cash flows, as the case may be, of the Constituent Companies and their Subsidiaries for the period covered thereby, subject, in the case of the Unaudited Financial Statements, to the absence of footnote disclosure and to end-of-period adjustments.

4.7. No Undisclosed Liabilities.

(a) As of the date hereof, there is no liability, commitment or obligation of the Constituent Companies of a nature required by GAAP to be reflected on a consolidated balance sheet of Higman Marine, Inc. and its Subsidiaries, or a balance sheet of the other Constituent Companies, as applicable, other than (i) liabilities, commitments or obligations reflected, accrued or reserved against in the Financial Statements, (ii) incurred since the Balance Sheet Date in the ordinary course of business consistent with past practice or (iii) as set forth in Section 4.7 of the Constituent Company Disclosure Schedule.

(b) As of the Closing Date, the notice delivered pursuant to Section 2.3(a)(ii) will be complete and accurate.

4.8. Absence of Certain Changes.

Except as set forth in Section 4.8 of the Constituent Company Disclosure Schedule or as reflected on the Financial Statements, since the Balance Sheet Date, (i) each of the Constituent Companies and their Subsidiaries has conducted its business in the ordinary course and in a manner consistent with past practice, and there has not been any material change in the businesses, operations or financial conditions of the Constituent Companies or any of their Subsidiaries and (ii) through the date hereof, neither the Constituent Companies nor any of their Subsidiaries has:

(a) acquired, sold, leased, transferred, mortgaged or assigned any assets, tangible or intangible, for an amount that exceeds $500,000 in the aggregate or any business, other than acquisitions or sales of assets or services in the ordinary course of business consistent with past practice;

(b) incurred, assumed, guaranteed or discharged any Indebtedness, in an amount that exceeds $500,000 in the aggregate, except in the ordinary course of business consistent with past practice which, for the avoidance of doubt, includes incurrence of Indebtedness in relation to (i) maintenance, repairs, refurbishments and replacements required to maintain the classification of any of the Vessels owned, leased or chartered to or by the Constituent Companies or any of their Subsidiaries; (ii) drydocking of any of the Vessels owned or leased by the Constituent Companies or any of their Subsidiaries for maintenance, repair, refurbishment or replacement purposes in the ordinary course of business; and (iii) any expenditures which will or may reasonably be expected to be recoverable from insurance on such Vessels;

(c) taken any action other than in the ordinary course of business and consistent with past practice, to pay, discharge, settle or satisfy any material claim or material Liability;

(d) agreed to incur capital expenditures in excess of $500,000 individually or in the aggregate;

(e) modified its certificate of incorporation or bylaws or similar organizational documents;

(f) issued, sold or otherwise permitted to become outstanding any Equity Securities, or split, combined, reclassified, repurchased or redeemed any of its Equity Securities;

(g) entered into or amended any Material Contract or any other agreement which by its terms would require consent to the Contemplated Transactions by the other Party or Parties to such agreement (unless consent to the Contemplated Transactions is granted by the counterparty in writing at the time such agreement is entered into);

(h) (iii) entered into any Contract that purports to limit, curtail or restrict the kinds of businesses which the Constituent Companies may conduct, or the Persons with whom they can compete;

(i) other than in the ordinary course of business consistent with past practice, entered into or adopted or materially amended or terminated any Constituent Company Personnel Contract with a base salary or severance amount, as applicable, of more than $250,000;

(j) had any actual or overtly threatened employee strikes, work stoppages, slowdowns or lockouts;

(k) except as otherwise required by Law, entered into, amended, adopted, modified, varied, altered, terminated or otherwise changed any of the Plans;

(l) adopted a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization;

(m) except as set forth on Section 4.8(m) of the Constituent Company Disclosure Schedule, acquired by merger or consolidation with, or by purchasing a substantial equity interest in or substantial portion of the assets of, any Person, corporation, limited liability company, partnership joint venture, association or other business organization or division thereof;

(n) divested, sold or otherwise disposed of, or encumbered any asset of the Constituent Companies or their Subsidiaries (including Equity Securities of the Constituent Companies' Subsidiaries), other than in the ordinary course of business consistent with past practice; provided that the sale or other disposition of any barge or towboat, except for scrapping of vessels, shall not be considered to be in the ordinary course of business;

(o) incurred any material damage, destruction or casualty loss, or any material interruption in use, affecting any Vessel or other material asset of the Constituent Companies, whether or not covered by insurance;

(p) materially increased the compensation of the Constituent Company Employees, other than as required by any Laws; or

(q) authorized, agreed, resolved or committed to any of the foregoing.

4.9. Real Property.

(a) Section 4.9(a) of the Constituent Company Disclosure Schedule includes a true and correct list of all material real property leases, subleases, licenses or other occupancies in effect as of the date hereof to which any of the Constituent Companies or their Subsidiaries is a Party as lessee or lessor (the "Real Property Leases," and the properties leased thereunder, the "Leased Real Property"). The leasehold interests relating to the Real Property Leases are free and clear of all Liens, other than Permitted Liens. No default by the Constituent Companies or their Subsidiaries, or, to the Knowledge of the Constituent Companies, the lessor, exists under any Real Property Leases, and each Real Property Lease is legal, valid and binding on, and enforceable against, the Constituent Companies or their Subsidiaries, as applicable, and, to the Knowledge of the Constituent Companies, on and against the lessor, in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(b) Schedule 4.9(b) of the Constituent Company Disclosure Schedule sets forth a list of all real property owned by any Constituent Company or any of its Subsidiaries. Each Constituent Company or its Subsidiaries, as applicable, has good and valid fee title to, or, with respect to Leased Real Property, a valid leasehold interest in, all of the Constituent Company Real Property, subject to Permitted Liens.

4.10. Intellectual Property.

(a) Section 4.10(a) of the Constituent Company Disclosure Schedule sets forth a list as of the date hereof of all patents, patent applications, trademark registrations and applications, copyright registrations, and domain name registrations, in each case, owned by the Constituent Companies or any of their Subsidiaries. To the Knowledge of the Constituent Companies, each of the Constituent Company Intellectual Property identified on Schedule 4.10(a) of the Constituent Company Disclosure Schedule is subsisting and in good standing with the Governmental Authorities with which such Constituent Company Intellectual Property is registered or pending.

(b) To the Knowledge of the Constituent Companies, the Constituent Companies and their Subsidiaries own or otherwise have sufficient right to use all material Intellectual Property used in connection with the business of the Constituent Companies and their Subsidiaries as currently conducted as of the date hereof.

(c) To the Knowledge of the Constituent Companies, the operation of the business of the Constituent Companies and their Subsidiaries does not, as of the date hereof, infringe or misappropriate any Intellectual Property of third parties in any material respect. To the Knowledge of the Constituent Companies, no third party is infringing or misappropriating any Constituent Company Intellectual Property in any material respect. No proceeding alleging misappropriation or infringement of the Intellectual Property of any Person is pending or, to the Knowledge of the Constituent Companies, threatened against the Constituent Companies or any of their Subsidiaries.

(d) Each Constituent Company has taken (and has caused its Subsidiaries to take) commercially reasonable precautions to protect the confidentiality of the material trade secrets owned by the Constituent Companies and their Subsidiaries and used in connection with operation of their business as currently conducted as of the date hereof.

4.11. Contracts.

(a) Material Contracts. Section 4.11(a) of the Constituent Company Disclosure Schedule is a true and complete list, as of the date hereof, of all of the following Contracts to which any of the Constituent Companies or their Subsidiaries is a Party or by which they are bound, in each case excluding any such Contract that is solely between or among the Constituent Companies and one or more of their Subsidiaries or between or among any such Constituent Companies or Subsidiaries (the "Material Contracts"):

(i) Contracts evidencing Indebtedness in excess of $500,000;

(ii) Contracts evidencing any obligations of the Constituent Companies or any of their Subsidiaries with respect to the issuance, sale, repurchase or redemption of any Equity Securities of the Constituent Companies or any of their Subsidiaries;

(iii) all Real Property Leases;

(iv) all Constituent Company Personnel Contracts that provide for annual base compensation in excess of $250,000 and all Contracts pursuant to which any D&O Indemnified Parties are indemnified;

(v) all Constituent Company IP Agreements involving payments to or from the Constituent Companies or any of their Subsidiaries in excess of $250,000 per annum, in each case that are material to the operation of the business of the Constituent Companies and their Subsidiaries;

(vi) leases of personal property, other than Vessels, under which the Constituent Companies or any of their Subsidiaries is the lessee and is obligated to make payments in excess of $500,000 per annum;

(vii) Contracts relating to the acquisition or disposition of any capital stock, business or product line of any other Person entered into at any time during the last two (2) years;

(viii) Contracts limiting the freedom of the Constituent Companies to engage in any line of business, acquire any entity or compete with any Person or in any market or geographical area;

(ix) any labor or collective bargaining agreements;

(x) any joint venture and limited partnership agreements;

(xi) standby letters of credit;

(xii) any Contract with the Top Customers that cannot be terminated without penalty on one hundred eighty (180) days or less notice; and

(xiii) any Contract not of a type listed above (excluding purchase and spot transportation orders and Contracts involving purchase, sale, lease or charter of Vessels) involving reasonably anticipated payments to or from the Constituent Companies or any of their Subsidiaries in excess of $500,000 per annum and that does not expire or is not terminable without penalty within a one hundred eighty (180) day period.

(b) Status of Material Contracts. A true and complete copy of each Material Contract has been made available to Buyer. Except as disclosed in Section 4.11(b) of the Constituent Company Disclosure Schedule, all Material Contracts are valid, binding and in full force and effect and enforceable by the Constituent Companies or their Subsidiaries in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization and other Laws of general applicability relating to or affecting creditors' rights and to general equity principles. With respect to each Material Contract, as of the date of this Agreement (i) neither the Constituent Companies nor any of their Subsidiaries are in default under or in breach of, or in receipt of any written claim of default under or breach of, or threatened termination or nonrenewal of, any Material Contract, (ii) to the Knowledge of the Constituent Companies no other Party to any Material Contract is in default under or in breach of any Material Contract and (iii) no event has occurred which, with or without the lapse of time or the giving of notice or both, would result in a default under or breach of any Material Contract by any Party, except, in the case of clauses (i), (ii) and (iii) above, for such defaults, breaches, termination or nonrenewal which would not, individually or in the aggregate, be material to the Constituent Companies and their Subsidiaries taken as a whole.

4.12. Compliance with Laws.

(a) Neither the Constituent Companies nor any of their Subsidiaries is, or since December 31, 2016 has been, in violation in any material respect of any Law that is applicable to it or the conduct or operation of its business or the ownership or use of any of its assets.

(b) The Constituent Companies and their Subsidiaries hold all material certifications, licenses, permits, authorizations and approvals ("Permits") which are required under applicable Law for the operation of the business of the Constituent Companies and their Subsidiaries as currently conducted as of the date hereof, except such Permits whose absence would not, individually or in the aggregate, be material to the Constituent Companies and their Subsidiaries taken as a whole. All such Permits are in full force and effect, and no suspension, revocation, cancellation or modification of any of them is, to the Knowledge of the Constituent Companies, threatened, except for any such suspension, revocation, cancellation or modification that would not, individually or in the aggregate, have a Constituent Company Material Adverse Effect.

4.13. Environmental Matters.

(a) Except as set forth in Section 4.13 of the Constituent Company Disclosure Schedule, the Constituent Companies and their Subsidiaries are in compliance, in all material respects, with all applicable Environmental Laws.

(b) Except as set forth in Section 4.13 of the Constituent Company Disclosure Schedule, the Constituent Companies and their Subsidiaries have obtained all Governmental Consents required by applicable Environmental Laws (collectively referred to as "Environmental Permits") and are in compliance, in all material respects, with the terms and conditions of such Environmental Permits.

(c) Except as set forth in Section 4.13 of the Constituent Company Disclosure Schedule, neither the Constituent Companies nor any of their Subsidiaries have received notice of any pending Order or Litigation concerning liability, potential liability, noncompliance, alleged violation, or condition of the Constituent Companies or any of their Subsidiaries or Vessels under any Environmental Law, nor to the Knowledge of the Constituent Companies, is any such Order or Litigation threatened.

(d) Except as set forth in Section 4.13 of the Constituent Company Disclosure Schedule, the Constituent Companies and their applicable Subsidiaries maintain (i) valid Certificates of Financial Responsibility (Water Pollution) issued by the U.S. Coast Guard pursuant to the Oil Pollution Act for the Vessels (to the extent that such certificate may be required by applicable Laws), (ii) U.S. Coast Guard Vessel Response and Salvage and Marine Firefighting Plans pursuant to 33 C.F.R. Part 155, (iii) Shipboard Oil Pollution Emergency Plans and any other applicable governmental plan or approval pursuant to 33 C.F.R. Part 151, and (iv) such other similar certificates as are required in the present operation of any of the Vessels pursuant to applicable Laws.

(e) Except as set forth on Section 4.13 of the Constituent Company Disclosure Schedule, to the Knowledge of the Constituent Companies, the Constituent Companies have not disposed of any Hazardous Substances at the Constituent Company Real Property in material violation of Environmental Law.

(f) Except as set forth on Section 4.13 of the Constituent Company Disclosure Schedule, there are no Liens pursuant to any Environmental Law against any Constituent Company Real Property or Vessels (other than Permitted Liens).

(g) Except as set forth on Section 4.13 of the Constituent Company Disclosure Schedule, neither the Constituent Companies nor their Subsidiaries have, either expressly or by operation of Law, assumed, retained or undertaken any surviving obligation to remediate a release of Hazardous Substances of any other Person.

(h) Except as set forth on Section 4.13 of the Constituent Company Disclosure Schedule, neither the Constituent Companies nor their Subsidiaries have received notice or otherwise, to the Knowledge of the Constituent Companies, possesses information concerning material Liabilities of the Constituent Companies or their Subsidiaries, under Environmental Laws as a result of the transportation, storage or disposal of Hazardous Substances, other than any such Liabilities that have been fully resolved.

(i) Except as set forth on Section 4.13 of the Constituent Company Disclosure Schedule, neither the Constituent Companies nor their Subsidiaries have received notice or otherwise, to the Knowledge of the Constituent Companies, possesses information concerning soil, groundwater or sediments contamination, or potential soil, groundwater or sediments contamination, with respect to properties or assets currently or, to the Knowledge of the Constituent Companies, formerly owned, leased or operated by the Constituent Companies or their Subsidiaries.

(j) Except as set forth on Section 4.13 of the Constituent Company Disclosure Schedule, to the Knowledge of the Constituent Companies, there have been no releases of any Hazardous Substances into the environment, or transportation, storage or disposal of hazardous substances at any location, by the Constituent Companies or their Subsidiaries that could reasonably be expected to result in any material investigatory, remedial or corrective action obligation on the part of the Constituent Companies under Environmental Laws.

4.14. Constituent Company Vessels.

(a) Section 4.14(a) of the Constituent Company Disclosure Schedule contains an accurate and complete list of all of the Vessels as of February 4, 2018, including, with respect to each Vessel: (i) its name, (ii) its official number, (iii) its flag, and (iv) whether such Vessel is owned, leased or chartered.

(b) Each of the Vessels listed in Section 4.14(a) of the Constituent Company Disclosure Schedule is (i) free and clear of all Liens, other than Permitted Liens, (ii) seaworthy, adequate and suitable for use by the Constituent Companies or their applicable Subsidiaries in their business as presently conducted as of the date hereof, (iii) has been reasonably maintained consistent with standards generally followed in the industry (giving due account to the age and length of use of same, ordinary wear and tear excepted), and (iv) is in compliance in all material respects with applicable Laws.

(c) Each of the Vessels owned by the Constituent Companies or any of their Subsidiaries: (i) was built in the United States, (ii) is eligible for U.S. Coastwise Trade, (iii) is documented as a U.S. flag vessel and has a valid "Certificate of Documentation" with coastwise endorsements, and (iv) has never been (A) registered under the laws of a foreign country, (B) sold foreign in whole or in part, or (C) been rebuilt foreign (as defined in 46 C.F.R. Sec. 67.177).

4.15. Condition and Sufficiency of Assets.

Except as set forth in Section 4.15 of the Constituent Company Disclosure Schedule, the material assets of the Constituent Companies, including any assets held under leases or licenses: (a) are, to the extent they are tangible assets other than Vessels, in all material respects (i) in good condition, working order and repair, ordinary wear and tear excepted, (ii) have been properly and regularly maintained, and (iii) are suitable for their current uses; and (b) constitute all material assets used or held for use by the Constituent Companies in the conduct of a Permitted Business. There are no material assets used by any of the Constituent Companies in a Permitted Business that are owned by any of the Equityholders or any of their Affiliates (other than another Constituent Company).

4.16. Litigation.

Except as set forth in Section 4.15 of the Constituent Company Disclosure Schedule, as of the date hereof: (a) there are no claims, actions, suits, or proceedings ("Litigation") pending or, to the Knowledge of the Constituent Companies, threatened, against the Constituent Companies or any of their Subsidiaries or their respective properties or business, at law or in equity before any Governmental Authority, other than Litigation for amounts in controversy that are less than $35,000; and (b) to the Knowledge of the Constituent Companies, other than in the course of Litigation referenced in the preceding clause (a), there is no Order to which the Constituent Companies or their Subsidiaries is subject.

4.17. Labor Matters.

(a) Section 4.17(a)(i) of the Constituent Company Disclosure Schedule contains a list of all persons who are employees, independent contractors or consultants of the Constituent Companies as of the date hereof, including any employee who is on a leave of absence of any nature, paid or unpaid, authorized or unauthorized (but not including any former employees, independent contractors, or consultants), and sets forth the name and title or position (including whether full or part time) of each such individual. Complete information with respect to each individual listed in Section 4.17(a)(i) of the Constituent Company Disclosure Schedule concerning the respective (i) hire or service start date; (ii) current compensation rate; and (iii) employment or service status (whether actively employed or on leave as of the date hereof) of such individual has been made available to Buyer. Except as set forth in Section 4.17(a)(ii) of the Constituent Company Disclosure Schedule, as of the date hereof all compensation, including wages, commissions and bonuses, to the extent payable to all employees, independent contractors or consultants of the Constituent Companies for services performed on or prior to the date hereof, have been paid in full or accrued in full, and there are no outstanding material agreements, understandings or commitments of the Constituent Companies with respect to any compensation, commissions or bonuses.

(b) The Constituent Companies are in compliance with all Laws respecting employment, including WARN, wages and hours of work, meal and rest break laws, expense reimbursement laws, discrimination, harassment, retaliation, disability, civil rights, immigration, pay equity, terms and conditions of employment, worker classification (including the proper classification of workers as exempt vs. nonexempt and workers, and as independent contractors or consultants), the Fair Labor Standards Act and its state law equivalents, Title VII and its state law equivalents, all Laws governing leaves of absence including the Family Medical Leave Act and its state law equivalents, and occupational health and safety. The Constituent Companies have complied in all material respects with all recordkeeping Laws including but not limited to all accountings related to wages, sick pay, vacation accrual, and time records.

(c) Neither the Constituent Companies nor any of their Subsidiaries (i) is, or at any time during the past six (6) years, has been, a Party to any collective bargaining agreements or other agreements with any labor organization or union, works council, or other employee organization (each, an "Employee Representative") (and no such agreement is currently being requested by, or is under discussion by management with, any employee or others) and neither the Constituent Companies nor any Subsidiary is currently negotiating, or obligated to negotiate, any such agreement with any union, labor organization, employee or others; or (ii) is obligated by, or subject to, any order of the National Labor Relations Board or other labor board or administration, or any unfair labor practice decision.

(d) The Constituent Companies are in compliance in all material respects with WARN, or any similar state or local law. In the past two years, (i) no Constituent Company has effectuated a "plant closing" (as defined under WARN) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of its business; (ii) there has not occurred a "mass layoff" (as defined under WARN) affecting any site of employment or facility of any Constituent Company; and (iii) the Constituent Companies have not been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state, local or foreign law or regulation. Except as set forth on Section 4.17(d) of the Constituent Company Disclosure Schedule, no Constituent Company has caused any of its employees to suffer an "employment loss" (as defined under WARN) during the last 90-day period prior to the date hereof.

4.18. Employee Benefits.

(a) Section 4.18(a) of the Constituent Company Disclosure Schedule lists all employee benefit plans (as defined in Section 3(3) of ERISA, whether or not subject to ERISA) and all bonus, stock option, stock purchase, other equity-based profit sharing, savings, disability, incentive, deferred compensation, retirement, severance, employment, retention, change in control or other employee benefit plans or programs, maintained or contributed to or required to be contributed to, by any Constituent Company for the benefit of, or relating to, any current or former employees, independent contractors and directors of any Constituent Company or any of its Subsidiaries or under which any Constituent Company has any Liability with respect to any such individual (individually, a "Plan," collectively, the "Plans"). Each Plan that is an employment, change in control, retention or severance agreement between the Constituent Companies and an employee, director, or consultant of any Constituent Company is referred to herein as a "Constituent Company Personnel Contract." No Plan is maintained, sponsored, contributed to, or required to be contributed for the benefit of employees outside of the United States.

(b) With respect to each Plan, the Constituent Companies have provided to Buyer, as applicable, complete copies of: (i) all Plan documents (or a summary of the material terms of such Plan if no document exists), (ii) all funding documents in respect of any Plan which is required to be funded and all administrative arrangement documents, including, but not limited to, trust agreements, insurance contracts, custodial agreements and investment manager or advisory agreements, (iii) the latest favorable determination letter received from the Internal Revenue Service ("IRS") regarding the qualification of each Plan covered by Section 401(a) of the Code, (iv) the most recently filed Form 5500, with schedules and financial statements attached, (v) the most recent actuarial report, (vi) the most recent nondiscrimination tests performed under the Code, and (vii) non-routine notices, letters or other correspondences received during the two (2) years prior to the date hereof from the IRS, Department of Labor, Pension Benefit Guaranty Corporation ("PBGC") or other Governmental Authority relating to the Plan.

(c) (i) each Plan has been maintained and administered in compliance in all material respects with all applicable Laws, Orders, statutes, regulations and rules issued by a Governmental Authority, (ii) each Plan has operated in compliance in all materials respects with its terms, and (iii) all benefits, contributions and premiums relating to each Plan have been paid without any material delay in accordance with the terms of such Plan and all applicable Laws, and all benefits accrued under any unfunded Plan have been paid, accrued or otherwise adequately reserved to the extent required by, and in accordance with, GAAP.

(d) Each Plan intended to qualify under Section 401(a) of the Code is the subject of a favorable determination letter from the IRS to the effect that such Plan is qualified under Section 401(a) of the Code, and, to the Knowledge of the Constituent Companies, nothing has occurred that would reasonably be expected to adversely affect the qualification of such Plan.

(e) Other than the Pension Plan, no Plan is subject to Title IV of ERISA or Part 3 of Title I of ERISA or Section 412 or 430 of the Code. Except as set forth on Schedule 4.18(e): (i) none of the Constituent Companies or any of their Subsidiaries has, at any time within the past six (6) years, incurred any Liability to the PBGC (other than for non-delinquent premiums) with respect to its obligations under the Pension Plan; (ii) no notice of intent to terminate the Pension Plan has been filed with the PBGC or distributed to participants therein and no amendment terminating the Pension Plan has been adopted; (iii) no proceedings to terminate the Pension Plan instituted by the PBGC are pending or, to the Knowledge of the Constituent Companies, are threatened, and no event or condition has occurred which would reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, the Pension Plan; (iv) the Pension Plan is not in "at risk" status, within the meaning of Section 430 of the Code or Section 303 of ERISA; (v) except for the execution and delivery of this Agreement and the Contemplated Transactions, no "reportable event" within the meaning of Section 4043 of ERISA (for which the thirty (30)-day notice requirement has not been waived by the PBGC) has occurred within the last six (6) years; (vi) no lien has arisen or would reasonably be expected to arise under ERISA or the Code on the assets of the Constituent Companies or their ERISA Affiliates in connection with the Pension Plan; (vii) there has been no cessation of operations at a facility subject to the provisions of Section 4062(e) of ERISA within the last six (6) years; and (viii) the Pension Plan has not failed to satisfy the minimum funding standards set forth in Sections 412 and 430 of the Code or Sections 302 and 303 of ERISA.

(f) The Constituent Companies have provided Buyer with an actuarial report setting forth (a) the fair market value of the assets held in trust of the Pension Plan, and (b) the aggregate projected benefit obligations of the Pension Plan (determined using the actuarial assumptions that would be utilized upon termination of the Pension Plan), in each case as determined as of December 31, 2017.

(g) Neither any of the Constituent Companies nor any of their ERISA Affiliates maintains, participates in, or contributes to, or has any obligation or Liability with respect to, any (i) "multiemployer plan" (as defined in Sections 3(37) and 4001(a) of ERISA), and (ii) "multiple employer plan" within the meaning of Section 413(c) of the Code, and (iii) "multiple employer welfare arrangement" (as defined in Section 3(40) of ERISA).

(h) As of the date hereof, there is no pending or, to the Knowledge of the Constituent Companies, threatened material Litigation by or on behalf of any Plan, any employee or beneficiary covered under any Plan or any Governmental Authority involving any Plan, or otherwise involving any Plan (other than routine claims for benefits).

(i) No Constituent Company has any commitment or obligation nor made any representations to any employee, officer, manager, independent contractor, or consultant, whether or not legally binding, to adopt, amend, modify, or terminate any Plan in connection with the Contemplated Transactions.

(j) Other than as required under Section 601 et. seq. of ERISA or other applicable Law, no Plan provides post-termination or retiree health or life insurance benefits to any individual for any reason, and none of the Constituent Companies nor any of their ERISA Affiliates has any Liability to provide post-termination or retiree health or life insurance benefits to any individual.

(k) Each Plan that is subject to Section 409A of the Code has been administered in all material respects in compliance with its terms and the operational and documentary requirements of Section 409A of the Code and all applicable regulatory guidance (including notices, rulings, and proposed and final regulations) thereunder. No Constituent Company has any obligation to gross up, indemnify, or otherwise reimburse any individual for any excise taxes, interest, or penalties incurred pursuant to Section 409A of the Code.

(l) To the Knowledge of the Constituent Companies, each individual who is classified by a Constituent Company as an independent contractor, consultant, or advisor has been properly classified for purposes of participation and benefit accrual under each Plan.

(m) Except as set forth on Section 4.18(m) of the Constituent Company Disclosure Schedules, neither the execution of this Agreement nor the consummation of the Contemplated Transactions will (either alone or in conjunction with the occurrence of any additional or subsequent events): (i) entitle any current or former officer, employee, independent contractor or consultant of any Constituent Company to receive any material severance pay or other payment; (ii) accelerate the time of payment, funding or vesting, or increase the amount of compensation due to any such individual; (iii) limit or restrict the right of a Constituent Company to merge, amend or terminate any Plan; (iv) increase the amount payable under or result in the increase of any other material obligation pursuant to any Plan; (v) result in the receipt by any "disqualified individual" (within the meaning of Section 280G(c) of the Code) of any amounts that would be considered "excess parachute payments" within the meaning of Section 280G(b) of the Code; or (vi) require a "gross-up," indemnification, or other payment to any such "disqualified individual," in whole or in part, for any excise Tax under Section 4999 of the Code.

4.19. Taxes.

Except as set forth in Section 4.19 of the Constituent Company Disclosure Schedule:

(a) All Tax Returns that are required to be filed on or before the date hereof for, by, on behalf of or with respect to each of the Acquired Companies have been timely filed (or caused to be filed) in accordance with applicable Law (taking into account any applicable extension of time to file) with the appropriate Taxing Authority on or before the date hereof, and all such Tax Returns are true, complete and correct in all respects. All Taxes due and owing under applicable Laws by each of the Acquired Companies (whether or not shown to be due and payable on any Tax Return) have been paid in full. None of the Acquired Companies and no Person on behalf of any of the Acquired Companies has requested any extension of time within which to file any Tax Return, which Tax Return has not been filed.

(b) None of the Acquired Companies is under audit or examination by any Taxing Authority, or subject to any Tax Proceeding, no written notice of such an audit, examination or Tax Proceeding has been received by any of the Acquired Companies, no claims or assessments for or relating to Taxes have been made against any of the Acquired Companies, and, to the Knowledge of the Constituent Companies, no audits, investigations or claims or assessments for or relating to Taxes have been threatened against any of the Acquired Companies by any Taxing Authority.

(c) Each of the Acquired Companies has withheld or collected and paid over to the appropriate Taxing Authority all Taxes required by applicable Law to be withheld or collected, including withholding of Taxes pursuant to Sections 1441 through 1464, 3401 through 3406, 6041 and 6049 of the Code and similar provisions under any state, local or foreign Law, and each of the Acquired Companies has properly received and maintained any and all certificates, forms and other documents required by applicable Law for any exemption from withholding and/or remitting any Taxes.

(d) None of the Acquired Companies has agreed to any extension or waiver of the statute of limitations applicable to any Tax, or agreed to any extension of time with respect to a Tax assessment or deficiency, which period (after giving effect to such extension or waiver) has not yet expired.

(e) Except for Permitted Liens, there are no Liens for unpaid Taxes on the assets of any of the Acquired Companies and no claim for unpaid Taxes has been made by any Taxing Authority that could give rise to any such Lien.

(f) None of the Acquired Companies (i) is, or ever has been, a member of an “affiliated group” of corporations within the meaning of Section 1504 of the Code other than the Higman Marine, Inc. Combined Group or (ii) has any liability for Taxes of any Person (other than as a member of the Higman Marine, Inc. Combined Group) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Law), or as a transferee or successor, by contract or otherwise.

(g) None of the Acquired Companies is a party to, bound by nor has any obligation under any Tax allocation agreement, Tax sharing agreement, Tax indemnity obligation or similar arrangement with respect to Taxes, including any advance pricing agreement, closing agreement, compromise, ruling or other agreement with any Taxing Authority that relates to the assessment or collection of Taxes (other than pursuant to customary provisions in commercial agreements not primarily related to Taxes).

(h) No claim has ever been made by any Taxing Authority in a jurisdiction where any of the Acquired Companies does not file Tax Returns that any of the Acquired Companies is or may be subject to taxation by that jurisdiction.

(i) None of the Acquired Companies has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed by Section 355 of the Code.

(j) None of the Acquired Companies has engaged in any “listed transaction,” as such term is defined in Treasury Regulations Section 1.6011-4(b)(2).

(k) Each of the Partnership Constituent Companies is, and at all times since its formation or organization has been, classified as a partnership for U.S. federal Tax purposes under Treasury Regulations Sections 301.7701-2 and 301.7701-3 (and state, local, and foreign Tax purposes where applicable) (a "Partnership"), and no election has been filed, no action has been taken and no failure to act has occurred that would result in any of the Partnership Constituent Companies being classified as an entity that is not a Partnership for U.S. federal Tax purposes (and state, local, and foreign Tax purposes where applicable), excluding, for these purposes, the Contemplated Transactions.

(l) Each of the S Corporation Constituent Companies has at all times since its formation or organization had in effect a valid election under Section 1362 of the Code to be treated as an "S corporation" within the meaning of Section 1361 of the Code and has also had in effect a valid, corresponding election for each state during the periods in which it has engaged or does engage in business in such state and was required or is required to file Tax Returns with respect to its income. None of the S Corporation Constituent Companies has made any filing, has taken or failed to take any action, nor has any event occurred, that would either alone or in combination with other events result in the revocation or termination of its "S corporation" status, excluding, for these purposes, the Contemplated Transactions. No Taxing Authority has challenged or is challenging the qualification of any of the S Corporation Constituent Companies as an "S corporation" for any federal, state or local Tax purpose.

(m) None of the Acquired Companies will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any:

(i) change in the method of accounting for a taxable period ending on or prior to the Closing Date;

(ii) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law) executed prior to the Closing;

(iii) intercompany transaction or excess loss account described in the Treasury Regulations promulgated pursuant to Section 1502 of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law) undertaken prior to the Closing;

(iv) installment sale or open transaction disposition made prior to the Closing; or

(v) prepaid amount received prior to the Closing.

(n) As of December 31, 2016, the Higman Marine, Inc. Combined Group had net operating loss carryforwards of $147,743,752 for U.S. federal income tax purposes.

(o) Excluding the representation made in Section 4.19(n), no representation or warranty is made in this Agreement with respect to the amount, sufficiency or usability of any net operating loss, capital loss, Tax basis or other Tax attribute of any Acquired Company or the availability of any Tax position in any Post-Closing Tax Period.

4.20. Insurance.

Section 4.20 of the Constituent Company Disclosure Schedule is a complete and accurate list of all primary, general liability, professional liability, product liability, fire, casualty, motor vehicle, workers' compensation, excess and umbrella policies, hull and machinery, protection and indemnity, water pollution, bonds and other forms of insurance currently, or at any time after January 1, 2013, owned or held by or on behalf of, or providing insurance coverage for, the Constituent Companies or their assets, managers, officers, employees or agents. All such policies are in full force and effect and, to the Knowledge of the Constituent Companies, comprised of the types and in the amounts customarily carried by businesses of similar size in the same industry. No Constituent Company has received any written notice of default under any such policy or received written notice of any pending or threatened termination or cancellation, coverage limitation or reduction, or material premium increase with respect to any such policy. Except as set forth on Schedule 4.20, no letters of credit have been posted and no Cash has been restricted to support any reserves for insurance.

4.21. No Brokers.

Except as set forth in Section 4.21 of the Constituent Company Disclosure Schedule, neither the Constituent Companies nor any of their Subsidiaries has employed or incurred any Liability to any broker, finder or agent for any brokerage fees, finder's fees, commissions or other amounts with respect to this Agreement, the Ancillary Documents or the Contemplated Transactions.

4.22. Affiliate Agreements.

Except as set forth in Section 4.22 of the Constituent Company Disclosure Schedule, neither the Constituent Companies nor any of their Subsidiaries is indebted to, or is a Party to any agreement with, any Equityholder, director or officer (or any of their Affiliates) of the Constituent Companies or their Subsidiaries (or in the case of any such Person who is an individual, any member of his or her immediate family) (each, a "Constituent Company Related Person"), other than the Constituent Company Personnel Contracts, or for reimbursable business expenses in the ordinary course of business or benefits under the Plans, nor is any Constituent Company Related Person indebted to, or a Party to any agreement with, the Constituent Companies or any of their Subsidiaries, other than for advances made to employees of the Constituent Companies or their Subsidiaries in the ordinary course of business to meet reimbursable business expenses reasonably anticipated to be incurred by such obligor.

4.23. Customers.

Section 4.23 of the Constituent Company Disclosure Schedule lists the ten (10) largest customers (the "Top Customers") of the Constituent Companies and their Subsidiaries (on a consolidated basis) for the twelve (12) month period ended December 31, 2016 and for the period from January 1, 2017 through November 30, 2017 in terms of aggregate total sales in dollars by the Constituent Companies and their Subsidiaries. There has been no materially adverse change in the relationship of the Constituent Companies with any Top Customer and there has been no material dispute with any Top Customer, in each case since November 30, 2016.

4.24. Representations and Warranties Regarding Largus.

(a) Organization and Power. Largus is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. Largus has full power and authority to execute, deliver and perform this Agreement and the Ancillary Documents to which it is a Party and to consummate the Contemplated Transactions. True and complete copies of the certificate of incorporation and bylaws of Largus, all as amended to date of this Agreement, have been previously made available to Buyer.

(b) Authorization and Enforceability. The execution and delivery of this Agreement and the Ancillary Documents to which Largus is a Party and the performance by Largus of the Contemplated Transactions that are required to be performed by Largus have been duly authorized by Largus and no other corporate proceedings on the part of Largus are necessary to authorize the execution, delivery and performance of this Agreement and the Ancillary Documents to which Largus is a Party or the consummation of the Contemplated Transactions that are required to be performed by Largus. This Agreement and each of the Ancillary Documents to be executed and delivered at the Closing by Largus will be, at the Closing, duly authorized, executed and delivered by Largus and constitutes, or as of the Closing Date will constitute, a valid and legally binding agreement of Largus enforceable against Largus in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) Capitalization. Section 4.24(c) of the Constituent Company Disclosure Schedule sets forth a true and correct list of the authorized share capital of Largus, the number and type of its issued and outstanding Equity Securities and the current record and beneficial ownership of Largus's Equity Securities. All issued and outstanding Equity Securities of Largus are duly authorized, have been validly issued and are fully paid and non-assessable, have not been issued in violation of any preemptive or similar rights and were issued in compliance with applicable securities Laws or exemptions therefrom. Except as set forth on Section 4.24(c) of the Constituent Company Disclosure Schedule, at the close of business on the date hereof, no shares of capital stock or other Equity Securities of Largus were issued, reserved for issuance or outstanding. Largus has no outstanding options or other securities convertible into or exchangeable or exercisable for any shares of its Equity Securities or any rights to subscribe for or to purchase, or any agreements providing for the issuance (contingent or otherwise) of any shares of its Equity Securities. Largus is not a Party to any right of first refusal, right of first offer, proxy, voting agreement, voting trust, registration rights agreement or stockholders agreement with respect to the sale or voting of any Equity Securities of Largus, or any securities convertible into or exchangeable or exercisable for any Equity Securities of Largus.

(d) Holding Company; No Subsidiaries. Largus does not engage in, and has never engaged in, any business activities other than (i) its ownership of the Acquired Equity Securities, (ii) activities in connection with this Agreement and the Contemplated Transactions and (iii) engaging in transactions related to its capital stock, in each case including any activities related or incidental thereto. Without limiting the generality of the foregoing, Largus (A) has no, and has never had any, employees, (B) does not own, operate or lease, and has never owned, operated or leased, any real property or personal property and (C) has no Liabilities, except for Liabilities incurred in connection with (w) this Agreement, (x) the activities set forth in clauses (i), (ii) and (iii) of the first sentence of this Section 4.24(d), (y) Taxes or (z) obligations to indemnify officers and directors and other Liabilities, of a type and in amounts, typically incurred by holding companies that do not have and have never had any operations, in each case none of which matters set forth in this clause (C) are, individually or in the aggregate, material. Largus has no Subsidiaries, and owns no Equity Securities in any Person other than Equity Securities in the Constituent Companies as set forth in Section 4.24(c) of the Constituent Company Disclosure Schedule.

(e) No Violation. The execution and delivery by Largus of this Agreement and the Ancillary Documents to which Largus is a Party, the consummation of the Contemplated Transactions by Largus and compliance with the terms of this Agreement and the Ancillary Documents to which Largus is a Party will not (i) conflict with or violate any provision of the certificate of incorporation and bylaws of Largus, (ii) conflict with or violate any Law or Order applicable to Largus or by which its properties are bound or affected, (iii) violate or result in a breach of or constitute a default under, or require the consent of any third party under, or result in or permit the termination or amendment of any provision of, or result in or permit the acceleration of the maturity or cancellation of performance of any obligation under, or result in the creation or imposition of any Lien (other than any Permitted Lien) of any nature whatsoever upon any assets or property or give to others any interests or rights therein under, any material Contract to which Largus is a Party or bound or (iv) result in the creation of, or require the creation of, any material Lien upon any Equity Securities of Largus.

(f) Governmental Authorizations and Consents. No Governmental Consents are required to be obtained or made by Largus in connection with the execution, delivery and performance of this Agreement or any Ancillary Documents to which Largus is, or is to be, a Party or the consummation by Largus of the Contemplated Transactions, except for those Governmental Consents for which the failure to obtain such Governmental Consents would not, individually or in the aggregate, be material to Largus, or its ability to perform its obligations under this Agreement or to consummate the Contemplated Transactions.

(g) Litigation. There is no Litigation pending or, to the Knowledge of Largus, threatened in writing, against Largus, at law or in equity before any Governmental Authority; and to the Knowledge of Largus there is no Order to which Largus is subject.

(h) Tax Matters. All Tax Returns that are required to be filed on or before the date hereof for, by, on behalf of or with respect to Largus have been timely filed (or caused to be filed) in accordance with applicable Law (taking into account any applicable extension of time to file) with the appropriate Taxing Authority on or before the date hereof, and all such Tax Returns are true, complete and correct in all respects. All Taxes due and owing under applicable Laws by Largus (whether or not shown to be due and payable on any Tax Return) have been paid in full. Neither Largus nor any Person on behalf of Largus has requested any extension of time within which to file any Tax Return, which Tax Return has not been filed. Largus is not under audit or examination by any Taxing Authority, or subject to any Tax Proceeding, no written notice of such an audit, examination or Tax Proceeding has been received by Largus, no claims or assessments for or relating to Taxes have been made against Largus, and, to the Knowledge of Largus, no audits, investigations or claims or assessments for or relating to Taxes have been threatened against Largus by any Taxing Authority. Largus has withheld or collected and paid over to the appropriate Taxing Authority all Taxes required by applicable Law to be withheld or collected, including withholding of Taxes pursuant to Sections 1441 through 1464, 3401 through 3406, 6041 and 6049 of the Code and similar provisions under any state, local or foreign Law, and Largus has properly received and maintained any and all certificates, forms and other documents required by applicable Law for any exemption from withholding and/or remitting any Taxes. Largus has not agreed to any extension or waiver of the statute of limitations applicable to any Tax, or agreed to any extension of time with respect to a Tax assessment or deficiency, which period (after giving effect to such extension or waiver) has not yet expired. Except for Permitted Liens, there are no Liens for unpaid Taxes on the assets of Largus and no claim for unpaid Taxes has been made by any Taxing Authority that could give rise to any such Lien. Largus is not, and has never been, a member of an “affiliated group” of corporations within the meaning of Section 1504 of the Code and has no liability for Taxes of any Person under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Law), or as a transferee or successor, by contract or otherwise. Largus is not a party to, is not bound by, and has no obligation under any Tax allocation agreement, Tax sharing agreement, Tax indemnity obligation or similar arrangement with respect to Taxes, including any advance pricing agreement, closing agreement, compromise, ruling or other agreement with any Taxing Authority that relates to the assessment or collection of Taxes (other than pursuant to customary provisions in commercial agreements not primarily related to Taxes). No claim has ever been made by any Taxing Authority in a jurisdiction where Largus does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. Largus has not distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed by Section 355 of the Code. Largus has not engaged in any “listed transaction,” as such term is defined in Treasury Regulations Section 1.6011-4(b)(2). Largus is, and at all times since its formation or organization has been, classified as a corporation for U.S. federal Tax purposes within the meaning of Treasury Regulations Section 301.7701-2(b)(1). Largus will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in the method of accounting for a taxable period ending on or prior to the Closing Date, (ii) “closing agreement” as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law) executed prior to the Closing, (iii) intercompany transaction or excess loss account described in the Treasury Regulations promulgated pursuant to Section 1502 of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law) undertaken prior to the Closing, (iv) installment sale or open transaction disposition made prior to the Closing, or (v) prepaid amount received prior to the Closing.

(i) No Brokers. Largus has not employed or incurred any Liability to any broker, finder or agent for any brokerage fees, finder’s fees, commissions or other amounts with respect to this Agreement, the Ancillary Documents or the Contemplated Transactions.

4.25. Disclaimer.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, NEITHER THE CONSTITUENT COMPANIES, THEIR SUBSIDIARIES, LARGUS, THE EQUITYHOLDERS NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AFFILIATES, REPRESENTATIVES OR ADVISORS HAS MADE, OR SHALL BE DEEMED TO HAVE MADE, TO BUYER OR ANY OTHER PERSON ANY REPRESENTATION OR WARRANTY OTHER THAN THOSE EXPRESSLY SET FORTH IN ARTICLE III AND THIS ARTICLE IV. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE III AND THIS ARTICLE IV, NO REPRESENTATION OR WARRANTY HAS BEEN MADE OR IS BEING MADE, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY HEREIN TO BUYER OR ANY OTHER PERSON (I) IN RESPECT OF THE CONSTITUENT COMPANIES OR ANY SUBSIDIARY OR LARGUS OR ANY OF THEIR RESPECTIVE ASSETS, LIABILITIES OR OPERATIONS, INCLUDING AS TO MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR QUALITY, WITH RESPECT TO ANY TANGIBLE ASSETS OR AS TO THE CONDITION OR WORKMANSHIP THEREOF OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT (OR ANY OTHER REPRESENTATION OR WARRANTY REFERRED TO IN SECTION 2-312 OF THE UNIFORM COMMERCIAL CODE OF ANY APPLICABLE JURISDICTION), (II) WITH RESPECT TO ANY PROJECTIONS, FORECASTS, BUSINESS PLANS, ESTIMATES OR BUDGETS DELIVERED TO OR MADE AVAILABLE TO BUYER OR ANY OTHER PERSON, OR (III) WITH RESPECT TO ANY OTHER INFORMATION OR DOCUMENTS MADE AVAILABLE AT ANY TIME TO BUYER OR ANY OTHER PERSON, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED. BUYER HEREBY ACKNOWLEDGES AND AGREES THAT, EXCEPT TO THE EXTENT SPECIFICALLY SET FORTH IN ARTICLE III AND THIS ARTICLE IV, BUYER IS ACQUIRING THE ACQUIRED EQUITY SECURITIES ON AN “AS IS, WHERE IS” BASIS. THE DISCLOSURE OF ANY MATTER OR ITEM IN ANY SCHEDULE HERETO WILL NOT BE DEEMED TO CONSTITUTE AN ACKNOWLEDGMENT THAT ANY SUCH MATTER IS REQUIRED TO BE DISCLOSED.

ARTICLE V
Representations and Warranties of Buyer

Buyer hereby represents and warrants to the Constituent Companies and the Equityholders as follows:

5.1. Organization and Power.

Buyer is a corporation duly formed, validly existing and in good standing under the Laws of Nevada and has full power and authority to execute and deliver this Agreement and the Ancillary Documents to which it is a party, to perform its obligations hereunder and thereunder and to consummate the Contemplated Transactions.

5.2. Authorization and Enforceability.

The execution and delivery of this Agreement and the Ancillary Documents to which Buyer is a party and the performance by Buyer of the Contemplated Transactions have been duly authorized by Buyer, and no other entity proceedings on the part of Buyer (including, without limitation, any stockholder vote or approval) are necessary to authorize the execution, delivery and performance of this Agreement and the Ancillary Documents to which Buyer is a party or the consummation of the Contemplated Transactions. This Agreement is, and each of the Ancillary Documents to be executed and delivered at the Closing by Buyer will be at the Closing, duly authorized, executed and delivered by Buyer, and constitute, or as of the Closing Date will constitute, valid and legally binding agreements of Buyer enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization and other Laws of general applicability relating to or affecting creditors’ rights and to general equity principles.

5.3. No Violation.

The execution and delivery by Buyer of this Agreement and the Ancillary Documents to which Buyer is a Party, consummation of the Contemplated Transactions and compliance with the terms of this Agreement and the Ancillary Documents to which Buyer is a Party will not (a) conflict with or violate any provision of the certificate of incorporation, bylaws or similar organizational documents of Buyer, or (b) assuming that all consents, approvals and authorizations contemplated by Section 5.4 have been obtained, conflict with or violate in any material respect any Law applicable to Buyer or by which their respective properties are bound or affected. Neither Buyer nor its Affiliates are subject to any Contract that would materially impair or delay Buyer's ability to consummate the Contemplated Transactions.

5.4. Governmental Authorizations and Consents.

No Governmental Consents are required to be obtained or made by Buyer in connection with the execution, delivery and performance, validity and enforceability of this Agreement or any Ancillary Documents to which it is, or is to be, a Party, or the consummation by Buyer of the Contemplated Transactions, except for those Governmental Consents listed in Section 4.5 of the Constituent Company Disclosure Schedule. All representations, warranties, statements or other communications, whether express or implied, made by Buyer to any Governmental Authority in connection with any Governmental Consents shall be true and correct.

5.5. Litigation.

There is no Litigation pending or, to the Knowledge of Buyer, threatened against or involving Buyer which questions the validity of this Agreement or any of the Ancillary Documents to which it is a Party or seeks to prohibit, enjoin or otherwise challenge Buyer's ability to consummate the Contemplated Transactions.

5.6. Financing.

As of the date hereof, Buyer has, and as of the Closing, Buyer will have, sufficient and unrestricted cash on hand or otherwise readily available funds to pay all of its obligations hereunder, including all of the out-of-pocket costs of Buyer arising from the consummation of the Contemplated Transactions. In no event shall the receipt by, or the availability of any funds or financing to Buyer or any of its Affiliates or any other financing be a condition to Buyer's obligation to consummate the Contemplated Transactions.

5.7. Investment Purpose.

Buyer is acquiring the Constituent Companies solely for the purpose of investment and not with a view to, or for offer or sale in connection with, any distribution thereof other than in compliance with all applicable Laws, including United States federal securities Laws. Buyer agrees that no Equity Securities may be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act and any applicable state securities Laws, except pursuant to an exemption from such registration under the Securities Act and such Laws. Buyer is able to bear the economic risk of holding its investment in the Constituent Companies for an indefinite period (including total loss of its investment), and has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risk of its investment.

5.8. No Brokers.

Neither Buyer nor or any of its representatives or Affiliates has employed or incurred any Liability to any broker, finder or agent for any brokerage fees, finder's fees, commissions or other amounts with respect to this Agreement, the Ancillary Documents or the Contemplated Transactions, in each case which would constitute a liability of the Equityholders.

5.9. No Inducement or Reliance; Independent Assessment.

(a) Buyer has not been induced by and has not relied upon any representations, warranties or statements, whether express or implied, including any implied warranty of merchantability or of fitness for a particular purpose, made by the Constituent Companies, their Subsidiaries, Largus, or any of the Equityholders or their respective Affiliates, officers, directors, employees, agents or representatives that are not set forth in this Agreement and the Ancillary Documents, whether or not any such representations, warranties or statements were made in writing or orally. Buyer represents and warrants that neither the Constituent Companies, their Subsidiaries, Largus, the Equityholders nor any of their representatives or Affiliates has made any representation or warranty, express or implied, oral or written, including any implied warranty of merchantability or of fitness for a particular purpose, as to the accuracy or completeness of any information regarding the Constituent Companies or any of their Subsidiaries, Largus, any of the Equityholders or the Contemplated Transactions except for the representations and warranties of the Constituent Companies, Largus and the Equityholders expressly set forth in this Agreement and the Ancillary Documents (as modified by the Constituent Company Disclosure Schedule), and neither the Constituent Companies, nor Largus, nor any of the Equityholders, nor any of their respective Affiliates, officers, directors, employees, agents or representatives, will have or be subject to any liability to Buyer or any other Person resulting from the distribution to Buyer or its representatives, or the use by Buyer or its representatives, of any information, including publications, any confidential information memorandum or electronic data room information provided to Buyer or its representatives, or any other document or information in any form provided to Buyer or its representatives in connection with the Contemplated Transactions. Buyer acknowledges that it has inspected and conducted, to its satisfaction, its own independent review, investigation and analysis (financial and otherwise) of the Constituent Companies and/or any of their Subsidiaries and/or Largus and, in making the determination to proceed with the Contemplated Transactions, Buyer has relied on the results of its own independent review, investigation and analysis.

(b) Except as expressly set forth in this Agreement and the Ancillary Documents, Buyer acknowledges that none of the Constituent Companies, their Subsidiaries, Largus, the Equityholders nor any of their respective representatives or Affiliates makes, will make or has made any representation or warranty, express or implied, including as to the prospects of the Constituent Companies or any of their Subsidiaries or Largus or any of their respective businesses or their profitability for Buyer, or with respect to any forecasts, projections or business plans made available to Buyer (or its Affiliates, officers, directors, employees, agents or representatives) in connection with Buyer's review of the Constituent Companies, their Subsidiaries and Largus.

ARTICLE VI

Covenants

6.1. Conduct of the Constituent Companies.

(a) Except (i) to the extent required by any applicable Law or Material Contract, (ii) as otherwise expressly permitted by this Agreement, (iii) as set forth in Section 6.1(a)(iii) of the Constituent Company Disclosure Schedule, or (iv) as consented to in writing by Buyer (which consent shall not be unreasonably withheld, delayed or conditioned), during the period from the date hereof to the earlier of the Closing Date and the date this Agreement is validly terminated pursuant to Article VIII, (A) the Constituent Companies and Largus shall, and the Constituent Companies shall cause their Subsidiaries to, conduct their business and operations in the ordinary course, consistent with past practice, and to the extent consistent therewith (x) use commercially reasonable efforts to maintain their assets and properties and to preserve their current relationships with customers, employees, suppliers and others having business dealings with them such that their business will not be materially impaired, (y) maintain their books and records in the usual, regular and ordinary manner, on a basis consistent with past practice, and (z) use commercially reasonable efforts to preserve the goodwill and ongoing operations of their business and (B) the Constituent Companies and Largus shall not, and the Constituent Companies shall cause their Subsidiaries not to:

(i) modify or amend any of the organizational documents of the Constituent Companies, any of their Subsidiaries or Largus;

(ii) issue, or authorize the issuance of, any Equity Securities of the Constituent Companies, any of their Subsidiaries or Largus;

(iii) enter into or amend any Material Contract or any other agreement which by its terms would require consent to the Contemplated Transactions by the other party or parties to such agreement (unless consent to the Contemplated Transactions is granted by the counterparty in writing at the time such agreement is entered into);

(iv) enter into any Contract that purports to limit, curtail or restrict the kinds of businesses which they may conduct, or the Persons with whom they can compete, other than Contracts entered in the ordinary course of business;

(v) acquire by merging or consolidating with, or by purchasing a substantial equity interest in or substantial portion of the assets of, any Person, corporation, limited liability company, partnership, joint venture, association or other business organization or division thereof;

(vi) divest, sell or otherwise dispose of, or encumber any asset of the Constituent Companies, any of their Subsidiaries or Largus (including capital stock of the Constituent Companies' Subsidiaries), other than (A) the sales of products or services in the ordinary course of business or licenses of Constituent Company Intellectual Property in connection therewith and (B) sales of assets of the Constituent Companies, any of their Subsidiaries or Largus not exceeding $500,000 in the aggregate;

(vii) adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization of the Constituent Companies, any of their Subsidiaries or Largus;

(viii) other than in the ordinary course of business consistent with past practice, enter into or adopt or materially amend or terminate any Constituent Company Personnel Contract with a base salary or severance amount, as applicable, of more than $250,000, or any Plan, except (A) to the extent required by Law, (B) for amendments to any Plan that is a group health plan within the meaning of Section 5000(b)(1) of the Code, which are made in connection with the Constituent Companies' annual review of any such plan in the ordinary course of business or (C) as expressly contemplated by this Agreement or the terms of any Plan;

(ix) (A) materially increase the rate of compensation, commission, bonus, or other direct or indirect remuneration payable, or agree to pay, conditionally or otherwise, any bonus, incentive, retention, or change in control payment, to or in respect of any key employee, officer or director of the Constituent Companies, any of their Subsidiaries or Largus (excluding Covered Employees), except (1) with respect to any employee whose annual base compensation is less than $250,000 or pursuant to a broad-based increase in base salary or wages applicable to employees generally, in each case, in the ordinary course of business or (2) to the extent required by any Plan or Material Contract; or (B) increase the annual base salary of any Covered Employee;

(x) change its material accounting policies or procedures except to the extent required to conform with GAAP;

(xi) enter into any Material Contract, except for Material Contracts entered into in the ordinary course of business consistent with past practice;

(xii) change its fiscal year;

(xiii) make, change, or revoke any material Tax election, change any material Tax accounting method or practice or any Tax accounting period, settle, compromise, or agree to settle or compromise any material liability for Taxes, consent to any extension or waiver of the limitation period applicable to any material Tax, or any claim or assessment in respect of any material Tax, with any Taxing Authority, file any material Tax Return in a manner inconsistent with past practice, file any material amended Tax Return or material claim for refund of Taxes, or take or fail to take any action that would result in (A) any of the Partnership Constituent Companies being classified as an entity that is not a Partnership prior to the Closing or (B) revocation or termination prior to the Closing of the "S corporation" status of any of the S Corporation Constituent Companies; or

(xiv) authorize, agree, resolve or consent to any of the foregoing.

(b) Nothing contained in this Agreement shall give to Buyer, directly or indirectly, rights to control or direct the operations of the Constituent Companies, any of their Subsidiaries or Largus prior to the Closing. Prior to the Closing, the Constituent Companies and Largus shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision of its and their Subsidiaries' operations.

(c) Nothing contained in this Agreement shall prohibit the Constituent Companies or Largus, respectively, from declaring, setting aside or paying any cash dividends on, or making any other cash distributions in respect of, any outstanding Acquired Equity Securities prior to the Closing Date.

6.2. Access to Information Prior to the Closing.

Subject to applicable Laws, during the period from the date hereof through the earlier of the Closing Date and the date this Agreement is validly terminated pursuant to Article VIII, the Constituent Companies, their Subsidiaries and Largus shall provide Buyer and its representatives reasonable access during regular business hours to all offices, facilities, assets, books and records of the Constituent Companies, their Subsidiaries and Largus as Buyer may reasonably request, including the right to inspect the Vessels and conduct or cause to be conducted surveys of the Vessels; provided, that (a) Buyer and its representatives shall take such action as is deemed necessary in the reasonable judgment of the Constituent Companies, their Subsidiaries or Largus to schedule such access and visits through a designated officer of the party providing access and in such a way as to avoid disrupting in any material respect the normal business of the party providing access, (b) neither the Constituent Companies nor their Subsidiaries nor Largus shall be required to take any action which would constitute a waiver of the attorney-client or other privilege or would compromise such party's confidential information, (c) the Constituent Companies and their Subsidiaries and Largus need not supply Buyer with any information which, in the reasonable judgment of the Constituent Companies and Largus, the Constituent Companies, any of their Subsidiaries or Largus are under a contractual or legal obligation not to supply and (d) in no event shall Buyer be permitted to conduct any sampling of any environmental media, including soil, sediment, groundwater, surface water, indoor or outdoor air or building material. Prior to the Closing, Buyer shall not (and shall cause its Subsidiaries, representatives and Affiliates not to) use any information obtained pursuant to this Section 6.2 for any purpose unrelated to the Contemplated Transactions. For the avoidance of doubt, any information provided or made available in connection with such access pursuant to this Section 6.2 shall be deemed to be, and treated as, "Restricted Information" or "Confidential Information," as applicable, in accordance with the terms and subject to the conditions of the Confidentiality Agreement.

6.3. Efforts; Regulatory Filings.

(a) Upon the terms and subject to the conditions set forth in this Agreement, each of the Parties shall use its commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Contemplated Transactions, including (i) the obtaining of all necessary Governmental Consents and all necessary consents, approvals or waivers from third parties and (ii) the execution and delivery of any additional instruments necessary to consummate the Contemplated Transactions and to fully carry out the purposes of this Agreement as soon as reasonably practicable. Without limiting the foregoing, none of the Parties shall take or agree to take any action that could reasonably be expected to result in any of the conditions set forth in Article VII not being satisfied or to prevent or materially delay consummation of the Contemplated Transactions.

(b) Each of Buyer, the Constituent Companies and Largus shall (i) respond as promptly as practicable to any inquiries or requests received from the FTC, the Antitrust Division, any state attorney general or other Governmental Authority in connection with the Contemplated Transactions; (ii) not enter into any agreement with the FTC, the Antitrust Division or any other Governmental Authority which prohibits the consummation of the Contemplated Transactions, except with the prior written consent of the other Parties hereto, (iii) promptly notify the other Party of any material communication to that Party from the FTC, the Antitrust Division, any state attorney general or any other Governmental Authority in respect of any investigation, inquiry or other proceeding relating to the Contemplated Transactions and, subject to applicable Law, discuss with and permit the other Party (and its counsel) to review in advance, and consider in good faith the other Party's reasonable comments in connection with any proposed written communication to any of the foregoing; (iv) not initiate, participate or agree to participate in any substantive meeting, telephone call, or discussion with any Governmental Authority concerning this Agreement or the Contemplated Transactions unless it consults with the other Party in advance and, to the extent permitted by such Governmental Authority, gives the other Party the opportunity to attend and participate thereat; and (vi) act in good faith and reasonably cooperate with the other Party in connection with resolving any investigation or other inquiry of any Governmental Authority with respect to this Agreement or the Contemplated Transactions.

(c) Notwithstanding any other provision of this Section 6.3, Buyer shall not be required to proffer or consent to a governmental Order providing for the sale or other disposition, or the holding separate, of any assets, categories of assets or lines of business, of Buyer or its Affiliates (including the business and assets of the Constituent Companies). The Parties expressly acknowledge and agree that the entry by any Governmental Authority of an Order permitting the consummation of the Contemplated Transactions, but requiring any of the assets or lines of business of Buyer or any of its respective Affiliates to be held separately, sold or disposed of (including the business and assets of the Constituent Companies), shall be deemed a failure to satisfy the conditions specified in Section 7.1.

(d) Buyer shall use its commercially reasonable efforts to take, or cause to be taken, all actions necessary to satisfy (or be waived by the RWI Insurer) by the Closing Date the RWI Conditions to Effectiveness other than conditions that, by their nature, cannot be satisfied until the Closing. Such actions shall include, as promptly as reasonably practical, furnishing the RWI Insurer (through the broker for the RWI Policy) with all such information as is reasonably requested by the RWI Insurer in connection with the RWI Insurer's issuance of a final and fully effective RWI Policy in conjunction with the Closing. The Constituent Companies and the Equityholders shall, and shall cause their respective Subsidiaries to, provide all cooperation reasonably requested by Buyer in connection with the arrangement and obtaining of the RWI Policy. Such cooperation shall include provision to the Buyer of two complete copies of the electronic data room in a format and on media acceptable to the RWI Insurer so that Buyer can satisfy the RWI Conditions to Effectiveness related to the electronic data room and retain a copy of what was provided to the RWI Insurer. From the date of this Agreement until the earlier of either (a) the Closing or (b) the termination of this Agreement in accordance with terms hereof, Buyer shall keep the Company reasonably informed of the status of its efforts to arrange for and obtain issuance of the RWI Policy and provide to the Company copies of all executed definitive documents related to the RWI Policy. From and after the Closing, Equityholders and Equityholders' Representative shall reasonably cooperate with Buyer to the extent necessary in connection with any claim made by Buyer under the RWI Policy. All RWI Costs will be paid one half by Buyer and one half by the Equityholders as provided in Section 2.3(b)(vi). If at any time it becomes reasonably likely that for any reason (other than as a result of failure of the Constituent Companies, Largus, or the Equityholders to perform their respective obligations hereunder) the RWI Conditions to Effectiveness would not be satisfied (or be waived by the RWI Insurer) by the Closing Date, Buyer shall use its commercially reasonable efforts to obtain, as promptly as practicable following the occurrence of such event or circumstance, a replacement representations and warranties insurance policy, including from alternate insurers (the "Alternative RWI Policy"), on terms and conditions that are substantially similar to those contained in the RWI Policy; provided, however, that such Alternative RWI Policy shall not be subject to any additional or modified conditions or other contingencies relating to the Constituent Companies, Largus or the Equityholders without the prior written consent of the Equityholders' Representative, which consent shall not be unreasonably withheld or delayed. Buyer shall deliver to the Constituent Companies, Largus and the Equityholders' Representative complete and correct copies of all amendments, supplements, other modifications, documents, binders or agreements pursuant to which any Alternative RWI Policy shall be issued to Buyer. (For purposes of this Agreement, as applicable, the term "RWI Policy" shall also be deemed to include any Alternative RWI Policy, the term "RWI Conditions to Effectiveness" shall also be deemed to include the corresponding conditions to the liability of the insurer under such Alternative RWI Policy and the term "RWI Costs" shall also be deemed to include the corresponding premiums, costs and expenses for such Alternative RWI Policy).

6.4. Employee Matters.

(a) For a period of at least twelve (12) months following the Closing Date, each individual (excluding Covered Employees and Specified Employees) who was an employee of the Constituent Companies immediately prior to, and who continues to be employed by the Constituent Companies after the Closing Date (collectively, the "Constituent Company Employees") shall be entitled to receive: (i) an annual base salary or wage level, as applicable, that is substantially similar to or no less favorable than that provided to similarly situated employees of Buyer, (ii) bonus opportunities and other long term cash-based incentive compensation opportunities that are no less favorable in the aggregate than those provided to similarly situated employees of Buyer, and (iii) employee benefits (including severance benefit, but excluding equity-based compensation and defined benefits (whether pursuant to a qualified or non-qualified retirement plan), retiree medical benefits, and other retiree health and welfare arrangements) that are, in the aggregate, substantially similar to or no less favorable than those provided to similarly situated employees of Buyer. Nothing herein shall be deemed to be a guarantee of employment for any Constituent Company Employee, or to restrict the right of Buyer to terminate the employment of any such Constituent Company Employee following the Closing Date.

(b) For purposes of participation of a Constituent Company Employee in a benefit plan of Buyer or its Affiliates (a "Buyer Benefit Plan") on or following the Closing Date, Buyer shall, or shall cause its Affiliates to credit each Constituent Company Employee with all years of service for which such Constituent Company Employee was credited before the Closing Date under any comparable Plans for the purposes of eligibility to participate and service-based vesting; provided, however, that no such credit shall be provided for purpose of determining the amount or level of benefits or for purposes of vesting under any equity compensation plan of Buyer following the Closing Date; provided, further, that in no event shall any credit be given to the extent such credit would result in a duplication of benefits for the same period of service. In addition, and without limiting the generality of the foregoing, Buyer shall, or shall cause its Affiliates to, use commercially reasonable efforts to: (i) waive any limitation on health and welfare coverage of any Constituent Company Employee and his or her eligible dependents due to pre-existing conditions and/or waiting periods, active employment requirements, and requirements to show evidence of good health under the applicable health and welfare plan of Buyer or any of its Affiliates to the extent such Constituent Company Employee and his or her eligible dependents are covered under an analogous Plan, and such conditions, periods or requirements are satisfied or waived under such Plan, immediately prior to the Closing and (ii) credit each Constituent Company Employee and his or her eligible dependents with all deductible payments, co-payments and co-insurance paid by such employee and covered dependents under the applicable Plan prior to the Closing during the year in which the Closing occurs for the purpose of determining the extent to which any such employee and his or her dependents have satisfied their deductible and whether they have reached the out-of-pocket maximum requirements under any Buyer Benefit Plan for the applicable year.

(c) Buyer shall, or shall cause its Affiliates to, credit each of the Constituent Company Employees with an amount of paid vacation and sick leave days following the Closing Date equal to the amount of vacation time and sick leave days each such Constituent Company Employee has accrued or earned but not yet used or otherwise received value in respect of as of the Closing Date under the applicable Constituent Company vacation and sick leave policies as in effect immediately prior to the Closing Date, and allow each such Constituent Company Employees to use such accrued vacation and sick leave days at such times as each would have been permitted pursuant to the aforementioned policies.

(d) Buyer shall, and shall cause its Affiliates to, honor, in accordance with its terms, each Plan (which shall include any Severance Agreement entered into in accordance with Section 6.1(a)(viii) of the Constituent Company Disclosure Schedule) and all obligations thereunder including any rights or benefits arising as a result of the Contemplated Transactions (either alone or in combination with any other event, including termination of employment), and Buyer hereby agrees and acknowledges that the consummation of the Contemplated Transactions constitutes a "change of control" or a "change in control" or similar term, as the case may be, for all purposes under each Plan, as applicable.

(e) Buyer and its Affiliates shall be solely responsible for any notices required to be given under, and to otherwise comply with, WARN or similar Laws or regulations of any jurisdiction relating to any plant closing or mass layoff (or similar triggering event) resulting from the Constituent Companies' or Buyer's actions with respect to the layoff or termination of employment of any Constituent Company Employees after the Closing Date.

(f) Notwithstanding the foregoing, Buyer shall not be obligated to continue to employ any Constituent Company Employee for any specific period of time following the Closing Date, subject to applicable Law. Nothing in this Section 6.4 shall (i) be treated as an amendment of, or undertaking to amend, any employee benefit plan (including any Plan) or (ii) prohibit Buyer or any of its Affiliates from amending or terminating any employee benefit plan (including any Plan) following the Closing Date.

6.5. Indemnification of Directors, Managers and Officers.

(a) From and after the Closing Date, Buyer shall cause the Constituent Companies and Largus to fulfill and honor in all respects the obligations of the Constituent Companies and Largus to their current and former directors, managers and officers (and those of their Subsidiaries) pursuant to any indemnification provisions under (i) the certificate of incorporation, bylaws and other similar organizational documents of the Constituent Companies or Largus, as applicable, as in effect on the date of this Agreement and (ii) pursuant to any indemnity agreements between the Constituent Companies or Largus and any such Persons as in effect on the date of this Agreement and disclosed in Section 4.11(a) of the Constituent Company Disclosure Schedule (the Persons entitled to be indemnified pursuant to such provisions, and all other current and former directors, managers and officers of the Constituent Companies and Largus, being referred to collectively as the "D&O Indemnified Parties"). Subject to Section 6.5(d), from and after the Closing Date through the sixth (6^{th}) anniversary of the Closing Date, Buyer shall cause the Constituent Companies and Largus to maintain the provisions with respect to indemnification and exculpation from liability as set forth in the certificate of incorporation, bylaws and other similar organizational documents of the Constituent Companies or Largus, as applicable, as of the date of this Agreement, which provisions shall not be amended, repealed or otherwise modified during such period in any manner that would adversely affect the rights thereunder of any D&O Indemnified Party.

(b) Buyer and the Constituent Companies and Largus, jointly and severally agree to pay from time to time as warranted all expenses, including attorneys' fees, that may be incurred by the D&O Indemnified Parties in enforcing the indemnity and other obligations provided for in this Section 6.5.

(c) In the event that Buyer, the Constituent Companies, their respective Subsidiaries, Largus or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of Buyer and the Constituent Companies, their respective Subsidiaries, Largus or the transferee of such properties and assets shall expressly assume and be responsible for all of the obligations thereof set forth in this Section 6.5.

(d) This Section 6.5 shall survive the Closing Date, is intended to benefit and may be enforced by the Constituent Companies, Largus and the D&O Indemnified Parties, and shall be binding on all successors and assigns of Buyer, the Constituent Companies and their respective Subsidiaries and Largus.

6.6. Preservation of Books and Records.

For a period of six (6) years from the Closing Date or such longer time as may be required by Law:

(a) Buyer shall not and shall cause its Affiliates not to dispose of or destroy any of the books and records of the Constituent Companies, Largus, and their respective Subsidiaries relating to periods prior to the Closing (the "Books and Records") without first offering to turn over possession thereof to the Equityholders' Representative by written notice to the Equityholders' Representative at least sixty (60) days prior to the proposed date of such disposition or destruction.

(b) Buyer shall, and shall cause its Affiliates to, (i) provide the Equityholders, the Equityholders' Representative and their respective agents with electronic access to any portions of the Books and Records that are available in electronic format, (ii) allow the Equityholders, the Equityholders' Representative and their respective agents access to all other Books and Records on reasonable notice and at reasonable times at Buyer's principal place of business or at any location where any Books and Records are stored and permit the Equityholders, the Equityholders' Representative and their respective agents, at their own expense, to make copies of such Books and Records, (iii) make available Buyer's or its Affiliates' personnel to assist in locating such Books and Records and (iv) make available Buyer's or its Affiliates' personnel whose assistance or participation is reasonably required by the Equityholders, the Equityholders' Representative or any of their respective Affiliates or representatives in anticipation of, or preparation for, existing or future Litigation, Tax contest, audit, investigation or other matters in which the Equityholders' Representative or any of their respective Affiliates are involved.

(c) Subject to the limitations set forth in Section 6.6(b), Buyer shall and shall cause its Affiliates to, make available to any of the Equityholders and its Affiliates upon reasonable notice to such Equityholders and at reasonable times and upon written request (i) Buyer's or its Affiliates' personnel to assist such Equityholders in locating and obtaining any Books and Records, and (ii) any of Buyer's or its Affiliates' personnel whose assistance or participation is reasonably required by such Equityholders or any of their Affiliates in anticipation of, or preparation for, existing or future Litigation, Tax contest, audit, investigation or other matters in which such Equityholders or any of their Affiliates are involved, subject to such Equityholder reimbursing Buyer for reasonable out-of-pocket expenses incurred in performing the covenants contained in this Section 6.6.

6.7. Public Announcements.

The initial press release regarding this Agreement and the Contemplated Transactions shall be made at such time and in such form as Buyer, the Equityholders' Representative and the Constituent Companies agree, provided, that in the event that the Parties cannot agree, a Party shall be permitted to make any disclosure required by Law. Prior to the Closing, neither Buyer, the Equityholders' Representative nor the Constituent Companies nor Largus (nor any of their respective Affiliates) will issue or make any subsequent press release or public statement with respect to this Agreement or the Contemplated Transactions without the prior consent of the other Party, except as may be required by Law.

6.8. Commercially Reasonable Efforts.

Except as otherwise set forth in Section 6.3, subject to the terms and conditions set forth herein and to applicable legal requirements, each of the Parties shall cooperate and use their respective commercially reasonable efforts to take, or cause to be taken, all appropriate action, and do, or cause to be done, and assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Contemplated Transactions, including the satisfaction of the respective conditions set forth in Article VII.

6.9. Exclusivity.

(a) The Equityholders, the Equityholders' Representative, the Constituent Companies and Largus will not, and will not permit any of their Affiliates or representatives to, directly or indirectly, (a) solicit, initiate, or encourage the submission of any proposal or offer from any Person relating to the acquisition of any interest in or any material portion of the assets of any of the Constituent Companies or Largus, whether by way of stock purchase, asset purchase, merger, reorganization, consolidation, share exchange or otherwise (an "Acquisition Proposal"), or (b) participate in any discussion or negotiation regarding, or furnish any information with respect to, assist or participate in, directly or indirectly, or facilitate in any other manner, any effort or attempt by any Person to do or seek to do any of the foregoing.

(b) In addition to the other obligations under this Section 6.9, the Equityholders, the Equityholders' Representative, the Constituent Companies and Largus shall promptly (and in any event within one (1) Business Day after receipt thereof by any such Person or its representatives), advise Buyer orally and in writing of any Acquisition Proposal, any request for information with respect to any Acquisition Proposal, or any inquiry with respect to or which could reasonably be expected to result in an Acquisition Proposal, the material terms and conditions of such request, Acquisition Proposal or inquiry, and the identity of the Person making the same.

(c) The Equityholders, the Equityholders' Representative, the Constituent Companies and Largus agree that the rights and remedies of non-compliance with this Section 6.9 shall include having such provision specifically enforced and it is acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Buyer and that money damages would not provide an adequate remedy to Buyer.

6.10. Release by Equityholders.

Effective upon the Closing, each Equityholder, for itself and its successors and assigns, hereby fully and unconditionally releases and forever discharges and holds harmless the Constituent Companies, Largus and their respective directors, officers, managers, employees, agents, Affiliates, successors and assigns from any and all claims, demands, losses, costs, expenses (including reasonable attorneys' fees and expenses), obligations, Liabilities and/or damages of every kind and nature whatsoever, whether now existing, known or unknown, relating in any way, directly or indirectly, to the Constituent Companies, Largus this Agreement or the Contemplated Transactions, that such Equityholder in its capacity as such may now have or may hereafter claim to have against the Constituent Companies, Largus, or any such directors, officers, managers, employees, agents, Affiliates, successor or assigns*; provided*, *however,* that the foregoing release will not be effective with respect to (i) any obligations of Buyer to the Equityholders under this Agreement, including any efforts by the Equityholders to enforce their rights under this Agreement, and (ii) any rights of the Equityholders to indemnification or advancement thereof, compensation, expense reimbursement and any other rights or benefits pursuant to any existing agreements or arrangements for compensation and under any Plan and any of the Constituent Companies' or Largus' organizational documents including rights under organizational documents of the Constituent Companies, indemnity agreements or insurance policies entered into or pursuant to Section 6.2 herein other than (A) claims known as of the date of this Agreement for indemnification and expense reimbursement under the Constituent Companies' organizational documents and (B) claims regarding disputes between or among the Equityholders and their Affiliates.

6.11. Tax Matters.

(a) Income Tax Treatment of the Purchase of the Partnership Constituent Companies. In accordance with Situation 2 of Rev. Rul. 99-6, 1999-1 C.B. 432, the Parties intend the purchase and sale of the Constituent Company LLC Interests of each of the Partnership Constituent Companies (other than Alamo Barge Lines LLC and 16530 Peninsula Blvd. LLC) contemplated in this Agreement to be treated, and agree to treat the purchase and sale of the Constituent Company LLC Interests of each of the Partnership Constituent Companies (other than Alamo Barge Lines LLC and 16530 Peninsula Blvd. LLC) contemplated in this Agreement, for U.S. federal income Tax purposes (and for all applicable foreign, state and local income Tax purposes to the extent permitted thereunder) in the following manner: (i) with respect to the Equityholders of each of the Partnership Constituent Companies (other than Alamo Barge Lines LLC and 16530 Peninsula Blvd. LLC), as if such Equityholders sold their respective partnership interests in such Partnership Constituent Company to Buyer, and (ii) with respect to Buyer, as if such Partnership Constituent Company distributed all of its assets (subject to the such Partnership Constituent Company's liabilities) to such Equityholders in liquidation of their respective partnership interests in such Partnership Constituent Company, immediately followed by the purchase by Buyer from each of such Equityholders of the undivided interests in the assets of such Partnership Constituent Company deemed distributed to each of such Equityholders (subject to such Equityholder's share of the such Partnership Constituent Company's liabilities). After the Closing, as a result of the purchase and sale of the Constituent Company LLC Interests of each of the Partnership Constituent Companies (other than Alamo Barge Lines LLC and 16530 Peninsula Blvd. LLC) contemplated in this Agreement, each of the Partnership Constituent Companies (other than Alamo Barge Lines LLC and 16530 Peninsula Blvd. LLC) will be disregarded as an entity separate from Buyer for U.S. federal and applicable foreign, state and local income Tax purposes within the meaning of Treasury Regulation Section 301.7701-2(c)(2), and the Parties agree to prepare and file all Tax Returns in a manner consistent with the foregoing and further agree to not take any position inconsistent therewith.

(b) [Intentionally Left Blank].

(c) Allocation of the Purchase Price.

(i) Within sixty (60) days following the date on which the Final Purchase Price Adjustment Statement is finally determined, Buyer shall prepare and provide to the Equityholders' Representative a statement (each, an "Allocation Statement") with respect to each of the Partnership Constituent Companies, allocating the portion of the Aggregate Cash Consideration allocated to the Equity Securities of such Partnership Constituent Company (including pursuant to Schedule 2.5(a)) and the assumed liabilities (together with other relevant amounts) of such Partnership Constituent Company (taking into account any adjustments thereof for Tax purposes pursuant to Section 2.4) among the assets of such Partnership Constituent Company in accordance with the Code and the Treasury Regulations thereunder (each such allocation, an "Allocation").

(ii) Buyer and the Equityholders' Representative will act in good faith and reasonably cooperate with each other to agree on the Allocation set forth on each Allocation Statement in accordance with the requirements of the Code and the Treasury Regulations thereunder. If Buyer and the Equityholders' Representative cannot agree on any such Allocation within thirty (30) days of the delivery of the Allocation Statement relating thereto to the Equityholders' Representative, then any remaining disputed matters will be submitted to an independent accounting firm mutually agreed upon by Buyer and the Equityholders' Representative for resolution. Promptly, but not later than fifteen (15) days after such matters are submitted to the independent accounting firm for resolution, such independent accounting firm will determine those matters in dispute and will render a written report as to the disputed matters and the resulting Allocation Statement, which report and resulting Allocation Statement shall be conclusive and binding on the Parties. Any Allocation determined by such independent accounting firm shall incorporate, reflect and be consistent with the requirements of the Code and the Treasury Regulations thereunder. The fees and expenses of the independent accounting firm in respect of such report shall be paid one-half by Buyer and one-half by the Equityholders.

(iii) The Parties agree (A) to file, and to cause their respective Affiliates to file, all Tax Returns in a manner consistent with each Allocation agreed to by Buyer and the Equityholders' Representative or, if applicable, determined pursuant to the dispute resolution procedures contained in Section 6.11(c)(ii) and not to take (and to cause their respective Affiliates not to take) any position inconsistent therewith in any Tax Return or any Tax Proceeding, unless required to do so by applicable Law or with prior written consent of the other Parties and (B) that each such Allocation shall be further revised, as necessary and in a manner consistent with such Allocation, to reflect any adjustment to the Aggregate Cash Consideration pursuant to Section 6.11(i) or otherwise that is such reflected in the Allocation.

(d) Straddle Periods and Apportionment. Whenever it is necessary to determine the liability for Taxes of any of the Acquired Companies for a Straddle Period, the determination of such Taxes of such Acquired Company for the portion of the Straddle Period ending on, and the portion of the Straddle Period beginning the day after, the Closing Date shall be determined as follows:

(i) In the case of any Tax of any of the Acquired Companies that is based on income, receipts, sales, revenue, production or similar items, or any other Taxes not described in Section 6.11(d)(ii), the amount of such Tax attributable to each of the Pre-Closing Tax Period and the Post-Closing Tax Period of such Straddle Period shall be determined based on an interim closing of the books as of the close of business on the Closing Date (and, for such purposes, the taxable period of each of the Partnership Constituent Companies will be deemed ended as the close of business on the Closing Date).

(ii) In the case of any real property, personal property and ad valorem Taxes ("Property Tax"), the amount of such Property Tax attributable to each of the Pre-Closing Tax Period and the Post-Closing Tax Period of such Straddle Period shall be deemed to be the amount of such Property Tax for the entire Straddle Period, multiplied by a fraction, the numerator of which is the number of days in the relevant portion of such Straddle Period, and the denominator of which is the number of days in such Straddle Period.

(e) Preparation of Tax Returns.

(i) Except as otherwise provided in Section 6.11(e)(ii), and with respect to each Tax Return covering either a Straddle Period or a Pre-Closing Tax Period that is required to be filed for, by, on behalf of or with respect to any of the Acquired Companies after the Closing Date, Buyer shall prepare or cause to be prepared, at Buyer's cost and expense, and in a manner consistent with past practice, applicable Law and this Agreement (including Schedule 2.5(a)), each such Tax Return and shall determine the portion of the Taxes shown as due on such Tax Return that is (A) allocable to a Pre-Closing Tax Period and the amount thereof, if any, for which the Equityholders are responsible under this Agreement (which amount, if any, shall be paid by the Equityholders to the Buyer prior to the due date (including any extensions thereof) for filing such Tax Return), and (B) allocable to a Post-Closing Tax Period, which determination shall be set forth in a written statement ("Statement") prepared by Buyer. Buyer shall deliver completed drafts of each such Tax Return and the Statement related thereto (including related work papers) to the Equityholders' Representative for his review and approval (such approval not to be unreasonably withheld, conditioned or delayed) at least thirty (30) calendar days prior to the due date (including any extensions thereof) for filing such Tax Return; provided, however, that notwithstanding the foregoing, Buyer shall not be required to make such delivery earlier than ten (10) calendar days following the close of the applicable taxable period covered by such Tax Return. Within five (5) calendar days of such delivery, the Equityholders' Representative shall deliver to Buyer a written statement describing any objections to such Tax Return or the Statement. If Buyer and the Equityholders' Representative are unable to resolve any such objection within the five (5) calendar day period after the delivery of such objections, such Tax Return shall be filed as prepared by Buyer, as adjusted to the extent necessary to reflect the resolution of any such objections mutually agreed to by Buyer and the Equityholders' Representative. Any remaining objections with respect to such Tax Return or the Statement shall be submitted to an independent accounting firm mutually agreed upon by the Parties for resolution and such independent accounting firm will determine those matters in dispute and will render a written report as to the disputed matters, which report shall be conclusive and binding on the Parties. The fees and expenses of the independent accounting firm in respect of such report shall be paid one-half by Buyer and one-half by the Equityholders. If necessary to reflect such resolution, Buyer and the Equityholders' Representative shall cause such Tax Return to be amended and filed with the appropriate Taxing Authority. With respect to each Tax Return described in this Section 6.11(e)(i) and in Section 6.11(e)(ii), Buyer and each Equityholder, as applicable, will join in the execution and filing of such Tax Return and other documentation as required by applicable Law.

(ii) Notwithstanding anything herein to the contrary, including the foregoing provisions of Section 6.11(e)(i), after the Closing, the Equityholders' Representative shall prepare or cause to be prepared, at the Equityholders' cost and expense, and in a manner consistent with past practice, applicable Law and this Agreement (including Schedule 2.5(a)), all Tax Returns for income and franchise Taxes with respect to Largus and any of the Acquired Companies for all taxable periods ending on or before the Closing Date that are due after the Closing Date (including for those jurisdictions and Taxing Authorities that permit or require a short period Tax Return for income or franchise Taxes for the period ending on and including the Closing Date, and including such Tax Returns that reflect income, gain, loss, deduction, credit or any similar item to be reported on a Tax Return of any Equityholder for any taxable period ending on or before the Closing Date) (all such Tax Returns described in (A) or (B), "Pre-Closing Equityholder Tax Returns"). The Equityholders' Representative shall provide Buyer with copies of completed drafts of each such Pre-Closing Equityholder Tax Return at least twenty-five (25) days prior to the due date (including extensions) for filing thereof, along with supporting workpapers, for Buyer's review and comment. Within fifteen (15) days of such delivery, Buyer shall deliver to the Equityholders' Representative a written statement describing any objections to such Pre-Closing Equityholder Tax Return. If the Equityholders' Representative and Buyer are unable to resolve any such objection within the five (5) day period after the delivery of such objections, such Tax Return shall be filed as prepared by the Equityholders' Representative, as adjusted to the extent necessary to reflect the resolution of any such objections mutually agreed to by the Equityholders' Representative and Buyer and, if applicable, to conform such Tax Return in all respects with the applicable Allocation that has become final and binding pursuant to Section 6.11(c). Any remaining objections with respect to any such Pre-Closing Equityholder Tax Return that is a Higman Marine, Inc. Combined Group Tax Return or a Largus Tax Return shall be submitted to an independent accounting firm mutually agreed upon by the Parties for resolution and such independent accounting firm will determine those matters in dispute and will render a written report as to the disputed matters, which report shall be conclusive and binding on the Parties. The fees and expenses of the independent accounting firm in respect of such report shall be paid one-half by Buyer and one-half by the Equityholders. If necessary to reflect such resolution, Buyer and the Equityholders' Representative shall cause any such Higman Marine, Inc. Combined Group Tax Return or Largus Tax Return to be amended and filed with the appropriate Taxing Authority.

(iii) After the Closing, Buyer and its Affiliates shall not, with respect to any Acquired Company, (A) file, or cause to be filed, any restatement or amendment of, modification to or claim for refund relating to any Tax Return for any Pre-Closing Tax Period, (B) other than pursuant to a Tax Proceeding controlled by Buyer pursuant to Section 6.11(k), make or initiate any voluntary contact with any Taxing Authority with respect to any Pre-Closing Tax Period, (C) extend or waive, or cause to be extended or waived, any statute of limitations or other period for the assessment of any Tax or deficiency with respect to any Pre-Closing Tax Period, other than pursuant to a Tax Proceeding controlled by Buyer pursuant to Section 6.11(k), or (D) otherwise take any action with respect to a Pre-Closing Tax Period, other than pursuant to a Tax Proceeding controlled by Buyer pursuant to Section 6.11(k), that is reasonably likely to result in any Equityholder or any Acquired Company being liable for any Taxes, in each case, without the prior written consent of the Equityholders' Representative, which consent may not be unreasonably withheld, conditioned or delayed.

(f) Assistance and Cooperation. From and after the Closing Date, each of the Parties shall:

(i) assist (and cause their respective Affiliates to assist), to the extent reasonably requested by another Party, in preparing any Tax Returns which such other Party is responsible for preparing and filing;

(ii) cooperate as and to the extent reasonably requested by the other Party in preparing for any Tax Proceeding regarding Taxes of any of the Acquired Companies or Largus;

(iii) make available to the other Parties and to any Taxing Authority, as reasonably requested, all relevant information, records, and documents relating to Taxes or Tax Returns of any of the Acquired Companies (including information necessary to file Tax Return extensions and make estimated Tax payments); and

(iv) furnish the another Party, upon such other Party's reasonable request, with copies of all correspondence received from any Taxing Authority in connection with any Tax Proceeding with respect to any Taxes imposed on any of the Acquired Companies with respect to any Pre-Closing Tax Period.

(g) Transfer Taxes. The Parties do not anticipate that any transfer, sales, use, value added, excise, filing, recording, documentary, stamp or other similar Taxes will arise as a result of the consummation of the Contemplated Transactions ("Transfer Taxes"). Notwithstanding the foregoing, if any Transfer Taxes arise as a result of the consummation of the Contemplated Transactions, the payment of any and all such Transfer Taxes shall be borne equally by the Equityholders, on the one hand, and Buyer, on the other hand. The Parties agree to cooperate fully with each other to minimize any such liability for Transfer Taxes to the extent legally permissible, and the Parties shall cooperate in the preparation, execution and filing of all Tax Returns regarding any Transfer Taxes that become payable in connection with the Contemplated Transactions.

(h) Termination of Tax Sharing Agreements. The Equityholders shall cause any and all Tax sharing or allocation agreements, intercompany agreements or other agreements or arrangements among any of the Acquired Companies and any other Person(s) relating to any Tax matters to be terminated with respect to each of the Acquired Companies as of the Closing Date, and from and after the Closing Date, the Acquired Companies shall not be bound thereby or have any liability thereunder for any taxable period (whether past, current or future taxable periods).

(i) Tax Treatment of Indemnity Payments. The Parties agree to treat any indemnity payment made pursuant to this Agreement as an adjustment to the Aggregate Cash Consideration for federal, state, local and foreign income Tax purposes.

(j) Withholding.

(i) Buyer may deduct and withhold from any consideration deliverable pursuant to this Agreement to any Equityholder such amounts as are required to be deducted or withheld from such consideration under the Code or any provision of any Tax-related Law. To the extent such amounts are so deducted or withheld and timely remitted to the applicable Taxing Authority, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid. Buyer shall remit any such amounts to the applicable Taxing Authority in accordance with applicable Law.

(ii) No later than ten (10) days prior to delivering any consideration described in this Section 6.11(j), Buyer shall notify the Equityholders' Representative in writing if Buyer determines that any deduction or withholding is required under the Code or any Tax-related Law. Such written notice shall describe the basis for such deduction or withholding, and during such ten (10) day period Buyer shall provide the Equityholders' Representative with the opportunity to provide such forms, certificates or other evidence required or necessary to, and shall cooperate with the Equityholders' Representative to, eliminate or reduce any such deduction or withholding. Notwithstanding the foregoing, to the extent any deduction or withholding with respect to any consideration described in this Section 6.11(j) was not required prior to, and is required as a result of, an assignment by Buyer of any of its rights under this Agreement pursuant to Section 10.10, Buyer shall make (or cause to be made) such deduction or withholding and remit (or cause to be remitted) such deducted or withheld amounts to the relevant Taxing Authority, and pay to the relevant Equityholder(s) such additional amounts as necessary such that the relevant Equityholder(s) receives the same amount as it would have received had no such assignment been made (including with respect to any additional amounts payable pursuant to this sentence).

(k) Audits.

(i) After the Closing Date, the Equityholders' Representative and Buyer shall each notify the other in writing within five (5) days of the commencement of any income Tax Proceeding with respect to any of the Acquired Companies for any Pre-Closing Tax Period (a "Pre-Closing Tax Matter"), provided that the failure of Buyer to give such notice within such time period will not affect the obligations of the Equityholders or the Equityholders' Representative under this Agreement except to the extent that the Equityholders are materially prejudiced thereby. Such notice shall contain factual information describing any such Pre-Closing Tax Matter and shall include copies of any notice or other document received from any Taxing Authority with respect to such Pre-Closing Tax Matter.

(ii) The Equityholders' Representative shall, at the expense of the Equityholders, have the sole responsibility for, and the sole right to control the conduct of, any Pre-Closing Tax Matter relating to any of the Partnership Constituent Companies or any of the S Corporation Constituent Companies, including any disposition of any such Pre-Closing Tax Matter; provided, however, that Buyer, at its own expense, will have the right to review in advance and comment upon all material submissions made in the course of any such Pre-Closing Tax Matters. With respect to all other Tax Proceedings, Buyer shall have the sole responsibility for, and the sole right to control the conduct of, such Tax Proceeding, but, if the resolution of such Tax Proceeding is reasonably likely to affect the liabilities of any Equityholder (including under this Agreement), then the Equityholders' Representative will have the right to review in advance and comment upon all material submissions made in the course of such Tax Proceeding, and the Equityholders' Representative's consent (not to be unreasonably withheld, conditioned or delayed) will be required for any settlement of such Tax Proceeding by Buyer.

(l) Texas State Margin Tax Refunds. Upon receipt by Buyer or any of its Affiliates of any Texas margin tax refund described in Section 4.19 of the Constituent Company Disclosure Schedule, Buyer shall promptly pay over such refund to the Equityholders' Representative, except to the extent such refund is included as a current asset in Closing Date Net Working Capital.

(m) Survival; Exclusivity. Notwithstanding any provision of this Agreement to the contrary, each Party's representations, warranties, covenants, agreements, rights and obligations with respect to any Tax or Tax matter covered by this Agreement shall survive the Closing and shall not terminate until sixty (60) days after the expiration of all statutes of limitations (including any and all extensions thereof) applicable to such Tax (or the assessment thereof) or Tax matter.

(n) Conflict. In the event of a conflict between the provisions of this Section 6.11 and any other provision of this Agreement, the provisions of this Section 6.11 shall control.

6.12. RWI Policy.

Buyer shall cause that at all times during the term of the RWI Policy such policy shall expressly provide that (a) the insurer has no subrogation rights, and will not pursue any claim against any Equityholder, its successor and assigns except for fraud; (b) the Equityholders shall be third party beneficiaries of the insurer's promise to not pursue any claim against any Equityholder and its successor and assigns except for fraud; and (c) following the date of such RWI Policy, Buyer may not modify the limitations on subrogation against any Equityholder and its successors and assigns in the RWI Policy without such Equityholder's express written consent.

6.13. Certain Agreements.

(a) At or prior to the Closing, the Equityholders and the Constituent Companies shall take all actions necessary to terminate the agreements set forth on Section 6.13 of the Constituent Companies Disclosure Schedule and all guarantees related thereto, so that such agreement and guarantee shall have no force and effect following the Closing.

(b) At or prior to the Closing, the employees of the Constituent Companies set forth on Section 6.13(b) of the Constituent Companies Disclosure Schedule (the "Specified Employees") shall have either retired or been terminated by the applicable Constituent Company and/or their applicable Subsidiaries.

ARTICLE VII
Conditions to Closing

7.1. Conditions to All Parties' Obligations.

The obligations of the Parties to consummate the Contemplated Transactions are subject to the fulfillment prior to or at the Closing of each of the following conditions (any or all of which may be waived by all of the Parties):

(a) No Injunction. No Governmental Authority or federal or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law, Order or other notice (whether temporary, preliminary or permanent), in any case which is in effect and which prevents or prohibits consummation of the Contemplated Transactions; provided, that each of the Parties shall have complied with its respective obligations under Section 6.3.

(b) The conditions precedent to the RWI Insurer's liability set forth as condition 7 of the RWI Policy to Buyer and/or its designee(s) shall have been fully satisfied (or expressly waived by the RWI Insurer) other than conditions that Buyer has the unilateral ability to satisfy (the Constituent Companies and the Equityholders having performed their respective obligations under Section 6.3(d)), such that the RWI Insurer has confirmed that it is prepared (subject to the satisfaction or waiver, at the Closing or post-Closing, as applicable, of conditions that by their nature cannot be satisfied until the Closing) to issue, or to recognize the full effectiveness of, the RWI Policy contemporaneously with the Closing (all of the foregoing being the "RWI Conditions to Effectiveness"). For the avoidance of doubt, items (b), (d) and (e) of the RWI Conditions to Effectiveness shall be deemed within the unilateral ability of Buyer to satisfy; item (a) of the RWI Conditions to Effectiveness shall be deemed satisfied provided that no waivers are requested or required in writing of Buyer, or any such waivers being approved in writing by the RWI Insurer; item (c) of the RWI Conditions to Effectiveness shall be deemed satisfied unless Buyer is unable to provide the "closing no claims declaration" in the form attached at Exhibit B because of an "interim breach" (as defined in the RWI Policy); and item (f) of the RWI Conditions to Effectiveness shall be deemed within the unilateral ability of Buyer to satisfy upon receipt by Buyer of the data room copies as provided therein and in Section 6.3(d).

7.2. Conditions to the Constituent Companies', Largus' and the Equityholders' Obligations.

The obligations of the Constituent Companies, Largus and the Equityholders to consummate the Contemplated Transactions are subject to the fulfillment at or prior to the Closing of each of the following conditions (any or all of which may be waived in whole or in part by the Equityholders' Representative):

(a) Buyer Representations and Warranties. The representations and warranties of Buyer made in Article V of this Agreement shall be true and correct as of the Closing Date (without giving effect to any "material", or "materiality" qualification contained in such representations and warranties), as though made on such date (except for those representations and warranties which refer to facts existing at a specific date, which shall be true and correct as of such date) except where the failure of any such representations or warranties to be so true and correct would not have or reasonably be expected to have a Buyer Material Adverse Effect.

(b) Performance. Buyer shall have performed and complied in all material respects with all agreements and covenants required by this Agreement to be so performed or complied with by Buyer at or prior to the Closing.

(c) Officer’s Certificate. The Equityholders’ Representative shall have received an officer’s certificate signed by an authorized signatory of Buyer to the effect that the conditions set forth in Sections 7.2(a) and 7.2(b) have been satisfied.

(d) Escrow Agreement. Buyer and the Escrow Agent shall have entered into the Escrow Agreement.

7.3. Conditions to Buyer’s Obligations.

The obligations of Buyer to consummate the Contemplated Transactions are subject to the fulfillment at or prior to the Closing of each of the following conditions (any or all of which may be waived in whole or in part by Buyer):

(a) Constituent Company and Largus Representations and Warranties. Other than the representations and warranties of the Constituent Companies and Largus in Section 4.1, Section 4.2, the first sentence of Section 4.3, Section 4.4 (clause (a)), Section 4.14(c), Section 4.21, Section 4.24(a), Section 4.24(b), Section 4.24(c), Section 4.24(d), Section 4.24(e) (clause (i)) and Section 4.24(i), the representations and warranties of the Constituent Companies and Largus made in Article IV of this Agreement shall be true and correct in all respects (without giving effect to any “material”, “materially” or “Constituent Company Material Adverse Effect” qualification contained therein), on and as of the date hereof and as of the Closing, as though made on such date (except for those representations and warranties which refer to facts existing at a specific date, which shall be true and correct as of such date) except where the failure of any such representations or warranties to be so true and correct would not, individually or in the aggregate, have (i) a Constituent Company Material Adverse Effect, in the case of representations and warranties made by the Constituent Companies, and (ii) a material adverse effect on Largus, in the case of representations and warranties made by Largus. The representations and warranties in Section 4.1, Section 4.2, the first sentence of Section 4.3, Section 4.4 (clause (a)), Section 4.14(c), Section 4.21, Section 4.24(a), Section 4.24(b), Section 4.24(c), Section 4.24(d), Section 4.24(e) (clause (i)) and Section 4.24(i) shall be true and correct in all respects on and as of the date hereof and as of the Closing Date as through made on such date except for: (i) those representations and warranties which refer to facts existing at a specific date, which shall be true and correct as of such date, (ii) breaches or inaccuracies of the representations and warranties of the Constituent Companies and Largus that are *de minimis*.

(b) Equityholder Representations and Warranties. Other than the representations and warranties of the Equityholders in Section 3.1, Section 3.2, Section 3.3, Section 3.4 (clause (a)) and Section 3.6, the representations and warranties of each Equityholder made in Article III of this Agreement shall be true and correct in all respects (without giving effect to any “material”, “materially” or “Constituent Company Material Adverse Effect” qualification contained therein), on and as of the date hereof and as of the Closing Date, as though made on such date (except for those representations and warranties which refer to facts existing at a specific date, which shall be true and correct as of such date) except where the failure of any such representations or warranties to be so true and correct would not, individually or in the aggregate, have an Equityholder Material Adverse Effect. The representations and warranties of the Equityholders in Section 3.1, Section 3.2, Section 3.3, Section 3.4 (clause (a)), and Section 3.6 shall be true and correct in all respects on and as of the date hereof and as of the Closing Date as though made on such date (except for those representations and warranties which refer to facts existing at a specific date, which shall be true and correct as of such date) other than *de minimis* inaccuracies.

(c) Performance of Covenants by the Constituent Companies and Largus. The Constituent Companies and Largus shall have performed and complied in all material respects with all agreements and covenants required by this Agreement to be so performed or complied with by the Constituent Companies and Largus at or prior to the Closing.

(d) Performance of Covenants by each Equityholder. Each Equityholder shall have performed and complied in all material respects with all agreements and covenants required by this Agreement to be so performed or complied with by such Equityholder at or prior to the Closing.

(e) No Material Adverse Effect. Since the date of this Agreement, no Equityholders Material Adverse Effect or Constituent Company Material Adverse Effect shall have occurred.

(f) Officer's Certificates. Buyer shall have received (i) an officer's certificate signed by a senior officer of the Constituent Companies and of Largus to the effect that the conditions set forth in Sections 7.3(a) and 7.3(c) have been satisfied and (ii) a certificate signed by each Equityholder to the effect that the conditions set forth in Sections 7.3(b) and 7.3(d), to the extent applicable to such Equityholder, have been satisfied.

(g) Escrow Agreement. The Equityholders' Representative and the Escrow Agent shall have entered into the Escrow Agreement.

(h) Payoff Letters. All Payoff Letters shall have been delivered to Buyer at or prior to Closing.

ARTICLE VIII
Termination

8.1. Termination Prior to Closing.

This Agreement may be terminated prior to the Closing as follows:

(a) By the mutual written consent of the Equityholders' Representative, on the one hand and Buyer, on the other hand;

(b) By Buyer at any time prior to the Closing, if (i) the Constituent Companies, Largus or the Equityholders are in breach of the representations, warranties or covenants made by the Constituent Companies, Largus or the Equityholders in this Agreement, (ii) such breach is not cured or capable of being cured by the earlier of the day prior to the Termination Date and thirty (30) days following written notice of such breach from Buyer (to the extent such breach is curable) and (iii) such breach, if not cured, would render the conditions set forth in Sections 7.1 or 7.3 incapable of being satisfied;

(c) By the Equityholders' Representative at any time prior to the Closing, if (i) Buyer is in breach of the representations, warranties or covenants made by it in this Agreement, (ii) such breach is not cured or capable of being cured by the earlier of the day prior to the Termination Date and thirty (30) days following written notice of such breach from the Equityholders' Representative (to the extent such breach is curable) and (iii) such breach, if not cured, would render the conditions set forth in Sections 7.1 or 7.2 incapable of being satisfied;

(d) By the Equityholders' Representative, on the one hand, or Buyer, on the other hand, if the Closing shall not have occurred by August 4, 2018 (the "Termination Date"); provided, however, that (i) the Equityholders' Representative shall not be entitled to terminate this Agreement pursuant to this Section 8.1(d) if the Constituent Companies, Largus or any Equityholder has breached this Agreement and such breach has resulted in the failure of a condition in Sections 7.1 or 7.3 to be satisfied and (ii) Buyer shall not be entitled to terminate this Agreement pursuant to this Section 8.1(d) if Buyer has breached this Agreement and such breach has resulted in the failure of a condition in Sections 7.1 or 7.2 to be satisfied; or

(e) By the Equityholders' Representative, on the one hand or Buyer, on the other hand, if (i) the Contemplated Transactions shall violate any Order that shall have become final and nonappealable or (ii) there shall be a Law which makes the Contemplated Transactions illegal or otherwise prohibited; provided, however, that the Party seeking termination pursuant to this clause (e) is not then in material breach of this Agreement.

8.2. Effect of Termination.

In the event of the termination of this Agreement pursuant to Section 8.1, written notice thereof shall be given by the terminating Party to the other Parties and all rights, obligations and remedies of the Parties under this Agreement will terminate, except that the rights, obligations and remedies of the Parties in this Section 8.2, Section 6.7, and Article IX hereof and in the Confidentiality Agreement will survive; provided, that nothing herein shall relieve a defaulting or breaching Party from any liability or damages arising out of its willful and material breach of any provision of this Agreement. In no event shall the Constituent Companies, Largus or any Equityholder have any liability to any Equityholder as a result of any termination of this Agreement, regardless of the reason for such termination.

ARTICLE IX
Indemnification

9.1. Survival.

The representations and warranties of the parties contained in this Agreement (including the Schedules and Exhibits attached hereto and the certificates delivered pursuant hereto) will survive the Closing until 5:00 p.m. (Central time) on the day that is eighteen (18) months following the Closing Date, provided, however, that (i) the representations and warranties set forth in Section 3.1, Section 3.2, Section 3.3, Section 3.4 (clause (a)), Section 3.6, Section 4.1, Section 4.2, the first sentence of Section 4.3, Section 4.4 (clause (a)), Section 4.7(b), Section 4.14(c), Section 4.21, Section 4.24(a), Section 4.24(b), Section 4.24(c), Section 4.24(d), Section 4.24(e) (clause (i)) and Section 4.24(i) (collectively, the "Fundamental Representations") shall survive the execution and delivery of this Agreement indefinitely, (ii) the representations and warranties set forth in Section 4.19 (Taxes) and Section 4.24(h) (Tax Matters) (the "Tax Representations") and in Section 4.13 and Section 4.18 shall expire sixty (60) days after the expiration of the applicable statute of limitations, including all extensions and waivers thereof. Any representation or warranty the violation of which is made the basis of a claim for indemnification pursuant to Section 9.2 will survive with respect to such claim until such claim is finally resolved if Buyer notifies the Equityholders' Representative of such claim in reasonable detail prior to the date on which such representation or warranty would otherwise expire hereunder. Without limiting the foregoing, no claim for indemnification pursuant to Section 9.2 based on the breach or alleged breach of a representation or warranty may be asserted after the time at which such representation or warranty expires hereunder. The covenants and agreements of Buyer and of the Constituent Companies, Largus and the Equityholders made in or pursuant to this Agreement to be performed after the Closing will survive the execution and delivery of this Agreement and the consummation of the Contemplated Transactions in accordance with their terms.

9.2. Indemnification of Buyer

. Notwithstanding any investigation by Buyer or its representatives, the Equityholders, jointly and severally, will indemnify and hold Buyer, the Constituent Companies, Largus and their respective Affiliates, managers, directors, officers, employees and agents (each a "Buyer Party", and collectively, the "Buyer Parties") harmless from any and all Liabilities, obligations, claims, contingencies, damages, costs and expenses, including all court costs, costs of investigation, litigation expenses and reasonable attorneys' fees (collectively, "Losses"), that any Buyer Party actually suffers or incurs as a result of or relating to:

(a) the breach of any representation or warranty made by an Equityholder, Largus or any Constituent Company in this Agreement;

(b) the breach of any covenant or agreement made by an Equityholder, Largus or any Constituent Company in this Agreement;

(c) Seller Taxes; or

(d) Largus Taxes;

provided, *however*, that (1) recovery from the Indemnity Escrow Account shall be the sole and exclusive remedy of the Buyer Parties, the Constituent Companies or their respective Affiliates with respect to any claims arising out of or relating to any Losses under Section 9.2(a), and no Equityholder nor its successors and assigns shall have any liability or obligation to any Buyer Party, Constituent Company or any of their respective Affiliates with respect to any such Losses other than by payments from the Indemnity Escrow Account, (2) the Buyer Parties will not be entitled to indemnification pursuant to Section 9.2(a) unless the aggregate amount of all Losses for which the Buyer Parties are entitled to indemnification pursuant to such Section exceeds $1,170,000 (the "Deductible"), in which case the Buyer Parties will be entitled to indemnification for all such Losses in excess of the Deductible, and (3) the maximum amount for which the Equityholders will be liable to the Buyer Parties under Section 9.2(a) shall be $3,000,000 (the "Cap"); provided, further, that the Deductible and the Cap shall not apply to claims for Losses in respect of breaches (or third party allegations of breach) by an Equityholder or a Constituent Company of the Tax Representations except that, with respect to such Losses, no Buyer Party shall be permitted to seek recovery from any Equityholder unless and until the funds in the Indemnity Escrow Account have been exhausted; provided, further, that in no event will any Buyer Party be entitled to recover or make a claim for any amounts in respect of, and in no event will such "Losses" be deemed to include, any Taxes that are due to the unavailability in any taxable period (or portion thereof) beginning after the Closing Date of any net operating loss, credit or other Tax attribute that arose in a Pre-Closing Tax Period other than as a result of a breach of the representation made in Section 4.19(n).

9.3. Indemnification of Equityholders

. Buyer will indemnify and hold the Equityholders, their respective Affiliates and their respective managers, directors, officers, employees and agents (collectively, the "Equityholder Parties") harmless from any and all Losses that any Equityholder Party actually suffers or incurs as a result of or relating to:

(a) the breach of any representation or warranty made by Buyer in this Agreement;

(b) the breach of any covenant or agreement made by Buyer in this Agreement; or

(c) Buyer Taxes;

provided, *however,* that (1) the Equityholder Parties will not be entitled to indemnification pursuant to Section 9.3(a) unless the aggregate amount of all Losses for which the Equityholder Parties are entitled to indemnification pursuant to such Section exceeds $1,170,000 (the "Equityholders Deductible"), in which case the Equityholder Parties will be entitled to indemnification for all such Losses, and (2) the maximum amount for which Buyer will be liable to the Equityholder Parties under Section 9.3(a) shall be $3,000,000 (the "Equityholders Cap").

9.4. Calculation of Losses.

(a) For purposes of determining the amount of any Losses subject to indemnification under this Article IX, and for purposes of determining whether a breach of representation, warranty, covenant or agreement has occurred, no effect shall be given to any qualifications or limitations regarding materiality, Equityholder Material Adverse Effect or Constituent Company Material Adverse Effect or words of similar effect.

(b) In calculating any amount hereunder in respect of Losses, Losses shall be reduced by any amounts actually recovered by the applicable Buyer Parties or Equityholder Parties (the "Indemnified Party") under applicable insurance policies, under any indemnification or similar agreements, or from any other Person alleged to be responsible for any Losses (other than an Affiliate of such Indemnified Party), or other rights of recovery with respect to such Losses, net of any deductible or any other reasonable and necessary out-of-pocket expense incurred by the Indemnified Party in obtaining such recovery. If an Indemnified Party or its Affiliates receives any such recovery after an indemnification payment by the Indemnifying Parties (defined herein) has been made, then such Indemnified Party or its Affiliates shall promptly reimburse the Indemnifying Parties for any payment made, but not in excess of the amount received by the Indemnified Party or its Affiliates.

(c) Notwithstanding any other provision of this Agreement, in no event shall any Indemnified Party be entitled to indemnification pursuant to this Article IX, or to make a claim for breach of any other provision of this Agreement or to any other remedy at Law or in equity, to the extent any Losses were attributable to such Indemnified Party's own gross negligence or willful misconduct. The Indemnified Party shall take commercially reasonable steps to mitigate any Loss upon and after becoming aware of any facts, matters, failures or circumstances that would reasonably be expected to result in any Losses that are indemnifiable hereunder; provided that neither Buyer nor any of the Constituent Companies shall be required to pursue any claims against any customer or employee of Buyer of any Constituent Companies. In the event the Indemnified Party shall fail to take, or cause to be taken, commercially reasonable steps (subject to the proviso in the immediately preceding sentence), then notwithstanding anything in this Agreement to the contrary, the Indemnifying Parties shall not be required to indemnify the Indemnified Party for that portion of the Loss that could reasonably have been avoided if the Indemnified Party had taken such commercially reasonable steps.

(d) For the avoidance of doubt, with respect to Losses resulting from covenant breaches by Equityholders, no Equityholder shall be liable for covenant breaches by any other Equityholder.

(e) Notwithstanding anything to the contrary in this Agreement, in no event shall an Indemnifying Party be liable for any special, punitive or exemplary damages, in each case of any kind or nature (in each case other than to the extent such damages are payable pursuant to a Third Party Claim).

(f) With respect to any Losses incurred by the Buyer Parties under this Agreement, each Equityholder's maximum liability shall be capped by 100% of the amount of pre-Tax cash actually paid to such Equityholder in respect of such Equityholder's Equity Securities under this Agreement.

(g) No Indemnified Party shall have any right to indemnification or recovery for Losses under Section 9.2 or Section 9.3 to the extent such Losses would duplicate any amount or item included in the calculation or determination of the Final Purchase Price Adjustment Statement.

9.5. Notice.

(a) Any Indemnified Party entitled to receive indemnification under this Article IX agrees to give prompt written notice to the party or parties required to provide such indemnification (the "Indemnifying Parties") upon the occurrence of any indemnifiable Loss or the assertion of any claim or the commencement of any action or proceeding in respect of a Loss (each, a "Claim"), but the Indemnified Party's failure to give such notice will not affect the obligations of the Indemnifying Party under this Article IX except to the extent that the Indemnifying Party is materially prejudiced thereby. Such written notice will include a reference to the event or events forming the basis of such Loss or Claim and the amount involved, unless such amount is uncertain or contingent, in which event the Indemnified Party will give a later written notice when the amount becomes fixed.

(b) Unless the matter comprising a Claim for which any of the Buyer Parties is the Indemnified Party is entirely RWI Excluded Matter, the Buyer shall notify the RWI Insurer and the Buyer shall initiate the claims process as and when provided in the RWI Policy, and the Buyer's notice under Section 9.5(a), or an update thereto, shall so advise the Indemnifying Party. Any Claim for which, in whole or in part, a claim is being pursued under the RWI Policy shall be deemed a "RWI Parallel Claim," until such time it has been determined by adjudication or agreement between the Buyer and RWI Insurer, including a determination that it is RWI Excluded Matter. During such time as an RWI Parallel Claim exists, if the amount of Losses in controversy under such Claim exceed the amount then held in the Indemnity Escrow Account (such excess amount, the "RWI Parallel Claim Excess Amount"), and such RWI Parallel Claim Excess Amount is greater than the amount then held in the Indemnity Escrow Account, then the Claim shall be stayed for purposes of this Article IX, except for that portion of an RWI Parallel Claim falling within the retention under the RWI Policy to which Sections 9.2 and 9.7 shall apply notwithstanding the stay hereunder, such that the Indemnifying Party shall pay its share of amount within the retention notwithstanding the pendency of a claim under the RWI Policy for the RWI Parallel Claim. In addition, to the extent that any portion of a Claim under this Article IX constitutes RWI Excluded Matter, the stay hereunder shall be lifted if and to the extent that the exercise of indemnification rights and procedures under this Article IX will not materially prejudice pursuit of a recovery under the RWI Policy for the RWI Parallel Claim.

9.6. Defense of Claims.

(a) In the case of third-party claims (a "Third Party Claim"), the Indemnifying Party may elect to assume and control the defense of any such Claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of expenses related thereto, if: (i) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently; (ii) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have adequate financial resources to defend against the claim and fulfill its indemnification obligations hereunder; (iii) the claim involves only money damages and does not seek an injunction or other equitable relief against the Indemnified Party; (iv) the Indemnified Party has not been advised by counsel that an actual or potential conflict exists between the Indemnified Party and the Indemnifying Party in connection with the defense of the claim; (v) the claim does not relate to or otherwise arise in connection with any criminal or regulatory enforcement matter or investigations or official inquiries regarding the same, and (vi) prior to assuming the defense of any such Third Party Claim, such Indemnifying Party must first have agreed in writing to the satisfaction of the Indemnified Party that the Third-Party Claim is subject to indemnification under this Article IX. Failure of the Indemnifying Party to notify the Indemnified Party of its election to defend any such claim or action by a third party within thirty (30) days after notice thereof shall have been given by the Indemnified Party, shall be deemed a waiver of any such election.

(b) If the Indemnifying Party is conducting the defense of the Third Party Claim in accordance with Section 9.6(a), (i) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim, (ii) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim, nor take any voluntary action prejudicial to the determination of the Third Party Claim, without the prior written consent of the Indemnifying Party and (iii) the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim unless written agreement is obtained releasing the Indemnified Party subject to the Third Party Claim from all liability thereunder. If the Indemnifying Party is not conducting the defense of the Third Party Claim, the Indemnified Party may defend against such claim or litigation in such manner as it deems appropriate, but the Indemnified Party will not consent to the entry of any settlement or enter into any settlement with respect to such Third Party Claim without the prior written consent of the Indemnifying Party, such consent not to be unreasonably withheld, conditioned or delayed.

9.7. Indemnity Escrow

. Buyer shall be entitled to all or a portion of the Indemnity Escrow Amount to the extent of any obligations of the Equityholders, Largus or the Constituent Companies under this Article IX. To the extent funds are due to Buyer, Buyer and the Equityholders' Representative shall deliver a Joint Direction to the Escrow Agent to release such funds to Buyer. In the event there is a dispute regarding the amount of funds to be released from the Adjustment Escrow Account or the Indemnity Escrow Account, only that portion of the funds in dispute shall be held back and not released until resolution of the dispute. If any funds remain in the Indemnity Escrow Account eighteen (18) months after the Closing Date, Buyer and the Equityholders' Representative shall deliver a Joint Direction to the Escrow Agent to release all remaining funds as instructed by the Equityholders' Representative, other than amounts in dispute under any indemnity Claim of Buyer then still unresolved (which amounts in dispute shall be released as instructed by the Equityholders' Representative once all such Claims are resolved).

9.8. Exclusive Remedy

. If the Closing shall occur, from and after the Closing, in the absence of fraud, the remedies provided in this Article IX shall be the sole and exclusive remedies of the Buyer Parties with respect to this Agreement and the Contemplated Transaction except as expressly provided in this Agreement; provided, however, that the foregoing shall not prevent or prohibit any party hereto from seeking specific performance, injunctive relief or any other equitable remedy.

ARTICLE X
Miscellaneous

10.1. Equityholders' Representative.

(a) Each of the Equityholders hereby constitutes and irrevocably appoints, effective from and after the date hereof, John T. McMahan as such Equityholder's agent and attorney-in-fact (in such capacity, the "Equityholders' Representative"), with full power of substitution to act as Equityholders' Representative on behalf of the Equityholders to the extent and in the manner set forth in this Agreement. In the event of the resignation of the Equityholders' Representative, a successor Equityholders' Representative reasonably satisfactory to Buyer shall thereafter be appointed by an instrument in writing signed by Buyer, each of the Equityholders and such successor Equityholders' Representative.

(b) The Equityholders’ Representative is hereby authorized and empowered to act for, and on behalf of, any or all of the Equityholders (with full power of substitution in the premises) in connection with (i) the purchase price adjustment set forth in Section 2.4, (ii) the termination of this Agreement as set forth in Section 8.1 and (iii) such other matters as are reasonably necessary for the consummation of the Contemplated Transactions including, without limitation, (A) to direct or receive all payments owing to the Equityholders under this Agreement, (B) to withhold any amounts received on behalf of the Equityholders in order to satisfy any actual or potential liabilities of the Equityholders under this Agreement, (C) to make any payments on behalf of the Equityholders and collect from the Equityholders (in accordance with each Equityholder’s Applicable Portion) any amounts paid in settlement of any claims under this Agreement, (D) authorize the delivery or release to Buyer of funds held in the Adjustment Escrow Account and the Indemnity Escrow Account, (E) to terminate, amend, waive any provision of, or abandon, this Agreement or any of the Ancillary Documents, (F) to act as the representative of the Equityholders to review and authorize all claims and disputes or question the accuracy thereof, (G) to negotiate and compromise on their behalf with Buyer any claims asserted hereunder and to authorize payments to be made with respect thereto, (H) to distribute any payments to Equityholders as contemplated by this Agreement, (I) to take such further actions as are authorized in this Agreement or the Ancillary Documents, and (J) in general, do all things and perform all acts, including, without limitation, executing and delivering all agreements (including the Ancillary Documents), certificates, receipts, consents, elections, instructions and other documents contemplated by or deemed by the Equityholders’ Representative to be necessary or desirable in connection with this Agreement, the Ancillary Documents and the Contemplated Transactions. Buyer shall be entitled to rely on such appointment and to treat the Equityholders’ Representative as the duly appointed attorney-in-fact of each Equityholder. Notices given to the Equityholders’ Representative in accordance with the provisions of this Agreement shall constitute notice to the Equityholders for all purposes under this Agreement. The Equityholders’ Representative shall not have any duties or responsibilities except those expressly set forth in this Agreement, and no implied covenants, agreements, functions, duties, responsibilities, obligations or liabilities shall be read into this Agreement or shall otherwise exist against the Equityholders’ Representative.

(c) The appointment of the Equityholders’ Representative is an agency coupled with an interest and is irrevocable and any action taken by the Equityholders’ Representative pursuant to the authority set forth in this Section 10.1 shall be effective and absolutely binding on each Equityholder notwithstanding any contrary action of or direction from such Equityholder, except for actions or omissions of the Equityholders’ Representative constituting intentional fraud. The death or incapacity, or dissolution or other termination of existence, of any Equityholder shall not terminate the authority and agency of the Equityholders’ Representative. Buyer and any other Party to an Ancillary Document in dealing with the Equityholders’ Representative may conclusively rely, without inquiry, upon any act of the Equityholders’ Representative as the act of the Equityholders.

(d) Each Equityholder hereby releases the Equityholders' Representative from, and each Equityholder agrees to indemnify the Equityholders' Representative against, liability for any action taken or not taken by the Equityholders' Representative in its capacity as such (including the expenses referred to in Section 10.1(e) hereof), except for the liability of the Equityholders' Representative to an Equityholder for loss which such Equityholder may suffer from the willful misconduct or gross negligence of the Equityholders' Representative in carrying out its duties hereunder or under the Ancillary Documents. The Equityholders' Representative shall not be liable to any Equityholder or to any other Person, with respect to any action taken or omitted to be taken by the Equityholders' Representative in its role as Equityholders' Representative under or in connection with this Agreement or any Ancillary Document, unless such action or omission results from or arises out of intentional fraud or willful misconduct on the part of the Equityholders' Representative, and the Equityholders' Representative shall not be liable to any Equityholder in the event that, in the exercise of its reasonable judgment, the Equityholders' Representative believes there will not be adequate resources available to cover potential costs and expenses to contest a claim made by Buyer against the Equityholders. Buyer acknowledges and agrees that the Equityholders' Representative is a Party to this Agreement solely for purposes of serving as the "Equityholders' Representative" and that no claim shall be brought by or on behalf of Buyer against the Equityholders' Representative with respect to this Agreement, any Ancillary Document or the Contemplated Transactions (it being understood that any covenant or agreement that requires performance by the "Parties" or a "Party" at or prior to the Closing shall not be deemed to require performance by the Equityholders' Representative unless performance by the Equityholders' Representative is expressly provided for in such covenant or agreement).

(e) The Equityholders' Representative shall receive no compensation for service as such but shall receive reimbursement from, and be indemnified from, the Equityholders' Representative Expense Amount, by the Equityholders, in accordance with each Equityholder's Applicable Portion, for any and all expenses, charges and liabilities, including, but not limited to, reasonable attorneys' fees (collectively, the "<u>Equityholders' Representative Expenses</u>"), incurred by the Equityholders' Representative in the performance or discharge of its duties set forth in this Section 10.1. If the amount of the Equityholders' Representative Expense Amount is less than the Equityholders' Representative Expenses, each Equityholder hereby agrees to pay, and shall pay, to the Equityholders' Representative an amount equal to the product of (i) such Equityholder's Applicable Portion, <u>times</u> (ii) the difference between (x) the Equityholders' Representative Expenses and (y) the Equityholders' Representative Expense Amount.

10.2. <u>Expenses</u>.

Except as provided in Section 10.1, all fees and expenses incurred in connection with the Contemplated Transactions shall be paid by the Party incurring such expenses, whether or not the Contemplated Transactions are consummated.

10.3. <u>Notices</u>.

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made (a) as of the date delivered, if delivered personally, (b) on the date the delivering Party receives an affirmative confirmation during normal business hours (and if not, the next Business Day) from the Party or the attorney for the Party to whom notice was intended, if delivered by facsimile or e-mail, (c) three (3) Business Days after being mailed by registered or certified mail (postage prepaid, return receipt requested) or (d) one (1) Business Day after being sent by overnight courier (providing proof of delivery), to the Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 10.3):

If to the Constituent Companies or Largus:

c/o Higman Marine, Inc.
1980 Post Oak Blvd., Suite 1100
Houston, Texas 77056
Attn: John T. McMahan
Fax: 713-552-0732
Email: JohnM@higman.com

With a copy (which shall not constitute notice) to:

Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza
New York, New York 10004
Attn: Steven Epstein, Esq.
Matthew V. Soran, Esq.
E-mail: steven.epstein@friedfrank.com
matthew.soran@friedfrank.com

If to the Equityholders' Representative:

John T. McMahan
1980 Post Oak Blvd., Suite 1100
Houston, Texas 77056
Attn: John T. McMahan
Fax: 713-552-0732

With a copy (which shall not constitute notice) to:

Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza
New York, New York 10004
Attn: Steven Epstein, Esq.
Matthew V. Soran, Esq.
E-mail: steven.epstein@friedfrank.com
matthew.soran@friedfrank.com

If to Buyer:

Kirby Corporation
55 Waugh Drive, Suite 1000
Houston, TX 77007
P.O. Box 1537
Houston, TX 77251-1537
Attn: Vice President and General Counsel
Facsimile No.: (713) 435-1408
Email: Amy.Husted@kirbycorp.com

With a copy (which shall not constitute notice) to:

Norton Rose Fulbright US LLP
2200 Ross Avenue
Suite 3600
Dallas, TX 75201
Attn: Thomas G. Adler
Facsimile No.: (214) 855-8200
Email:tom.adler@nortonrosefulbright.com

10.4. Governing Law.

This Agreement shall in all respects be governed by, and construed in accordance with, the Laws (excluding conflict of laws rules and principles) of the State of Delaware applicable to agreements made and to be performed entirely within such State, including all matters of construction, validity and performance.

10.5. Entire Agreement.

This Agreement, together with the Exhibits and Schedules hereto, the Constituent Company Disclosure Schedule, the Ancillary Documents and the Confidentiality Agreement, constitute the entire agreement of the Parties relating to the subject matter hereof and supersede all prior contracts or agreements, whether oral or written.

10.6. Severability.

Should any provision of this Agreement or the application thereof to any Person or circumstance be held invalid or unenforceable to any extent: (a) such provision shall be ineffective to the extent, and only to the extent, of such unenforceability or prohibition and shall be enforced to the greatest extent permitted by Law, (b) such unenforceability or prohibition in any jurisdiction shall not invalidate or render unenforceable such provision as applied (i) to other Persons or circumstances or (ii) in any other jurisdiction, and (c) such unenforceability or prohibition shall not affect or invalidate any other provision of this Agreement.

10.7. Amendment.

Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented or modified orally, but only by an instrument in writing signed by the Constituent Companies, Largus, the Equityholders' Representative and Buyer; provided, that the observance of any provision of this Agreement may be waived in writing by the Party that will lose the benefit of such provision as a result of such waiver.

10.8. Effect of Waiver or Consent.

No waiver or consent, express or implied, by any Party to or of any breach or default by any Party in the performance by such Party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Party of the same or any other obligations of such Party hereunder. No single or partial exercise of any right or power, or any abandonment or discontinuance of steps to enforce any right or power, shall preclude any other or further exercise thereof or the exercise of any other right or power. Failure on the part of a Party to complain of any act of any Party or to declare any Party in default, irrespective of how long such failure continues, shall not constitute a waiver by such Party of its rights hereunder until the applicable statute of limitation period has run.

10.9. Parties in Interest; Limitation on Rights of Others.

The terms of this Agreement shall be binding upon, and inure to the benefit of, the Parties hereto and their respective legal representatives, successors and permitted assigns. Nothing in this Agreement, whether express or implied, shall be construed to give any Person (other than the Parties hereto and their respective legal representatives, successors and permitted assigns and as expressly provided herein) any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenants, conditions or provisions contained herein, as a third party beneficiary or otherwise; provided, that from and after the Closing, the D&O Indemnified Parties shall be third party beneficiaries of the provisions of Section 6.5, with the right to pursue claims for damages and other relief (including specific performance or other equitable relief) in the event of any breach thereof.

10.10. Assignability.

This Agreement shall not be assigned by the Constituent Companies or Largus without the prior written consent of Buyer and the Equityholders' Representative. Prior to Closing, this Agreement shall not be assigned by Buyer without the prior written consent of the Constituent Companies, Largus and the Equityholders' Representative; except that Buyer may assign its rights and obligations under this Agreement to an Affiliate of Buyer but such assignment shall not release Buyer from its obligations under this Agreement.

10.11. Company Disclosure Schedule.

For the purposes of this Agreement, any matter that is disclosed in the Constituent Company Disclosure Schedule in a manner that makes its relevance to one or more other schedules reasonably apparent shall be deemed to have been included in such other schedules notwithstanding the omission of a cross reference thereto. No reference to or disclosure of any item or other matter in the Constituent Company Disclosure Schedule shall be construed as an admission or indication that such item or other matter is material (nor shall it establish a standard of materiality for any purpose whatsoever) or that such item or other matter is required to be referred to or disclosed in the Constituent Company Disclosure Schedule. The information set forth in the Constituent Company Disclosure Schedule is disclosed solely for the purposes of this Agreement, and no information set forth therein shall be deemed to be an admission by any Party hereto to any third party of any matter whatsoever, including any violation of Law or breach of any Contract. The Company Disclosure Schedule and the information and disclosures contained therein are intended only to qualify and limit the representations, warranties and covenants of the Equityholders and the Constituent Companies, contained in this Agreement. Nothing in the Constituent Company Disclosure Schedule is intended to broaden the scope of any representation or warranty contained in this Agreement or create any covenant. Matters reflected in the Constituent Company Disclosure Schedule are not necessarily limited to matters required by the Agreement to be reflected in the Constituent Company Disclosure Schedule. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature.

10.12. Jurisdiction; Court Proceedings; Waiver of Jury Trial.

Any Litigation against any Party to this Agreement arising out of or in any way relating to this Agreement shall be brought in any federal or state court located in New Castle County, in the State of Delaware, and each of the Parties hereby submits to the exclusive jurisdiction of such courts for the purpose of any such Litigation; provided, that a final judgment in any such Litigation shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. EACH PARTY IRREVOCABLY AND UNCONDITIONALLY AGREES NOT TO ASSERT (A) ANY OBJECTION WHICH IT MAY EVER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION IN ANY FEDERAL OR STATE COURT LOCATED NEW CASTLE COUNTY IN THE STATE OF DELAWARE, (B) ANY CLAIM THAT ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND (C) ANY CLAIM THAT SUCH COURT DOES NOT HAVE JURISDICTION WITH RESPECT TO SUCH LITIGATION. To the extent that service of process by mail is permitted by applicable Law, each Party irrevocably consents to the service of process in any such Litigation in such courts by the mailing of such process by registered or certified mail, postage prepaid, at its address for notices provided for herein. EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY OF ANY ACTION ARISING UNDER THIS AGREEMENT AND AGREES THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE ITS RIGHT TO TRIAL BY JURY IN ANY LITIGATION.

10.13. No Other Duties.

The only duties and obligations of the Parties under this Agreement are as specifically set forth in this Agreement, and no other duties or obligations shall be implied in fact, law or equity, or under any principle of fiduciary obligation.

10.14. Reliance on Counsel and Other Advisors.

Each Party has consulted such legal, financial, technical or other expert as it deems necessary or desirable before entering into this Agreement. Each Party represents and warrants that it has read, knows, understands and agrees with the terms and conditions of this Agreement.

10.15. Remedies.

All remedies, either under this Agreement or by Law or otherwise afforded to the Parties hereunder, shall be cumulative and not alternative, and any Person having any rights under any provision of this Agreement will be entitled to enforce such rights specifically, to recover damages by reason of any breach of this Agreement and to exercise all other rights granted by Law, equity or otherwise.

10.16. Specific Performance.

The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the Parties agree that, in addition to any other remedies, each Party shall be entitled to enforce the terms of this Agreement by a decree of specific performance without the necessity of proving the inadequacy of money damages as a remedy. Each Party hereby waives any requirement for the securing or posting of any bond in connection with such remedy. Each Party further agrees that the only permitted objection that it may raise in response to any action for equitable relief is that it contests the existence of a breach or threatened breach of this Agreement.

10.17. Counterparts.

This Agreement may be executed in any number of counterparts (including counterparts transmitted via facsimile or in .pdf or similar format) with the same effect as if all signatory Parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

10.18. Further Assurance.

If at any time after the Closing any further action is necessary or desirable to fully effect the Contemplated Transactions, each of the Parties shall take such further action (including the execution and delivery of such further instruments and documents) as any other Party reasonably may request.

10.19. Legal Representation.

It is acknowledged by the Parties that the Constituent Companies, the Equityholders (other than the Largus Seller) and the Equityholders' Representative have retained Fried, Frank, Harris, Shriver & Jacobson LLP ("Fried Frank") to act as its counsel in connection with the Contemplated Transactions and that Fried Frank has not acted as counsel for any other Party hereto in connection with the Contemplated Transactions and that none of the other Parties hereto has the status of a client of Fried Frank for conflict of interest or any other purposes as a result thereof. Buyer, the Constituent Companies, Largus, the Equityholders and the Equityholders' Representative hereby agree that, in the event that a dispute arises after the Closing between Buyer, Largus, the Constituent Companies and/or the Constituent Companies' Subsidiaries, on the one hand, and the Equityholders (other than the Largus Seller) and/or the Equityholders' Representative, on the other hand, Fried Frank may represent the Equityholders (other than the Largus Seller) and the Equityholders' Representative in such dispute even though the interests of the Equityholders and Equityholders' Representative may be directly adverse to Buyer or the Constituent Companies and/or their Subsidiaries or Largus, and even though Fried Frank may have represented the Constituent Companies or their Subsidiaries in a matter substantially related to such dispute, or may be handling ongoing matters for Buyer, the Constituent Companies or any of their Subsidiaries. Buyer further agrees that, as to all communications among Fried Frank, the Constituent Companies, Largus, the Equityholders and/or the Equityholders' Representative and/or any of their respective Subsidiaries or other Affiliates that relate in any way to the Contemplated Transactions, the attorney-client privilege and the expectation of client confidence belongs to the Equityholders (other than the Largus Seller) and the Equityholders' Representative and may be controlled by the Equityholders (other than the Largus Seller) and the Equityholders' Representative and shall not pass to or be claimed by Buyer, the Constituent Companies or any of their Subsidiaries or other Affiliates or Largus or any of its Affiliates. Notwithstanding the foregoing, in the event that a dispute arises between Buyer, the Constituent Companies or any of their Subsidiaries or other Affiliates or Largus or its Affiliates and a third party (other than a Party to this Agreement or any of their respective Affiliates) after the Closing, the Constituent Companies and their Subsidiaries and other Affiliates or Largus or its Affiliates may assert the attorney-client privilege to prevent disclosure of confidential communications by Fried Frank to such third party; provided, however, that the Constituent Companies and their Subsidiaries and other Affiliates or Largus and its Affiliates may not waive such privilege without the prior written consent of the Equityholders' Representative.

(Signature Pages Follow)

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be duly executed and delivered in its name and on its behalf, all as of the day and year first above written.

KIRBY CORPORATION

By: /s/ David Grzebinski

Name: David Grzebinski
Title: Chief Executive Officer

[Signature Page to Securities Purchase Agreement]

CONSTITUENT COMPANIES:

HIGMAN MARINE, INC.

By:/s/ John T. McMahan

Name: John T. McMahan

Title: Vice President

[Signature Page to Securities Purchase Agreement]

ALAMO BARGE LINES, LLC

By: /s/ John T. McMahan
Name: John T. McMahan
Title: Vice President

[Signature Page to Securities Purchase Agreement]

16530 PENINSULA BLVD. LLC

By: /s/ John T. McMahan
Name: John T. McMahan
Title: Managing Member

[Signature Page to Securities Purchase Agreement]

EMPTY BARGE LINES, INC.

By:/s/ John T. McMahan
Name: John T. McMahan
Title: Vice President

[Signature Page to Securities Purchase Agreement]

EMPTY BARGE LINES II, INC.

By:/s/ John T. McMahan

Name: John T. McMahan

Title: Vice President

[Signature Page to Securities Purchase Agreement]

EMPTY BARGE LINES III, INC.

By:/s/ John T. McMahan
Name: John T. McMahan
Title: Vice President

[Signature Page to Securities Purchase Agreement]

EBL MARINE I LLC

By:/s/ John T. McMahan
Name: John T. McMahan
Title: Manager

[Signature Page to Securities Purchase Agreement]

EBL MARINE II LLC

By:/s/ John T. McMahan
Name: John T. McMahan
Title: Manager

[Signature Page to Securities Purchase Agreement]

EBL MARINE III LLC

By: /s/ John T. McMahan
Name: John T. McMahan
Title: Manager

[Signature Page to Securities Purchase Agreement]

LARGUS:

LARGUS [U.S.], INC.

By:/s/ John T. McMahan
Name: John T. McMahan
Title: Secretary

[Signature Page to Securities Purchase Agreement]

EQUITYHOLDERS:

/s/ John T. McMahan

John T. McMahan

[Signature Page to Securities Purchase Agreement]

/s/ George H. Thomas

George H. Thomas

[Signature Page to Securities Purchase Agreement]

/s/ Mark E. Flynn

Mark E. Flynn

[Signature Page to Securities Purchase Agreement]

/s/ Georganne Scruggs

Georganne Scruggs

[Signature Page to Securities Purchase Agreement]

/s/ Preston N. Shuford

Preston N. Shuford

[Signature Page to Securities Purchase Agreement]

/s/ Gretchen R. Carraway

Gretchen R. Carraway

[Signature Page to Securities Purchase Agreement]

/s/ Cecil K. Wattigney

Cecil K. Wattigney

[Signature Page to Securities Purchase Agreement]

TOMMY T BARGE LINES LLC

By:/s/ Georganne Thomas Scruggs
Name: Georganne Thomas Scruggs
Title: Managing Member

[Signature Page to Securities Purchase Agreement]

GEORGE THOMAS GST FBO GREGORY THOMAS TRUST

By:/s/ Gregory Thomas
Trustee

[Signature Page to Securities Purchase Agreement]

GEORGE THOMAS GST FBO GEORGANNE T SCRUGGS TRUST

By: /s/ Georganne Thomas Scruggs

Trustee

[Signature Page to Securities Purchase Agreement]

MARINE CHARTERING ASSOCIATES, LLC

By: /s/ John T. McMahan

Name: John T. McMahan

Title: Managing Member

[Signature Page to Securities Purchase Agreement]

LARGUS HOLDING AB

By: /s/ Erik Salen
Name: Erik Salen
Title: Director

[Signature Page to Securities Purchase Agreement]

EQUITYHOLDERS'REPRESENTATIVE:

/s/ John T. McMahan

John T. McMahan

Exhibit 10.5

ANNUAL INCENTIVE PLAN

2018 Plan Year

Guidelines

KIRBY CORPORATION

January 2018

TABLE OF CONTENTS

Introduction

Kirby Corporation (together with its subsidiaries, "Kirby" or the "Company") established the 2018 Annual Incentive Plan (the "Plan") to focus employees of the Company on identifying and achieving business strategies that lead to increased stockholder value. The Plan is also intended to reward superior performance by employees and their contribution to achieving Kirby's objectives.

Certain aspects of this Plan are complex. Although these Guidelines establish rules for Plan operation, those rules may not work in all circumstances. Therefore, the Compensation Committee of the Kirby Board of Directors has discretion to interpret these Guidelines to assure the awards are consistent with the Plan's purposes and the Company's interests. All decisions by the Compensation Committee shall be final and binding.

Unless resolutions of the Compensation Committee expressly provide otherwise, awards granted under the Plan shall constitute performance awards granted under Article IV of the Kirby Corporation 2005 Stock and Incentive Plan and are subject to the terms and provisions of such Plan that apply to performance awards.

The Plan may be amended, modified or terminated at any time without prior notice by written authorization of the Compensation Committee or the Board of Directors of Kirby Corporation.

The 2018 Annual Incentive Plan

Each award granted under the Plan is an award for Company performance or a combination of Company and Business Group performance. Awards are generally based on achieving the Company Performance Goal as well as additional Company, Business Group and individual performance measures and objectives. Once the Company Performance Goal is reached, participants in the Plan become eligible for an incentive bonus payment.

All amounts paid to participants pursuant to the Plan shall be subject to any policy relating to the recovery of erroneously awarded incentive compensation that may hereafter be adopted by the Company in order to comply with Securities and Exchange Commission rules or New York Stock Exchange listing standards.

Plan Objectives

The key objectives of the Plan are:

- Provide an annual incentive plan that drives performance toward objectives critical to creating stockholder value.
- Offer competitive cash compensation opportunities to key Kirby employees.
- Reward outstanding achievement by employees who directly affect Kirby's results.
- Assist Kirby in attracting and retaining high quality employees.
- Reflect both quantitative and qualitative performance factors in actual bonus payouts.
- Ensure that incentive payments made by the Company are fully deductible by the Company.

Business Groups

The following Business Groups[1] are designated for purposes of the Plan:

Kirby Corporate Services ("KCS")	United Holdings LLC ("United")
Kirby Inland Marine, LP ("KIM")	Kirby Engine Systems, Inc. ("KES")
Kirby Offshore Marine, LLC ("KOM")	Stewart & Stevenson LLC ("S&S)

Kirby Ocean Transport Company and Osprey Line, L.L.C. are considered part of the KIM Business Group for purposes of the Plan.
1 San Jac Marine, LP will not participate in this incentive plan in 2018

Performance Period

Performance is measured on a calendar year basis for the Plan. The Performance Period begins on January 1, 2018 and ends on December 31, 2018. Except as expressly provided in these Guidelines in the case of new employees or termination of employment, incentive compensation payments under the Plan are for the full year 2018 and shall not be reduced for the period between the commencement of the Performance Period and the date on which the Compensation Committee approves these Guidelines and the individual bonus targets for participants in the Plan.

Eligibility

- Generally, managerial employees and KIM wheelhouse employees classified as Captain, Relief Captain or Pilot, are eligible for participation. Selection for participation in the Plan is based upon each position's ability to impact long-term financial results of the Company and designation by management. Some employees in managerial positions might not be included in the Plan.

- In order to be eligible to receive an incentive payment under the Plan, participants must be employed on the last day of the Performance Period and on the date bonuses are actually paid for the Performance Period, unless their earlier termination is due to death, normal retirement or disability. If a participant's employment is terminated prior to the last day of the Performance Period, or prior to the date of payment, for any reason other than death, normal retirement or disability, any bonus the participant may otherwise have received will be forfeited and the participant will have no right to any incentive payment under the Plan. As used in the Plan, the terms "normal retirement" and "disability" have the same meanings as in the Kirby Profit Sharing Plan in the case of shore-based employees and in the Kirby Pension Plan in the case of vessel employees.

- Participation in the Plan in 2018 does not guarantee participation in similar plans in future years. Participants in the Plan or in similar plans in future years will be notified annually of their selection for participation.

Individual Bonus Targets

Each participant will be assigned a target bonus level defined as a percentage of base salary earned during the Performance Period. This bonus target is based on competitive market practices, as well as the employee's ability to impact long-term Company performance. Market practices will be determined using data from either general industry, the marine transportation industry or the diesel engine services industry, depending upon the individual position being considered.

Aggregate Payment Amount

At the end of the year, a preliminary incentive payment amount will first be calculated for each participant in the Plan in order to determine the Aggregate Payment Amount for all participants for the year. The preliminary incentive payment amount for each participant will be calculated as of December 31, 2018 based on the target incentive level for such participant and the calculation formulas described in these Guidelines. The Aggregate Payment Amount under the Plan shall equal the sum of all of such preliminary incentive payment amounts.

The Company will be obligated to pay out the full Aggregate Payment Amount to eligible participants, subject to the discretion of the Compensation Committee, and the Chief Executive Officer to the extent authorized under these Guidelines, with respect to the allocation of the Aggregate Payment Amount among individual participants. Therefore, the Company's obligation to pay out the Aggregate Payment Amount becomes fixed on the last day of the Performance Period.

The Compensation Committee, and the Chief Executive Officer if applicable, may determine the amount of the bonus paid to any participant based on the performance measures described in the Plan or any other criteria deemed appropriate in its discretion, provided that in no event will the aggregate incentive payments made pursuant to the Plan exceed the Aggregate Payment Amount.

Performance Measures

The performance measures for the Plan are:

- EBITDA
- Return on total capital
- Earnings per share

Annual performance targets will be established for each measure based on Kirby's budget for the year and each of the performance measures will have the following weight in calculating the preliminary incentive payment amount for each participant:

Measure	Weight
Applies to Business Groups: KCS, KIM, KES	
EBITDA (Earnings before interest, taxes, depreciation and amortization)	33.33%
Return on Total Capital ("ROTC") (Earnings before interest and taxes divided by average beginning and ending stockholders' equity plus long-term debt)	33.33%
Earnings per share	33.33%
	100%
Applies to Business Groups: United and S&S	
EBITDA	50%
ROTC	50%
	100%
Applies to Business Groups: KOM	
EBITDA	**100%**

Business Group Weighting

Calculation of the preliminary incentive payment amount for Business Group employees will be based primarily on Business Group performance with a defined portion based on Company performance. Calculation of the preliminary incentive payment amount for employees of KCS will be based on Company performance. Specific weightings are set forth in the following table:

Employee/Business Group with Associated Weighting					
	Company	**KIM**	**KOM**	**KES**	**United + S&S**
KCS	100%				
KIM	30%	70%			
KOM	30%		70%		
KES	30%			70%	
United	30%				70%
S&S	30%				70%
Marine Shared	30%	50%	20%		
D&S Shared	30%			15%	55%
Marine COO & President	50%	35%	15%		
President of D&S	50%			10%	40%
President of KES	50%			50%	

Performance Standards for Incentive Payment Calculations

For KIM, KES and KCS			
Performance Level	**Definition**	**Relationship to Budget**	**% of Target Used for Calculation**
Below Threshold	Performance did not meet minimum metric	less than 80% of budget	0%
Threshold	Minimum acceptable performance for payout	80% of budget	50%
Target	Expected performance at stretch level	100% of budget	100%
Maximum	Outstanding performance	120% of budget	200%

For S&S, United and KOM			
Performance Level	**Definition**	**Relationship to Budget**	**% of Target Used for Calculation**
Below Threshold	Performance did not meet minimum metric	less than 60% of budget	0%
Threshold	Minimum acceptable performance for payout	60% of budget	80%
Target	Expected performance at stretch level	100% of budget	100%
Maximum	Outstanding performance	140% of budget	120%

- Between 80% and 120%, or 60% and 140% as applicable, of budget achieved for each performance measure, there is a linear relationship between the percentage of budget achieved and the resulting percentage of the target payout percentage used in calculating payout amounts. As examples, 90% of budget for KIM would result in 90% of target used in the calculation of a preliminary payment amount and 105% of budget would result in 125% of target used for the calculation of a preliminary payment amount, and 80% of budget for S&S would result in 90% of target used in the calculation of a preliminary payment amount and 110% of budget would result in 105% of target used for the calculation of a preliminary payment amount.
- The target amount determined for each performance measure is then multiplied by the weight for the performance measure and the results are added together to produce a total Company or Business Group payout percentage of the target incentive that is applied to each individual participant in order to calculate the Aggregate Payout Amount under the Plan.

- The Compensation Committee and the Chief Executive Officer shall in their discretion allocate the Aggregate Payment Amount among eligible participants; provided that only the Compensation Committee shall have the authority to allocate payment amounts to eligible participants (i) who are “officers” for purposes of Section 16 of the Securities Exchange Act of 1934, (ii) whose bonus target is 50% or more of base salary or (iii) whose base salary is $250,000 or more (collectively “Specified Participants”). In allocating the Aggregate Payment Amount, the Compensation Committee and the Chief Executive Officer may consider, but shall not be bound by, the preliminary incentive payment amount calculated for each participant.
- The Compensation Committee has discretion to modify the performance measures or adjust the calculation of the preliminary incentive payment amounts to adjust for acquisitions, divestures and other material business events.
- The aggregate amount of incentive payments made to participants in the Plan must equal the Aggregate Payment Amount.
- Notwithstanding the foregoing or any provision of the Plan to the contrary, no participant may receive an amount in excess of 200% of the individual bonus target established for such participant (the “Maximum Payment”).

Administration

Incentive Payments
A participant’s final incentive bonus payment is paid out in cash within 90 days following the end of the Company’s fiscal year, based on audited financial statements of the Company.

Eligibility Limitation
Participants must be employed by the Company on the last day of the Performance Period and on the date bonuses are actually paid in order to receive a bonus, unless otherwise provided for in the Plan.

Special Circumstances
The Compensation Committee will have the sole authority to resolve disputes related to Plan administration. Decisions made by the Compensation Committee will be final and binding on all participants. The Compensation Committee has the sole discretion to determine the bonuses for newly hired, terminated, transferred and promoted employees, but will generally award bonuses based on the following provisions.

New Employees
For employees hired after the beginning of a Performance Period who are selected for participation in the Plan, the preliminary incentive payment will be prorated for the portion of the Performance Period during which they were employees of the Company, subject to the Termination of Employment restrictions.

Termination of Employment
If a participant’s employment terminates prior to the last day of the Performance Period or prior to the date bonuses are actually paid for the Performance Period, for any reason other than death, normal retirement or disability, the participant will be ineligible to receive a bonus.

If a participant's employment terminates before the end of the full Performance Period or before the date bonuses are actually paid for the Performance Period as a result of death, normal retirement or disability, the preliminary incentive payment for the participant (or the participant's heirs) will be prorated at the end of the Performance Period based upon actual performance and base wages earned while employed during the Performance Period.

Transfer
The preliminary incentive payment for a participant who is transferred between Business Groups during the year will be a weighted bonus based upon the time spent at each of the Business Groups. In calculating a weighted bonus, relevant Company and Business Group performance measures will be calculated for the full Performance Period and then a blended bonus will be calculated based on the time spent at each Business Group.

Promotions
The preliminary incentive payment for a participant who is promoted or reassigned during any Performance Period and whose bonus target is subsequently increased or decreased will be a weighted bonus, based on the service before and after the promotion or reassignment.

Compensation Committee
The Plan shall be administered by the Compensation Committee. The Compensation Committee shall have the authority to interpret the provisions of the Plan and these Guidelines, to adopt such rules for carrying out the Plan as it may deem advisable, to decide conclusively all questions arising with respect to the Plan and to make all other determinations and take all other actions necessary or desirable for the administration of the Plan. All decisions and acts of the Compensation Committee shall be final and binding upon all affected parties.

In administering the Plan the Compensation Committee will:

- Approve the designation of Business Groups within the Company
- Approve the Company Performance Goal
- Approve other performance measures used and the Threshold, Target and Maximum budget performance levels for purposes of calculating preliminary incentive payment amounts and the Aggregate Payment Amount
- Approve linkage for participants to Company and Business Group performance
- Approve the individual bonus targets for all participants whose salaries are at or above $100,000
- Approve the Aggregate Payment Amount to be paid to participants in the Plan
- Determine in its discretion the final incentive payments for participants.

The total amount of the incentive payments made to participants pursuant to the Plan must equal, and may not exceed, the Aggregate Payment Amount.

Chief Executive Officer (CEO)
The CEO has primary responsibility for recommending Plan Guidelines to the Committee and for delegating administrative duties associated with the Plan. The Compensation Committee may delegate additional administrative duties to the CEO or any Company officer. The CEO may make recommendations, subject to Compensation Committee approval, with respect to the incentive payment to any participant.

Chief Financial Officer (CFO)
The CFO is responsible for calculating performance under the Plan. The CFO will:

- Provide annual reports to the Compensation Committee and the CEO on each Business Group's performance at the end of the fiscal year
- Maintain a financial information system that reports results on an estimated quarterly and annual basis
- Coordinate with the Company's auditors to properly recognize any accounting expense associated with incentive payments under the Plan
- Provide the VP – of HR with the performance results of each Business Group as well as overall Company performance

Vice President – Human Resources (VP-HR)
The VP-HR has responsibility for administration of the Plan and will:

- Develop and recommend eligible participants and target bonus guidelines
- Coordinate communications with participants, including materials to facilitate understanding the Plan's objectives and goals
- Calculate participants' preliminary incentive payment amounts, using the performance factors provided by the CFO
- Process paperwork approving individual incentive payments

Business Group Presidents and Vice Presidents will:

- Recommend participants in the Plan
- Coordinate with the CFO to determine any significant changes in business conditions for purposes of reviewing the Threshold, Target and Maximum performance objectives
- Assure that participants are informed of the actual incentive payment to be made for the Performance Period

KIRBY CORPORATION

2005 Stock and Incentive Plan

ARTICLE I
GENERAL

Section 1.1. *Purpose*. The purpose of this Plan is to advance the interests of Kirby Corporation, a Nevada corporation (the "Company"), by providing an additional incentive to attract and retain qualified and competent employees for the Company and its Subsidiaries, upon whose efforts and judgment the success of the Company is largely dependent, through the award of (i) Options to purchase shares of Common Stock (which Options may be Incentive Stock Options or Nonincentive Stock Options); (ii) shares of Restricted Stock; (iii) Restricted Stock Units and (iv) Performance Awards.

Section 1.2. *Definitions*. As used herein, the following terms shall have the meaning indicated:

(a) "Award" means a grant under this Plan in the form of Options, Restricted Stock, Restricted Stock Units, Performance Awards or any combination of the foregoing.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means, with respect to any Participant:

(i) conviction of, or plea of nolo contendere to, any felony or any crime or offense involving theft, fraud, embezzlement, moral turpitude or similar conduct;

(ii) malfeasance in the performance of the Participant's duties, which shall mean (A) intentional misuse or diversion of Company assets, (B) theft or embezzlement or (C) fraudulent or willful and material misrepresentations or omissions in any reports or information submitted to the Company or a Subsidiary or any government agency or regulatory authority;

(iii) material failure to perform the duties of the Participant's employment (other than as a result of the Participant's Disability) or material failure to follow or comply with reasonable directives from any other employee of the Company who has direct or indirect supervisory authority over the Participant;

(iv) a material violation of the Company's Business Ethics Guidelines or any other written policies of the Company applicable to the Participant; or

(v) a material violation of any federal, state or local laws or regulations.

(d) “Change in Control” means the occurrence of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes the beneficial owner, directly or indirectly, of voting securities representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities;

(ii) The Board ceases to consist of a majority of Continuing Directors, with the term "Continuing Director” meaning a Director who (A) is a Director on the effective date of the Plan or (B) is nominated or appointed to serve as a Director by a majority of the then Continuing Directors;

(iii) (A) Any consolidation or merger of the Company or any Subsidiary that results in the holders of the Company's voting securities immediately prior to the consolidation or merger having (directly or indirectly) less than a majority ownership interest in the outstanding voting securities of the surviving entity immediately after the consolidation or merger, (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or (C) the liquidation or dissolution of the Company;

(iv) The stockholders of the Company accept a share exchange, with the result that stockholders of the Company immediately before such share exchange do not own, immediately following such share exchange, at least a majority of the voting securities of the entity resulting from such share exchange in substantially the same proportion as their ownership of the voting securities outstanding immediately before such share exchange; or

(v) Any tender or exchange offer is made to acquire thirty percent (30%) or more of the voting securities of the Company, other than an offer made by the Company, and shares are acquired pursuant to that offer.

For purposes of this definition, the term “voting securities” means equity securities, or securities that are convertible or exchangeable into equity securities, that have the right to vote generally in the election of Directors.

(e) “Code” means the Internal Revenue Code of 1986, as amended.

(f) “Committee” means the Compensation Committee, if any, appointed by the Board.

(g) “Date of Grant” means the date on which the Committee takes formal action to grant an Award to an Eligible Person or such later date as may be specified by the Committee when approving the Award.

(h) “Director” means a member of the Board.

(i) “Disability” means mental or physical disability as determined by a medical doctor satisfactory to the Committee.

(j) “Eligible Person” means an employee of the Company or a Subsidiary.

(k) “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

(l) “Existing Plan” means the 2005 Stock and Incentive Plan as approved by the stockholders of the Company on April 26, 2005 and as amended through October 31, 2017.

(m) “Fair Market Value” of a Share means the closing price on the New York Stock Exchange on the day of reference. If the Shares are not listed for trading on the New York Stock Exchange, the Fair Market Value on the date of reference shall be determined by any fair and reasonable means prescribed by the Committee.

(n) “Good Reason” means, with respect to any Participant:

(i) a material adverse change in the Participant’s duties and responsibilities at the Company or a Subsidiary or successor as in effect immediately prior to the Change in Control;

(ii) a material reduction in the Participant’s base salary or bonus opportunity compared to the base salary and bonus opportunity in effect immediately prior to the Change in Control; or

(iii) relocation of the Participant’s primary place of work by more than 35 miles from his or her primary place of work immediately prior to the Change in Control.

(o) “Incentive Stock Option” means an option that is an incentive stock option as defined in Section 422 of the Code.

(p) “Nonincentive Stock Option” means an option that is not an Incentive Stock Option.

(q) “Option” means any option granted under this Plan.

(r) “Optionee” means a person to whom a stock option is granted under this Plan or any successor to the rights of such person under this Plan by reason of the death of such person.

(s) “Participant” means a person to whom an Award is granted under the Plan.

(t) “Performance Award” means an Award granted pursuant to Article V.

(u) “Performance Objectives” means the objectives established by the Committee pursuant to Section 5.1(b).

(v) “Performance Period” means the period over which the performance of a holder of a Performance Award is measured.

(w) “Plan” means this Kirby Corporation 2005 Stock and Incentive Plan.

(x) “Restricted Stock” means Shares granted under this Plan that are subject to restrictions imposed by the Committee pursuant to Article III.

(y) “Restricted Stock Award” means an award of Restricted Stock under this Plan.

(z) “Restricted Stock Unit” means a restricted stock unit credited to a Participant’s ledger account maintained by the Company pursuant to Article IV.

(aa) “Restricted Stock Unit Award” means an award of Restricted Stock Units under this Plan.

(bb) “Section 162(m) Participant” means each Participant who would be a “covered employee” under Section 162(m) of the Code as in effect prior to its amendment on December 22, 2017.

(cc) “Share” means a share of the common stock, par value ten cents ($0.10) per share, of the Company.

(dd) “Subsidiary” means any corporation (other than the Company) in any unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

Section 1.3. *Total Shares and Limitations*.

(a) The maximum number of Shares that may be issued under the Plan shall be Five Million (5,000,000) Shares, which may be from Shares held in the Company's treasury or from authorized and unissued Shares. If any Award granted under the Plan shall terminate, expire or be cancelled or surrendered as to any Shares, or the Award is paid in cash in lieu of Shares, the Shares that were subject to such Award shall not count against the above limit and shall again be available for grants under the Plan. Shares equal in number to the Shares withheld in payment of the option price of an Option and Shares that are withheld in order to satisfy federal, state or local tax liability, shall not count against the above limit and shall be available for grants under the Plan. All Share numbers in the Plan reflect the 2-for-1 split of the common stock of the Company effected on May 31, 2006.

(b) The maximum number of Shares with respect to which Incentive Stock Options may be granted to a Participant during a calendar year is 500,000.

(c) The maximum number of Shares with respect to which Options may be granted to a Participant during a calendar year is 500,000.

(d) The maximum number of Shares that may be issued to any Participant pursuant to any Performance Award during the term of the Plan shall be 400,000.

(e) The maximum amount of cash that may be paid to any Participant pursuant to any Performance Award during any calendar year shall be $5,000,000.

Section 1.4. *Awards Under the Plan*.

(a) Only Eligible Persons may receive awards under the Plan. Awards to Eligible Persons may be in the form of (i) Options; (ii) shares of Restricted Stock; (iii) Performance Awards; or (iv) any combination of the foregoing. No Award shall confer on any person any right to continue as an employee of the Company or any Subsidiary.

(b) Each Award may be evidenced by an agreement containing any terms deemed necessary or desirable by the Committee that are not inconsistent with the Plan or applicable law.

ARTICLE II
STOCK OPTIONS

Section 2.1. *Grant of Options*. The Committee may from time to time grant Options to Eligible Persons. Options may be Incentive Stock Options or Nonincentive Stock Options as designated by the Committee on or before the Date of Grant. If no such designation is made by the Committee for an Option, the Option shall be a Nonincentive Stock Option. The aggregate Fair Market Value (determined as of the Date of Grant) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year under the Plan and all such plans of the Company and any parent or Subsidiary of the Company (as defined in Section 424 of the Code) shall not exceed $100,000.

Section 2.2. *Exercise Price*. The exercise price per Share for any Option shall be determined by the Committee, but shall not be less than the Fair Market Value on the Date of Grant and shall not be less than 110% of the Fair Market Value on the Date of Grant for any Incentive Stock Option if the Optionee is a person who owns directly or indirectly (within the meaning of Section 422(b)(6) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company.

Section 2.3. *Term of Option*. The term of an Option shall be determined by the Committee, provided that, in the case of an Incentive Stock Option, if the grant is to a person who owns directly or indirectly (within the meaning of Section 422(b)(6) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, the term of the Option shall not exceed five years from the Date of Grant. Notwithstanding any other provision of this Plan, no Option shall be exercised after the expiration of its term.

Section 2.4. *Vesting*. Options shall become exercisable (or “vest”) as provided in Section 2.6, if applicable, or otherwise at such times and subject to such terms and conditions as the Committee shall specify. The Committee shall have discretion at any time to accelerate such times and otherwise waive or amend any conditions in respect of all or any portion of any Options. Notwithstanding the other provisions of this Section 2.4 and unless otherwise provided in the Option Award, in the event that an Optionee’s employment is terminated without Cause by the Company, a Subsidiary or successor entity, or is terminated by the Optionee for Good Reason, in either case in connection with or within 18 months after a Change in Control, all Options held by the Optionee immediately prior to such termination shall become immediately exercisable.

Section 2.5. *Termination of Options*.

(a) Except as otherwise provided in the Plan or the Option Award, the portion of an Option that is exercisable shall automatically and without notice terminate upon the earliest to occur of the following:

(i) thirty (30) days after the date on which the Optionee ceases to be an Employee for any reason other than (x) death, (y) Disability or (z) termination for Cause;

(ii) one (1) year after the date on which the Optionee ceases to be an Employee as a result of a Disability;

(iii) either (y) one (1) year after the death of the Optionee or (z) six (6) months after the death of the Optionee if the Optionee dies during the 30-day period described in Section 2.5(a)(i) or the one-year period described in Section 2.5(a)(ii);

(iv) the date on which the Optionee ceases to be an Employee as a result of a termination for Cause; and

(v) the tenth anniversary of the Date of Grant of the Option.

(b) Except as provided in Section 2.4, the portion of an Option that is not exercisable shall automatically and without notice terminate on the date on which the Optionee ceases to be an Employee for any reason.

(c) The Committee shall have discretion at any time to extend the term of any Nonincentive Stock Option to any date that is not later than the date described in Section 2.5(a)(v).

Section 2.6. *Retirement Credits*. Unless otherwise provided in an Option Award, if an Optionee retires as an employee of the Company or a Subsidiary with 80 or more Retirement Credits, unvested Options held by the Optionee shall continue to vest after retirement on the schedule specified in the Option Award and all vested but unexercised Options held by the Optionee and all Options that vest after retirement pursuant to this Section 2.6 will terminate upon the earlier of (a) the expiration of the term specified in the Option Award or (b) the tenth anniversary of the Date of Grant; provided that, if the Optionee takes any action or engages in any activity that is detrimental to the Company, all vested but unexercised Options and all unvested Options held by the Optionee will automatically terminate and the Optionee shall cease to have any rights with respect to such Options. The number of Retirement Credits the Optionee has shall equal the sum of (i) the Optionee’s age in whole years plus (ii) the Optionee’s whole years of employment with the Company or a Subsidiary, in both cases determined as of the date of retirement. In the event of the death of the Optionee after retirement, any unvested portion of an Option that is subject to vesting pursuant to this Section 2.6 shall continue to vest on the schedule specified in the Option Award and will terminate upon the earlier of (x) the expiration of the term specified in the Option Award or (y) the tenth anniversary of the Date of Grant.

Section 2.7. *Exercise of Options*. An Option may be exercised in whole or in part to the extent exercisable in accordance with the Plan. An Option shall be deemed exercised when (i) the Company has received written notice of such exercise signed by the person or persons entitled to exercise the Option and, if the Option is being exercised by any person or persons other than the Optionee, accompanied by proof, satisfactory to the Company, of the right of such person or persons to exercise the Option and (ii) full payment of the aggregate exercise price of the Shares as to which the Option is exercised has been made. Unless further limited by the Committee for any Option, the exercise price of any Shares purchased shall be paid solely in cash, by certified or cashier's check, by money order, by personal check, by withholding Shares from an Award or with Shares owned by the Optionee for at least six months, or by a combination of the foregoing. If the exercise price is paid in whole or in part with Shares, the value of the Shares withheld shall be their Fair Market Value on the date received by the Company. An Optionee may elect to have Shares withheld to satisfy federal or state income tax withholding requirements applicable upon the exercise of an Option.

Section 2.8. *Restrictions on Exercise.*

(i) An Option may not be exercised if the issuance of the Shares upon such exercise would constitute a violation of any applicable federal or state securities or other law or valid regulation. As a condition to the exercise of the Option, the Company may require the person exercising the Option to make any agreements and undertakings that may be required by any applicable law or regulation.

(ii) Shares issued upon the exercise of an Option without registration of such Shares under the Securities Act of 1933, as amended (the “Act”), shall be restricted securities subject to the terms of Rule 144 under the Act. The certificates representing any such Shares shall bear an appropriate legend restricting transfer and the transfer agent of the Company shall be given stop transfer instructions with respect to such Shares.

Section 2.9. *Nontransferability of Option*. An Option may not be transferred by the Optionee otherwise than by will or the laws of descent and distribution and so long as the Optionee lives, only the Optionee or the Optionee’s guardian or legal representative shall have the right to exercise the Option. The terms of an Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

Section 2.10. *Corporate Transactions*.

(a) In the event of a merger, consolidation or other reorganization of the Company in which the Company is not the surviving entity, the Board or the Committee may provide for payment in cash or in securities of the Company or the surviving entity in lieu of and in complete satisfaction of Options.

(b) Except as otherwise expressly provided herein, the issuance by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of or exercise price of Shares then subject to outstanding Options granted under the Plan.

(c) Without limiting the generality of the foregoing, the existence of outstanding Options granted under the Plan shall not affect in any manner the right or power of the Company to make, authorize or consummate (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger or consolidation of the Company; (iii) any issue by the Company of debt securities, or preferred or preference stock that would rank above the Shares subject to outstanding Options; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the assets or business of the Company; or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.

Section 2.11. *Issuance of Shares*. No person shall be, or have any of the rights or privileges of, a stockholder of the Company with respect to any of the Shares subject to any Option unless and until such Shares (whether represented by certificates or in book-entry or other electronic form) shall have been issued and delivered to such person.

ARTICLE III
RESTRICTED STOCK

Section 3.1. *Grant of Restricted Stock Awards*. The Committee may from time to time grant Restricted Stock Awards to Eligible Persons.

Section 3.2. *Terms and Conditions of Restricted Stock Awards*. Each Restricted Stock Award shall specify the number of shares of Restricted Stock awarded, the price, if any, to be paid by the Participant receiving the Restricted Stock Award, the date or dates on which the Restricted Stock will vest and any other terms and conditions that the Committee may determine. The vesting and number of shares of Restricted Stock may be conditioned upon the completion of a specified period of service with the Company or its Subsidiaries or upon the attainment of any performance goals established by the Committee, including without limitation goals related to the performance of the Company or any Subsidiary, division, department or other unit of the Company, the performance of the Company's common stock or other securities, the performance of the recipient of the Restricted Stock Award or any combination of the foregoing. A Participant may elect to have Shares withheld from a Restricted Stock Award to satisfy federal or state income tax withholding requirements applicable upon the vesting of Restricted Stock.

Section 3.3. *Restrictions on Transfer.* Unless otherwise provided in the grant relating to a Restricted Stock Award, the Restricted Stock granted to a Participant (whether represented by certificates or in book-entry or other electronic form) shall be registered in the Participant's name or, at the option of the Committee, not issued until such time as the Restricted Stock shall become vested or as otherwise determined by the Committee. If certificates are issued prior to the shares of Restricted Stock becoming vested, such certificates shall either be held by the Company on behalf of the Participant, or delivered to the Participant bearing a legend to restrict transfer of the certificate until the Restricted Stock has vested, as determined by the Committee. The Committee shall determine whether the Participant shall have the right to vote and/or receive dividends on the Restricted Stock before it has vested. Except as may otherwise be expressly permitted by the Committee, no share of Restricted Stock may be sold, transferred, assigned or pledged by the Participant until such share has vested in accordance with the terms of the Restricted Stock Award. Except as provided in Section 3.4 or unless the Restricted Stock Award specifies otherwise, in the event that a Participant ceases to be an Employee before all the Participant's Restricted Stock has vested, or in the event other conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the Award, the shares of Restricted Stock that have not vested shall be forfeited and any purchase price paid by the Participant for the forfeited Shares shall be returned to the Participant. At the time Restricted Stock vests (and, if the Participant has been issued legended certificates for Restricted Stock, upon the return of such certificates to the Company), such vested shares shall be issued to the Participant (or the beneficiary designated by the Participant in the event of death), in certificated or book entry or other electronic form, free of all restrictions.

Section 3.4. *Accelerated Vesting.* Notwithstanding the vesting conditions set forth in a Restricted Stock Award, unless the Restricted Stock Award specifies otherwise:

(a) the Committee may in its discretion at any time accelerate the vesting of Restricted Stock or otherwise waive or amend any conditions of a grant of a Restricted Stock Award, and

(b) in the event that a Participant's employment is terminated without Cause by the Company, a Subsidiary or successor, or is terminated by the Participant for Good Reason, in either case in connection with or within 18 months after a Change in Control, all shares of Restricted Stock held by the Participant immediately prior to such termination shall immediately become vested.

Section 3.5. *Section 83(b) Election*. If a Participant receives Restricted Stock that is subject to a "substantial risk of forfeiture," such Participant may elect under Section 83(b) of the Code to include in his or her gross income, for the taxable year in which the Restricted Stock is received, the excess of the Fair Market Value of such Restricted Stock on the Date of Grant (determined without regard to any restriction other than one which by its terms will never lapse), over the amount paid for the Restricted Stock. If the Participant makes the Section 83(b) election, the Participant shall (a) make such election in a manner that is satisfactory to the Committee, (b) provide the Company with a copy of such election, (c) agree to notify the Company promptly if any Internal Revenue Service or state tax agent, on audit or otherwise, questions the validity or correctness of such election or of the amount of income reportable on account of such election and (d) agree to such federal and state income tax withholding as the Committee may reasonably require in its sole discretion.

ARTICLE IV
RESTRICTED STOCK UNITS

Section 4.1. *Grant of Restricted Stock Unit Awards*. The Committee may from time to time grant Restricted Stock Unit Awards to Eligible Persons.

Section 4.2. *Restricted Stock Units*. A Restricted Stock Unit represents the Company's unsecured and unfunded promise to deliver Shares (or cash equal to the Fair Market Value of the Shares) to a Participant in the future, subject to the satisfaction of applicable vesting conditions and the other terms and conditions of the Plan and the Award.

Section 4.3. *Terms and Conditions of Restricted Stock Unit Awards*. Each Restricted Stock Unit Award shall specify the number of Restricted Stock Units awarded, the price, if any, to be paid by the Participant receiving the Restricted Stock Unit Award, the date or dates on which the Restricted Stock Units will vest and any other terms and conditions that the Committee may determine. The vesting and number of Restricted Stock Units may be conditioned upon the completion of a specified period of service with the Company or its Subsidiaries or upon the attainment of any performance goals established by the Committee, including without limitation goals related to the performance of the Company or any Subsidiary, division, department or other unit of the Company, the performance of the Company's common stock or other securities, the performance of the recipient of the Restricted Stock Unit Award or any combination of the foregoing. Except as provided in Section 4.6 or unless the Award specifies otherwise, in the event that a Participant ceases to be an employee of the Company or a Subsidiary before all the Participant's Restricted Stock Units have vested, or in the event other conditions to the vesting of Restricted Stock Units have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the Award, the Restricted Stock Units that have not vested shall be forfeited and any purchase price paid by the Participant for the forfeited Restricted Stock Units shall be refunded to the Participant.

Section 4.4. *Rights as Stockholder.* A recipient of a Restricted Stock Unit Award shall not have any rights as a stockholder with respect to Shares covered by a Restricted Stock Unit Award until the date, if any, such Shares are issued by the Company; and, except as otherwise provided in Section 4.5, no adjustment for dividends, or otherwise, shall be made if the record date therefor is prior to the date of issuance of such Shares.

Section 4.5. *Dividends*. Dividends and distributions (whether cash, stock or otherwise) on Shares underlying unvested Restricted Stock Units held by a Participant shall not be paid to the Participant, but the value thereof shall be credited by the Company for the benefit of the Participant. At such time as such Restricted Stock Units are settled, all accumulated credits for the value of dividends and distributions attributable to such vested Restricted Stock Units shall be paid to the recipient. Interest shall not be paid on any such credits for dividends or distributions made by the Company for the benefit of a Participant. The Company shall have the option of paying such credits for accumulated dividends or distributions in Shares or cash. If payment is made in Shares, the conversion to Shares shall be at the Fair Market Value on the date of payment. Credits for the value of dividends and distributions made by the Company on unvested Restricted Stock Units shall be forfeited in the same manner and at the same time as the respective Restricted Stock Units to which they are attributable are forfeited.

Section 4.6. A*ccelerated Vesting.* Notwithstanding the vesting conditions set forth in a Restricted Stock Unit Award, unless the Restricted Stock Unit Award specifies otherwise:

(a) the Committee may in its discretion at any time accelerate the vesting of Restricted Stock Units or otherwise waive or amend any conditions of a grant of a Restricted Stock Unit Award, and

(b) in the event that a Participant's employment is terminated without Cause by the Company, a Subsidiary or successor, or is terminated by the Participant for Good Reason, in either case in connection with or within 18 months after a Change in Control, all Restricted Stock Units held by the Participant immediately prior to such termination shall immediately become vested and payable.

Section 4.7. *Retirement Credits*. Unless otherwise provided in a Restricted Stock Unit Award, if a Participant retires as an employee of the Company or a Subsidiary with 80 or more Retirement Credits, the Restricted Stock Units held by the Participant will continue to vest after retirement on the schedule specified in the Restricted Stock Unit Award; provided that, if the Participant takes any action or engages in any activity that is detrimental to the Company, all unvested Restricted Stock Units held by the Participant will automatically be forfeited and the Participant shall cease to have any rights with respect to such Restricted Stock Units. The number of Retirement Credits a Participant has shall equal the sum of (i) the Participant's age in whole years plus (ii) the Participant's whole years of employment with the Company or a Subsidiary, in both cases determined as of the date of retirement. In the event of the death of the Participant after retirement, any unvested Restricted Stock Units that are subject to vesting pursuant to this Section 4.7 shall continue to vest on the schedule specified in the Restricted Stock Unit Award.

Section 4.8. *Settlement of Restricted Stock Units*.

(a) Subject to the satisfaction of any withholding requirements, on the date on which a Restricted Stock Unit becomes vested in accordance with the terms of the Plan, the Participant shall be entitled to one Share or cash equal to the Fair Market Value of one Share, which shall be delivered, transferred or paid as soon as administratively practicable thereafter in exchange for such vested Restricted Stock Unit, after which the Participant shall have no further rights with respect to such Restricted Stock Unit.

(b) The Company shall have the sole discretion to determine whether any settlement of a Restricted Stock Unit will be effected in cash or Shares. If the settlement is effected in Shares, the Company shall cause to be delivered or transferred to the Participant (or the Participant's legal representative or heir) a stock certificate representing the Shares issued in exchange for Restricted Stock Units or shall cause the Shares to be registered on the stock transfer records of the Company in the Participant's name.

(c) (i) Except as provided in Section 4.8(c)(ii) and (iii), in no event shall any delivery of Shares or payment following a Participant's entitlement to such delivery or payment be made later than the March 15th following the end of the calendar year in which the Participant becomes entitled to such delivery or payment.

(ii) Subject to Section 4.8(c)(iii), with respect to Restricted Stock Units granted to a Participant who could reach 80 Retirement Credits prior to the final vesting date for such Restricted Stock Units, in no event shall any delivery of Shares or payment following such Participant's entitlement to such delivery or payment be made later than December 31 of the year in which the vesting date for such Restricted Stock Units occurs.

(iii) Notwithstanding any other provision of the Plan or any Award, if the Participant is a specified employee (within the meaning of Section 409A of the Code), and the Company determines that a payment hereunder is not permitted under Section 409A of the Code at the time set forth herein, no payments shall be made to the Participant due to a separation from service for any reason before the date that is six months after the date on which the Participant incurs a separation from service or, if earlier, the date of death of the Participant.

ARTICLE V
PERFORMANCE AWARDS

Section 5.1. *Terms and Conditions of Performance Awards*. The Committee may from time to time grant Awards that are intended to be "performance-based compensation," which are payable in stock, cash or a combination thereof, at the discretion of the Committee.

(a) Performance Period. The Committee shall establish a Performance Period for each Performance Award at the time such Performance Award is granted. A Performance Period may overlap with Performance Periods relating to other Performance Awards granted hereunder to the same Participant. Unless the Committee determines otherwise, the Committee shall not grant Performance Awards after the date on which the satisfaction of the Performance Objectives becomes substantially certain.

(b) Performance Objectives. The Committee shall establish written performance objectives for the Participant at the time of the grant of each Performance Award. Each Performance Award shall be contingent upon the achievement of the Performance Objectives established by the Committee. Performance Objectives shall be based on earnings, cash flow, economic value added, total stockholder return, return on equity, return on capital, return on assets, revenues, operating profit, EBITDA, net profit, earnings per share, stock price, cost reduction goals, debt to capital ratio, financial return ratios, profit or operating margins, working capital or any combination of the foregoing, for the Company on a consolidated basis or, if applicable, for one or more Subsidiaries, divisions, departments or other units of the Company or one or more of its Subsidiaries.

(c) Amount; Frequency. The Committee shall determine at the time of grant of Performance Awards the target and maximum values of Performance Awards and the date or dates when Performance Awards are earned.

(d) Payment. Following the end of each Performance Period, the holder of each Performance Award will be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Award, based on the achievement of the Performance Objectives for such Performance Period, as determined in writing by the Committee. Unless otherwise provided in the Performance Award, if the Participant exceeds the specified minimum level of acceptable achievement but does not attain the Performance Objectives, the Participant shall be deemed to have partly earned the Performance Award, and shall become entitled to receive a portion of the total award, as determined by the Committee. Unless otherwise provided in the Performance Award, if a Performance Award is granted after the start of a Performance Period, the Performance Award shall be reduced to reflect the portion of the Performance Period during which the Performance Award was in effect.

(e) Termination of Employment. Unless otherwise provided in the Performance Award, a Participant who receives a Performance Award and who ceases to be an Employee as a result of death, Disability or retirement before the end of the applicable Performance Period shall be entitled to receive, to the extent earned as a result of the full or partial achievement of the Performance Objectives during the Performance Period, a portion of the Performance Award that is proportional to the portion of the Performance Period during which the Participant was employed, with payment to be made following the end of the Performance Period. Unless otherwise provided in the Performance Award, a Participant who receives a Performance Award who ceases to be an Employee for any reason other than death, Disability or retirement shall not be entitled to any part of the Performance Award.

(f) Accelerated Vesting. Notwithstanding the vesting conditions set forth in a Performance Award, unless the Performance Award specifies otherwise (i) the Committee may in its discretion at any time accelerate the time at which the Performance Award is considered to have been earned or otherwise waive or amend any conditions (including but not limited to Performance Objectives) in respect of a Performance Award, and (ii) all Performance Awards shall be considered earned upon a Change in Control of the Company. In addition, upon a Change in Control of the Company, unless a Performance Award specifies otherwise, each Participant shall receive the target Performance Award such Participant could have earned for the proportionate part of the Performance Period prior to the Change in Control, and shall retain the right to earn any additional portion of his or her Performance Award if such Participant remains in the Company's employ through the end of the Performance Period.

(g) Stockholder Rights. The holder of a Performance Award shall, as such, have none of the rights of a stockholder of the Company.

(h) Annual Incentive Plan. Cash awards based on the attainment of the performance objectives established under the Company's Annual Incentive Plan may, in the Committee's discretion, be considered Performance Awards granted under the Plan, provided that such awards are subject to the terms and conditions of this Article IV.

ARTICLE VI
ADDITIONAL PROVISIONS

Section 6.1. *Administration of the Plan*.

(a) The Plan shall be administered by the Committee. The Committee shall have the authority to interpret the provisions of the Plan, to adopt such rules and regulations for carrying out the Plan as it may deem advisable, to decide conclusively all questions arising with respect to the Plan, to establish performance criteria in respect of Awards under the Plan, to determine whether Plan requirements have been met for any Participant in the Plan and to make all other determinations and take all other actions necessary or desirable for the administration of the Plan. All decisions and acts of the Committee shall be final and binding upon all affected Participants. To the extent permitted by applicable law, the Committee may delegate authority to administer the Plan to members of the Committee, one or more subcommittees or other committees of the Board. If there is no Committee, the Board shall administer the Plan and in such case all references to the Committee shall be deemed to be references to the Board.

(b) Without limiting the generality of Section 6.1(a), for purposes of Section 2.6 and Section 4.7:

(i) The Committee shall determine in its sole discretion whether an action or activity is detrimental to the Company. Without limiting the immediately preceding sentence, actions or activities detrimental to the Company may include (A) a material breach of any contract between the holder of an Award and the Company or a Subsidiary, (B) any direct or indirect competition with the Company or a Subsidiary or solicitation of employees of the Company or a Subsidiary or (C) performance or acceptance by the holder of an Award of duties to a third party under circumstances that create a material conflict of interest or the appearance of a material conflict of interest, which may include being employed or otherwise engaged by an entity that regulates, engages in transactions with or competes with the Company or a Subsidiary.

(ii) The Committee shall determine in its sole discretion whether a termination of employment constitutes "retirement" for purposes of vesting of any Restricted Stock Units.

(iii) The Committee shall determine in its sole discretion whether prior employment by an acquired company or prior noncontinuous employment by the Company or a Subsidiary shall be counted in calculating the Retirement Credits of the holder of an Award.

Section 6.2. *Adjustments for Changes in Capitalization*. In the event of any (a) stock dividends, stock splits, recapitalizations, combinations, exchanges of shares, mergers, consolidations, liquidations, split-ups, split-offs, spin-offs or other similar changes in capitalization, (b) distributions to stockholders, including a rights offering, other than regular cash dividends, (c) changes in the outstanding stock of the Company by reason of any increase or decrease in the number of issued Shares resulting from a split-up or consolidation of Shares or any similar capital adjustment or the payment of any stock dividend, (d) Share repurchase at a price in excess of the market price of the Shares at the time such repurchase is announced or (e) other similar increase or decrease in the number of the Shares, the Committee, in its sole discretion, shall make appropriate adjustment in the number and kind of shares authorized by the Plan in the number, price or kind of shares or units covered by the Awards and in any outstanding Awards under the Plan. In addition, upon the occurrence of any event described in this Section 6.2, the Committee, in its sole discretion, shall make appropriate adjustment in the limits specified in Section 1.3(b), (c) and (d) so that the effect of such limits is, as nearly as practicable, equivalent to the effect of such limits prior to the event in question, provided that any such adjustment complies with applicable laws and does not cause an award that is intended to satisfy the performance-based compensation exception under Section 162(m) of the Code in effect prior to December 22, 2017 to fail to satisfy the exception. In the event of any adjustment in the number of Shares covered by any Award, any fractional Shares resulting from such adjustment shall be disregarded and each such Award shall cover only the number of full Shares resulting from such adjustment.

Section 6.3. *Compliance With Section 409A***.** Awards shall be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A of the Code. The Plan and each Award under the Plan are intended to meet the requirements of Section 409A of the Code and shall be construed and interpreted in accordance with such intent. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A of the Code, the Award shall be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, including regulations or other guidance issued with respect thereto, such that the grant, payment, settlement or deferral shall not be subject to the additional tax or interest applicable under Section 409A. In addition, to the extent an Award is subject to Section 409A of the Code, payments under such an Award shall be made at such time as is specified in the Plan and the Award. The payment will be made (1) by a date that is no later than the date that is two and one-half (2 1/2) months after the end of the fiscal year in which the Award payment is no longer subject to a substantial risk of forfeiture or (2) at a time that is permissible under Section 409A of the Code such that the payment shall not be subject to the additional tax or interest applicable under Section 409A of the Code.

Section 6.4. *Amendment.*

(a) The Board may amend or modify the Plan in any respect at any time, subject to stockholder approval if required by applicable law or regulation or by applicable stock exchange rules. Such action shall not impair any of the rights of any Participant with respect to any Award outstanding on the date of the amendment or modification without the Participant's written consent.

(b) The Committee shall have the authority to amend any Award to include any provision which, at the time of such amendment, is authorized under the terms of the Plan; however, no outstanding Award may be revoked or altered in a manner unfavorable to the Participant without the written consent of the Participant.

Section 6.5. *Transferability of Awards*. An Award shall not be transferable by the Participant otherwise than by will or the laws of descent and distribution. So long as a Participant lives, only such Participant or his or her guardian or legal representative shall have the right to exercise such Award.

Section 6.6. *Beneficiary*. A Participant may file with the Company a written designation of beneficiary, on such form as may be prescribed by the Committee, to receive any Shares, Awards or payments that become deliverable to the Participant pursuant to the Plan after the Participant's death. A Participant may, from time to time, amend or revoke a designation of beneficiary. If no designated beneficiary survives the Participant, the executor or administrator of the Participant's estate shall be deemed to be the Participant's beneficiary.

Section 6.7. *Non-uniform Determinations*. Determinations by the Committee under the Plan (including, without limitation, determinations of the Eligible Persons to receive Awards, the form, amount and timing of Awards, the terms and provisions of Awards and any agreements evidencing Awards and provisions with respect to termination of employment) need not be uniform and may be made by the Committee selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

Section 6.8. *Duration and Termination.* No awards shall be made under the Plan after April 23, 2022, provided that no Incentive Stock Option shall be granted under the Plan on or after the tenth anniversary of the effective date of the Plan. The Board may suspend, discontinue or terminate the Plan at any time. The suspension, discontinuance or termination of the Plan shall not impair any of the rights of any holder of any Award outstanding on the date of the Plan's suspension, discontinuance or termination without the holder's written consent.

Section 6.9. *Withholding*. Prior to the issuance of any Shares under the Plan, arrangements satisfactory to the Committee in its sole discretion shall have been made for the Participant's payment to the Company of the amount, if any, that the Committee determines to be necessary for the Company or Subsidiary employing the Participant to withhold in accordance with applicable federal or state income tax withholding requirements. If the Committee allows Shares to be withheld from an Award to satisfy such withholding requirements, the amount withheld in Shares shall not exceed the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined. When payments under the Plan are made in cash, such payments shall be net of an amount sufficient to satisfy such withholding requirements.

Section 6.10. *Agreements and Undertakings*. As a condition of any issuance or transfer of Shares, the Committee may obtain such agreements or undertakings, if any, as it may deem necessary or advisable to assure compliance with any provision of the Plan, any agreement or any law or regulation including, but not limited to, the following:

(a) a representation, warranty or agreement by the Participant to the Company that the Participant is acquiring the Shares for investment and not with a view to, or for sale in connection with, the distribution of any such Shares; and

(b) a representation, warranty or agreement to be bound by any restrictions that are, in the opinion of the Committee, necessary or appropriate to comply with the provisions of any securities law deemed by the Committee to be applicable to the issuance of the Shares.

Section 6.11. *Uncertificated Shares.* In lieu of issuing stock certificates for Shares acquired pursuant to the Plan, the Company may issue such Shares in book-entry or other electronic or uncertificated form, unless prohibited by applicable law or regulation or by applicable stock exchange rules.

Section 6.12. *Governing Law*. The Plan shall be governed by the laws of the State of Texas except to the extent that federal law or Nevada corporate law is controlling.

Section 6.13. *Effective Date*. The Plan amends and restates the Existing Plan in its entirety, effective February 19, 2018.

EXHIBIT 21.1

KIRBY CORPORATION
CONSOLIDATED SUBSIDIARIES OF THE REGISTRANT

	Domicile of Incorporation
KIRBY CORPORATION – PARENT AND REGISTRANT	Nevada
SUBSIDIARIES OF THE PARENT AND REGISTRANT	
Kirby Corporate Services, LLC	Delaware
KIM Holdings, Inc.	Delaware
Kirby Terminals, Inc.	Texas
Sabine Transportation Company	Delaware
AFRAM Carriers, Inc.	Delaware
Kirby Distribution & Services, Inc.	Delaware
Kirby Tankships, Inc.	Delaware
Kirby Ocean Transport Company	Delaware
Kirby Offshore Marine, LLC	Delaware
K Equipment, LLC	Texas
Osprey Line, L.L.C. (66 2/3%)	Texas
CONTROLLED CORPORATIONS	
KIM Partners, LLC (Subsidiary of KIM Holdings, Inc.)	Louisiana
Kirby Inland Marine, LP (KIM Holdings, Inc. 1% General Partner, KIM Partners, LLC 99% Limited Partner)	Delaware
Greens Bayou Fleeting, LLC (subsidiary of Kirby Inland Marine, LP)	Texas
Dixie Carriers, Inc. (subsidiary of Kirby Inland Marine, LP)	Texas
San Jac Marine, LLC (subsidiary of Kirby Inland Marine, LP)	Delaware
Kirby Engine Systems LLC (subsidiary of Kirby Distribution & Services, Inc.)	Delaware
Marine Systems, Inc. (subsidiary of Kirby Engine Systems LLC)	Louisiana
Engine Systems, Inc. (subsidiary of Kirby Engine Systems LLC)	Delaware
United Holdings LLC (subsidiary of Kirby Distribution & Services, Inc.)	Delaware
United Engines LLC (subsidiary of United Holdings LLC)	Colorado
UE Manufacturing LLC (subsidiary of United Holdings LLC)	Colorado
Compression Systems LLC (subsidiary of United Holdings LLC)	Colorado
Thermo King of Houston, LP (subsidiary of United Holdings LLC)	Texas
San Antonio Thermo King, Inc. (subsidiary of Thermo King of Houston, LP)	Texas
Kirby Offshore Marine Operating, LLC (subsidiary of Kirby Offshore Marine, LLC)	Delaware
Kirby Offshore Marine Hawaii, LLC (subsidiary of Kirby Offshore Marine Operating, LLC)	Delaware
Kirby Offshore Marine Pacific, LLC (subsidiary of Kirby Offshore Marine Operating, LLC)	Delaware
Kirby Offshore Marine, Inc. (subsidiary of Kirby Offshore Marine Operating, LLC)	Delaware
Inversiones Kara Sea SRL (subsidiary of Kirby Offshore Marine Operating, LLC)	Venezuela
K-Sea Canada Holdings, Inc. (subsidiary of Kirby Offshore Marine, Inc.)	Delaware
K-Sea Canada Corp. (subsidiary of K-Sea Canada Holdings, Inc.)	Nova Scotia
Penn Maritime Inc. (subsidiary of Kirby Offshore Marine, LLC)	Delaware
Stewart & Stevenson LLC (subsidiary of Kirby Distribution & Services, Inc.)	Delaware
Stewart & Stevenson Power Products LLC (subsidiary of Stewart & Stevenson LLC)	Delaware
Stewart & Stevenson Canada Inc. (subsidiary of Stewart & Stevenson LLC)	Canada
Stewart & Stevenson de las Americas Colombia Ltda. (Stewart & Stevenson Petroleum Services LLC 1% General Partner, Stewart & Stevenson LLC 99% Limited Partner)	Colombia
Stewart & Stevenson de Venezuela, S.A. (subsidiary of Stewart & Stevenson LLC) (99.5%)	Venezuela
Stewart & Stevenson Material Handling LLC (subsidiary of Stewart & Stevenson LLC)	Delaware
EMDSI-Hunt Power, L.L.C. (subsidiary of Stewart & Stevenson LLC)	Delaware
Stewart & Stevenson Petroleum Services LLC (subsidiary of Stewart & Stevenson LLC)	Delaware

Stewart & Stevenson Distributor Holdings LLC (subsidiary of Stewart & Stevenson LLC)	Delaware
Stewart & Stevenson Finance LLC (subsidiary of Stewart & Stevenson LLC)	Delaware
Stewart & Stevenson Manufacturing Technologies LLC (subsidiary of Stewart & Stevenson LLC)	Delaware
Stewart & Stevenson Acquisition LLC (subsidiary of Stewart & Stevenson LLC)	Delaware
Stewart & Stevenson Rentals LLC (subsidiary of Stewart & Stevenson LLC)	Delaware
Stewart & Stevenson FDDA LLC (subsidiary of Stewart & Stevenson LLC)	Delaware
Transmissions Y Embragues, S.A. (subsidiary of Stewart & Stevenson de Venezuela, S.A.)	Venezuela
Stewart & Stevenson Hong Kong Limited (subsidiary of Stewart & Stevenson Petroleum Services LLC)	Hong Kong
Higman Marine, Inc. (subsidiary of Kirby Inland Marine, LP) (1)	Delaware
Higman Barge Lines, Inc. (subsidiary of Higman Marine, Inc.) (1)	Delaware
Higman Marine Services, Inc. (subsidiary of Higman Marine, Inc.) (1)	Delaware
Higman Service Corporation (subsidiary of Higman Marine, Inc.) (1)	Delaware
Alamo Barges Lines, LLC (subsidiary of Kirby Inland Marine, LP) (1)	Delaware
16530 Peninsula Blvd. LLC (subsidiary of Kirby Inland Marine, LP) (1)	Texas
Empty Barge Lines, Inc. (subsidiary of Kirby Inland Marine, LP) (1)	Texas
Empty Barge Lines II, Inc. (subsidiary of Kirby Inland Marine, LP) (1)	Texas
Empty Barge Lines III, Inc. (subsidiary of Kirby Inland Marine, LP) (1)	Texas
EBL Marine I LLC (subsidiary of Kirby Inland Marine, LP) (1)	Texas
EBL Marine II LLC (subsidiary of Kirby Inland Marine, LP) (1)	Texas
EBL Marine III LLC (subsidiary of Kirby Inland Marine, LP) (1)	Texas
Hollywood Chem 107, Ltd (90.8%)	Texas
Hollywood Chem 108, Ltd (93.1%)	Texas
Hollywood 1004-7, Ltd (90.8%)	Texas
Hollywood 1008-14, Ltd (93.1%)	Texas
Hollywood 3009-14, Ltd (93.1%)	Texas
(1) Acquired February 14, 2018	

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Kirby Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-57625, No. 333-72592, No. 333-129290, No. 333-129333, No. 333-152565, No. 333-152566, No. 333-184598 and No. 333-184599) on Form S-8 and (No. 333-220974 and No. 333-222858) on Form S-3 of Kirby Corporation and consolidated subsidiaries of our reports dated February 26, 2018, with respect to the consolidated balance sheets of Kirby Corporation as of December 31, 2017 and 2016, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2017, which reports appear in the December 31, 2017 annual report on Form 10-K of Kirby Corporation and consolidated subsidiaries.

Our report dated February 26, 2018, on the effectiveness of internal control over financial reporting as of December 31, 2017 contains an explanatory paragraph that states the Company acquired Stewart & Stevenson during 2017, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, Stewart & Stevenson's internal control over financial reporting associated with total assets of $901 million and total revenues of $232 million included in the Company's consolidated financial statements as of and for the year ended December 31, 2017. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Stewart & Stevenson.

/s/ KPMG LLP

Houston, Texas
February 26, 2018

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the filing of the report on Form 10-K for the year ended December 31, 2017 by Kirby Corporation, David W. Grzebinski certifies that:

1. I have reviewed this report on Form 10-K of Kirby Corporation (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ DAVID W. GRZEBINSKI

David W. Grzebinski
President and Chief Executive Officer

Dated: February 26, 2018

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the filing of the report on Form 10-K for the year ended December 31, 2017 by Kirby Corporation, David W. Grzebinski certifies that:

1. I have reviewed this report on Form 10-K of Kirby Corporation (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ DAVID W. GRZEBINSKI

David W. Grzebinski
Chief Financial Officer

Dated: February 26, 2018

EXHIBIT 32

Certification Pursuant to Section 18 U.S.C. Section 1350
(As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the filing of the Annual Report on Form 10-K for the year ended December 31, 2017 (the "Report") by Kirby Corporation (the "Company"), each of the undersigned hereby certifies that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID W. GRZEBINSKI
David W. Grzebinski
President and Chief Executive Officer

/s/ DAVID W. GRZEBINSKI
David W. Grzebinski
Chief Financial Officer

Dated: February 26, 2018